



Auditor-General for Australia



31 March 2011

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

Dear Mr Oakeshott

### **Major Projects Report - JCPAA hearing of 28 February 2011**

During the Committee's hearing of 28 February 2011 on the Major Projects Report (MPR), the ANAO and Defence Materiel Organisation (DMO) undertook to provide the Work Plan which incorporates the Guidelines for the production of the 2010–11 MPR to the Committee for review and endorsement, if you agree.

The Work Plan for the 2010–11 MPR is attached (Appendix A) and includes 11 projects which are expected to report on base date dollars and current dollars for expenditure (Section 2.2 of the Guidelines —Attachment A to Appendix A) in the 2010–11 MPR; the remaining 17 projects will only disclose current dollars expenditure.

Both the ANAO and DMO agree this is a reasonable position having regard to the costs and benefits of seeking to establish the base date dollar information for projects where records are not readily available.

Additional changes to note include the removal of Measures of Effectiveness (MOEs) from Materiel Acquisition Agreements (MAAs) to be replaced with Materiel Release milestones (Materiel Elements of Capability) and the inclusion of the progress towards Initial Materiel Release (IMR) / Final Materiel Release (FMR), in conjunction with Initial Operational Capability (IOC) and Final Operational Capability (FOC).

While there has been little other substantive change considered necessary, the DMO, in conjunction with the ANAO, has focused on refining the Project Data Summary Sheets (PDSSs) —Attachment B to Appendix A— to provide more concise reporting and to improve the flow of information. Specifically this has been achieved by the following:

- Project Management moved to Section 8 (previously Section 1.1) and reduced to Line Management within 2010–11 (i.e. no historical data);
- Project Maturity Score and Benchmark is now Section 6.1 (previously Section 1.6);
- Materiel Capability Performance is now Section 4 (previously Section 3.5);
- Word limits imposed to reduce the length of the narrative; and
- Removal of duplication of contract and other summary information.

I also draw your attention to some other matters that the Committee discussed at our recent hearing, including:

- consideration of exit criteria for projects reported in the MPR;
- consideration of whether Projects of Concern should be included automatically within the MPR; and
- advice as to when an assessment by DMO on out-turned dollar reporting can be completed.

#### *Exit criteria for MPR projects*

Final Operational Capability (FOC), which is the point when the capability is available for active service, continues to be considered the logical end point at which projects would qualify for removal from the MPR, as currently acknowledged in paragraph 1.8 of the Work Plan. By way of background, in February 2010 the Defence Committee (Departmental) agreed to the adoption of the concepts of Initial Materiel Release (IMR) and Final Materiel Release (FMR) to clearly and explicitly define the mechanisms where the materiel element of capability is formally transferred from the DMO to the Capability Manager. This change acknowledges that achievement of FOC is the responsibility of the Capability Manager (and not the DMO), and includes the addition of items such as training for pilots, and completion of aircraft hangers, which are part of the Fundamental Inputs to Capability.

DMO is commencing an analysis of the difference in scale, size and incidence of requirements to be completed between FMR and FOC. However, as the Committee has previously had interest in all facets of projects, we consider that there is value in the reporting of a project through FMR to FOC; noting that it is open to the Committee to reassess a project's inclusion in any year. The attached Guidelines provide for both FMR and FOC to be reported.

#### *Inclusion of Projects of Concern in the MPR*

Of the current 12 Projects of Concern announced by Minister for Defence, the Hon Stephen Smith MP and Minister for Defence Materiel, the Hon Jason Clare MP on 26 November 2010, six of these projects are reported in the MPR. The remaining six Projects of Concern that are not reported in the MPR, did not meet the MPR selection criteria (see Appendix B). Appendix C contains a list of the Projects of Concern, with some comments on the six projects currently excluded from the MPR.

Areas for consideration when assessing whether to include Projects of Concern in the MPR include:

- the impact on the longitudinal analysis that is currently performed by both the DMO and the ANAO;
- whether the project is only reported for the length of time the project remains a Project of Concern or for the length of the project; and
- the potential number of projects to be included in the MPR, should the Projects of Concern list exceed the 12 projects currently reported.

Additionally, the focus of reporting for the MPR may not address elements the Committee would expect to see in a report focusing specifically on Projects of Concern.

