



**Stephen Smith MP  
Minister for Defence**

Mr Robert Oakeshott MP  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2600

24 JAN 2012

*RS*  
Dear Mr Oakeshott

Thank you for your letter of 7 December 2011 concerning the Government Response to the Joint Committee of Public Accounts and Audit *Report 422: Review of the 2009-10 Defence Materiel Organisation Major Projects Report*.

I am advised that the revised Financial Performance Reporting methodology will be provided to the Committee no later than 23 January 2012. With regard to the Committee's request for a response date of 31 August 2011 for recommendation 7, I would note that the Government Response was required within a timeframe of six months and I understand that this was achieved. However, I have advised the Department of Defence that future submissions should be provided in a timely manner.

As you will receive the revised Financial Performance Reporting methodology by 23 January 2012, I am comfortable for the Committee to meet privately with Defence officials to discuss the revised methodology during its planned meeting on 8 February 2012.

With regard to recommendations 3 and 8, Defence considers that the Government Response accurately reflects the policy requirements that were introduced as a result of Defence Committee approval in February 2010 of Initial and Final Materiel Release milestones to recognise the materiel element of capability in achieving Final Operational Capability. Defence explanations at the public hearing on 21 March 2012 should assist the Committee's understanding of the Government Response to recommendations 3 and 8.

The Major Projects Report was tabled later than previous reports. The additional six projects and deliberations regarding the revised Financial Performance Reporting methodology contributed to the delay, as did discussions regarding the base date dollar calculations for three projects and undertakings for the remaining base date dollar calculations. However, with the Committee's consideration of the revised Financial Performance Reporting methodology, I do not expect that the delays experienced in this instance will be repeated for the 2011-12 Major Projects Report.

Yours sincerely

*Best wishes*

Stephen Smith