

QUESTIONS ON NOTICE – COMMITTEES

Joint Committee of Public Accounts and Audit

JCPAA Defence Major Projects Hearing – 13 March 2013

Realisation of contingency into project expenditure

Senator Bishop asked on Wednesday 13 March 2013, Hansard page 4:

Mr King: I do not want to create a situation that I then let you down on, but I think we could look at—and I would have to think this through—how we would disclose taking contingency and moving it into actual expenditure. I would not like you to have the feeling that you may have, that it is a slush fund of money that we just sit out there. ... I could take on the task of having a good look at how we might be able to report to you the realisation of contingency into project expenditure and try to come back with something that meets your needs without it being excessive management overhead. Would that be of any help?

Senator MARK BISHOP: It may or may not be. I am not suggesting that the accessing—

CHAIR: From my point of view, I think it is worth pursuing and would be of value.

Senator MARK BISHOP: I am not so sure that it is.

CHAIR: Well, from a formal committee point of view, we would appreciate that feedback.

Response:

Defence has examined how it might provide the Committee with greater visibility on the realisation of contingency into project expenditure. Defence is still firmly of the view that any public disclosure of contingency information at the Project level would jeopardise the Commonwealth's commercial position and as such, is not in position to publish in the Major Projects Report or discuss publicly on Hansard any project level contingency data.

However, this level of information is provided to the ANAO and examined in detail as part of the Major Projects Report. The ANAO's review of each project's contingency log should provide the Committee, and Parliament, the assurance that any contingency budget expended is done so in accordance with Commonwealth legislation and regulations. In the 2011-12 Major Projects Report Defence also added the project cost assurance statement in each of the Project Data Summary Sheets (PDSSs), this statement also covers the contingency budget.

It should be noted that as at 30 June 2012, the total contingency allocated across the 29 projects in the Major Projects Report represented only 2.3 per cent of the total approved project budgets.