



16 JUN 2010

**The Hon Greg Combet AM MP
Minister for Defence Materiel and Science**

Ms Sharon Grierson MP
Chair
Joint Committee on Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

8 JUN 2010

Dear Ms Grierson 

I write concerning the 416th Report (the Report) of the Joint Committee on Public Accounts and Audit - *Report 416: Review of the Major Projects Report 2007-08*.

I enclose a copy of the Australian Government's response to the Report's recommendations and a minute from the Secretary of Defence, Dr Ian Watt AO, to Mr Russell Chafer, Committee Secretary, which advises that the Report's recommendations are administrative in nature.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to read 'Greg Combet'.

GREG COMBET
Encl



MINUTE

Australian Government
Department of Defence

Dr Ian Watt AO
Secretary

SEC/OUT/2010/146

Mr Russell Chafer
Committee Secretary
Joint Committee on
Public Accounts and Audit

1. I am writing to you in response to the 416th Report (the Report) of the Joint Committee on Public Accounts and Audit - *Report 416: Review of the Major Projects Report 2007-08*. I apologise for the delay in responding.
2. The five recommendations outlined in the Report all relate to matters which are the responsibility of Defence. In accordance with the guidance from the Department of Finance and Deregulations, I can advise you that I consider all five recommendations can be categorised as 'administrative' rather than 'policy' in nature.
3. Should you require further information on this matter my point of contact is Ms Karen Creet, Assistant Secretary Ministerial and Executive Support, who can be contacted on 02 6265 4414 or via email at Karen.Creet@defence.gov.au.

A handwritten signature in black ink, appearing to be 'I J Watt'.

I J Watt
Secretary

27 May 2010

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REVIEW OF THE MAJOR PROJECTS REPORT 2007-08

RECOMMENDATIONS

Recommendation 1

That all Major Projects Reports from the year 2009-10 onwards contain a section that clearly outlines the lessons learned on MPR projects which are systemic and interrelated in nature. This section must include plans for how the lesson learned will be incorporated into future policy and practice. This section is in addition to Section 5 in the PDSSs (i.e., 'Lessons Learned') which should still contain descriptions of lessons learned that are unique to the individual projects and how they will be incorporated into future policy and practice across the DMO. Section 5 of the PDSSs should also include cross-referencing to the systemic issues where relevant to individual projects.

Response

Agreed.

Progress made in the 2008-09 MPR has addressed some aspects of this recommendation and provides a basis to further refine and integrate lessons learned data across the MPR's report narratives and PDSS suite. Part 2 Chapter 3, Page 122 – 'Project Lessons Learned in the 2008-09 DMO MPR' establishes a historical baseline of lessons learned (of a systemic nature) over the life of the projects, and also advises which of the systemic lessons learned are attributable to which project.

The systemic lessons learned in the 2008-09 MPR are identified as: Requirements Management; First of type Equipment; Off-The-Shelf-Equipment; Contract Management; and Schedule Management. Each of these systemic lessons is broken down into the following detail.

- **Lesson:** Contextual detail explaining the nature of the issue (lesson).
- **Implementation:** Outlines the measures taken by DMO to remediate the systemic issues (lessons) and corresponding update to, or introduction of, policy and processes as it relates to each particular lesson.

Although the 2008-09 MPR provides a solid baseline on systemic issues and lessons learned, the DMO will, where possible, introduce an appropriate level of cross-referencing of individual project lessons learned. For example, it is intended to cross-reference Section 5 of the PDSS suite, to the systemic lessons learned contained in the body of the report – Part 2 Chapter 3 'Project Lessons Learned in the 2008-09 DMO MPR'.

Recommendation 2

That all Major Projects Reports from the year 2009-10 onward provide a breakdown of maturity scores against the following seven attributes in project data: Schedule; Cost; Requirement; Technical understanding; Technical difficulty; Commercial; Operations and support. Additionally, all Major Projects Reports from the year 2009-10 onward provide a succinct and straightforward explanation of how the DMO determines the benchmark, as opposed to the maximum, maturity score.

Response

Agreed.

The 2008-09 MPR has addressed and implemented this recommendation. An explanation of the DMO's 'Project Maturity Score' system is explained at Part 2 Chapter 1, Page 55 – 'Project Maturity Scores' and further expansion of the Maturity Score benchmark will be provided in the 2009-10 MPR. The Appendix 2 'Project Maturity Score Attributes' table at Page 264 also provides explanatory detail against each maturity score attribute.

At the individual project level, Section 1.6 – 'Project Maturity Score and Benchmark' of the PDSS suite presents the actual 'Current' and 'Benchmark' score for the seven attributes of a projects' maturity score, and provides further contextual information designed to explain the variance, if any, between the 'Current' and 'Benchmark' scores.

The DMO will continue to report project maturity scores in the manner presented in the 2008-09 MPR for future MPRs.

Recommendation 3

That the Defence Materiel Organisation provide a traffic light analysis of the percentage breakdown of Capability Measures of Effectiveness for each project. This traffic light analysis should be included in each MPR from 2009-10 onward until such time as the DMO is able to replace this analysis with unclassified and standardised capability achievement information.

Response

Agreed.

The DMO has developed an approach whereby a traffic light analysis, represented in the form of a 'pie chart', be incorporated in each individual projects' PDSS from the 2009-10 MPR onwards. A project 'pie chart' will provide a percentage breakdown of the Measures of Effectiveness (MOEs) identified in the respective Materiel Acquisition Agreement (MAA). The pie chart analysis will be broadly based on the following parameters at 30 June each year.

- **Red:** MOEs that are unlikely to be met.
- **Amber:** MOEs that are under threat but still considered as manageable.
- **Green:** MOEs for which there is a level of confidence that they will be met.

The DMO will work to continually improve (on an incremental basis) the utility of Project Capability information underpinned by a standard set of unclassified capability MOEs and supporting data.

Recommendation 4

That no later than 31 August each year, the ANAO and the DMO will consult the Committee on the projects to be included in and, where appropriate, excluded from, the following year's MPR.

Response

Agreed.

The JCPAA's requirement that it be consulted by no later than 31 August each year provides sufficient lead time to undertake preparations for the following year MPR Program.

Business Rules governing the inclusion and removal of projects, underpinned by a set of robust project entry and exit criteria (based largely on previous advice to the JCPAA and outlined under pages 18 and 19 of Report 416), have been developed by the DMO in consultation with the ANAO, and are incorporated within the MPR Work Plan. The JCPAA will be consulted on the development and agreement of the MPR Project Listing Business Rules.

Recommendation 5

That where possible the order of presentation of the projects will remain consistent across the Major Projects Report.

Response

Agreed.

The 2008-09 MPR has addressed this recommendation whereby the order of project presentation and analysis across the (a) Part 1 ANAO Overview Tables and Graphs; (b) Part 2 DMO Executive Summaries and Longitudinal Analysis; and, (c) Part 3 PDSS suite, are consistently ordered from largest to smallest approved budget. DMO management of the MPR program will also ensure consistency in the presentation of projects for future MPRs.