



Australian Government

Defence

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

INQUIRY INTO THE 2020-21 AND 2021-22 DEFENCE MAJOR PROJECTS REPORTS

Department of Defence
Submission

April 2023

Introduction and Overview

Defence is grateful for the opportunity to provide this submission to the Joint Committee on Public Accounts and Audit (the Committee) in consideration of the 2020-21 and 2021-22 Defence Major Projects Reports (MPR). This submission is intended to provide the Committee with information in consideration of the Committee's Terms of Reference for this inquiry.

Defence acknowledges the extensive work of the Australian National Audit Office (ANAO) and Defence staff in preparing the MPR each year. Work is well advanced on the next iteration, the 2022-23 report.

2020-21 and 2021-22 Defence Major Projects Reports

The 2021-22 MPR considered 21 Major Projects with a total approved budget of approximately \$59.0 billion, covering 45 per cent of the \$130.5 billion budget for active major and minor capital equipment projects.

The 2020-21 MPR considered 21 Major Projects with a total approved budget of approximately \$58.0 billion, covering 48 per cent of the total budget of active major and minor capital equipment projects of \$121.6 billion.

JCPA Report 489 – Defence Major Projects Report 2019-20

Report 489 – Defence Major Projects Report 2019-20 made five recommendations. A Government Response was provided on the five recommendations on 9 September 2022. An update on the two open recommendations where the Government Response forecasted that activities were planned to occur is below.

Projects of Concern. Recommendation Two relates to the Projects of Concern process, including exit and entry criteria. On 6 March 2023, Defence introduced the 'Delivery Group Performance Management and Reporting, and Management of Projects of Interest and Concern Policy' (CASG Project Management Policy 007). The policy applies to Groups and Services sponsoring or delivering projects, products and support services.

The purpose of the policy is to strengthen the arrangements for performance management and reporting, and has been developed in direct response to the Government's direction to strengthen and revitalise the Projects of Concern regime. The policy introduces a consistent Defence approach for the management and coordination of performance monitoring and reporting for acquisition, sustainment and support activities. It provides specific guidance on the identification of, and response to, underperformance, through a tiered system of elevation, enabling timely advice to the relevant decision makers, and the prompt remediation planning for projects and products.

Outcomes of the Smart Buyer activity conducted on the MPR process. Recommendation Five relates to reform opportunities for the MPR. In response, Defence conducted a Smart Buyer Review of the MPR process in 2021. The Smart Buyer Review noted that the broad structure and content of the MPR has not changed since its inception in 2007. It recommended some incremental changes which Defence and the ANAO have either completed, such as the inclusion of a Glossary, or are continuing to work through, such as automation of data collection. The Review also suggested that Defence should work with ANAO and the Committee over the longer term to improve efficiency and effectiveness of the MPR, including

by considering overseas examples. As an example of variation in approach, the US equivalent report covers approximately six times as many acquisition projects and is around half the size of MPR.

Opportunities to improve the Major Projects Report

Defence welcomes the opportunity to design a more contemporary and accessible report that meets the expectations for public transparency and presentation of information. This should also focus on streamlining production of the MPR to ensure it is repeatable, evidenced based and efficient.

The following aspects could be considered by the Committee:

Public reporting. The performance of Defence's top 30 projects is reported publicly through the Portfolio Budget Statements, Portfolio Additional Estimates Statements and the Defence Annual Report. Defence's project performance features in engagements with the Senate Standing Committee and the Joint Standing Committee for Foreign Affairs, Defence and Trade. This reporting is supplemented by private briefings by Defence officials on classified matters.

Audit. Defence major projects are subject to ANAO Performance Audits, which are a thorough and detailed assessment of project performance and are reported publicly. There are instances where Defence major projects are subject to both an MPR Limited Assurance Review and an ANAO Performance Audit at the same time, and the workload to support ANAO activities can be high.

Accessibility and readability. Defence has worked closely with the ANAO to make iterative improvements to the MPR, particularly to improve the readability and accessibility of the report as recommended by the Committee. However, there are opportunities to make the report more accessible and efficient. For example, the average Project Data Summary Sheet is around 10 to 12 pages long.

Resources and schedule. Defence has previously calculated the cost of personnel effort for Defence and ANAO to produce the MPR at close to \$5 million annually. Defence assigns a small number of Australian Public Servants to managing the MPR process. The workload and schedule for producing and tabling the MPR is high and the report is often tabled late.

Scope of MPR. As a Limited Assurance Activity, the MPR combines elements of a number of auditing approaches. Defence would welcome Committee consideration of the scope and evidence requirements and mapping of information for assurance, to ensure the MPR meets the intent of a Limited Assurance Activity. Defence acknowledges the complexity of Defence programs and would welcome consideration of the role of any specialist assurance practitioners in the MPR.

Consideration of the security environment

In the current security environment, the safeguarding of capability information has become critically important. Increasingly, information in the public domain is able to be automatically collated and synthesised to provide a view of Defence capabilities and potential gaps. For this reason, Defence will continuously need to assess the types of information that should be included in reporting. Consideration will need to be given to whether particular information is suitable for release.

The MPR is the most detailed aggregate of performance information across a collective group of Defence projects in the public domain. As the MPR is externally reported, it must take into account national security considerations. This includes the ability of foreign actors to consolidate information in the public domain to gain insights into Defence capabilities and potential capability gaps.

Defence considers that national security, balanced with the need for transparency, should be a key driver in a review of the classification and scope of the MPR.

Defence welcomes the Committee's consideration of this aspect.