Against this background, we suggest that the Committee be informed each year of those Projects of Concern that are not included in the list of projects to be reported in the MPR, and the Committee would then be in a position to seek any additional reporting on these projects on a shorter term basis than would be the case for MPR projects.

Under this proposed approach, consideration would also need to be given by the Committee to any possible commercial sensitivities attached to such reporting.

#### *Out-turned dollar reporting*

You will recall that during the hearing DMO agreed to continue reporting base date dollars for the 2010–11 MPR for agreed projects, with a view to exploring the option of out-turned dollar reporting in subsequent years. As such, we flagged that we would work to explore out-turned dollars as an alternative, on the basis that when reporting financial performance, the Committee is able to make viable and meaningful comparisons between budget and expense.

The reason for exploring the change is because out-turning has been applied across all DMO project budgets from 1 July 2010, however as all projects to be included in the 2010–11 MPR were approved in base date dollars (constant dollars) it may be more effective to allow older projects to report in that manner until project closure. DMO has agreed to provide a comprehensive proposal for the transition to a new arrangement and our subsequent review, so that we will be able to provide the Committee with (desirably) a common view by August this year, which will align with the process for project selection for the 2011–12 MPR.

#### *Concluding comments*

We would be happy to discuss these matters with you or your staff. The relevant ANAO contact officer is Mr Michael White who can be contacted on 02 6203 7393.

The Committee's early endorsement of the Guidelines would be appreciated, to assist the facilitation of the compilation and review process for this year.

Yours sincerely



Ian McPhee  
Auditor-General

#### Appendices:

- A. DMO 2010-11 Major Projects Report Work Plan (incorporating the Guidelines)
  - Attachment A. Guidelines for the Development of the PDSS
  - Attachment B. Project Data Summary Sheet Template
- B. Major Projects Report Selection Criteria
- C. Projects of Concern Breakdown



Australian Government  
Department of Defence  
Defence Materiel Organisation

## **DMO 2010-11 MAJOR PROJECTS REPORT**

### **WORK PLAN**

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## Introduction

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1.1 The Defence Materiel Organisation (DMO) 2010-11 Major Projects Report (MPR) will form part of the Australian National Audit Office's (ANAO) 2010-11 MPR which is to be tabled in Parliament by the Auditor-General. It reports on the performance of selected major capital acquisition projects managed by the DMO. The summary project data in the DMO report is prepared by the DMO and reviewed by the ANAO.<sup>1</sup>

1.2 The projects selected for reporting are proposed by the DMO following criteria agreed with the Joint Committee of Public Accounts and Audit (JCPAA), and in consultation with the ANAO. The 2007-08 MPR reported on nine projects followed by the 2008-09 MPR reporting on 15 projects and the 2009-10 MPR reporting on 22 projects. The 2010-11 MPR will report on 28 projects, endorsed by the JCPAA, and aims to build up to 30 projects in future years.

1.3 The project data is prepared by the DMO and presented by way of Project Data Summary Sheets (PDSSs) supported by appropriate evidence. The CEO DMO is responsible for ensuring that the PDSSs are prepared in accordance with the Work Plan<sup>2</sup>, endorsed by the JCPAA, and for ensuring that the PDSSs and supporting evidence provided to the ANAO for review are complete and accurate.

1.4 The ANAO will review the PDSSs in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information*. The ANAO's review of the PDSSs is designed to enable the ANAO to obtain sufficient appropriate evidence to form a conclusion that nothing has come to the ANAO's attention which indicates that the information in the PDSSs, that is within the scope of the review, has not been prepared, in all material respects, in accordance with the Work Plan.

1.5 This Work Plan addresses the following aspects of the 2010-11 MPR Program:

- (a) define the criteria for project selection and provide the list of projects selected for the 2010-11 MPR;
- (b) define the roles and responsibilities of the DMO in the production and review of the DMO 2010-11 MPR;
- (c) provide the guidelines for producing the PDSSs (Attachment A);
- (d) provide the PDSS Template (Attachment B to the Work Plan); and
- (e) provide an indicative Program Schedule in support of a mid November 2011 Tabling (Attachment C to the Work Plan).

1.6 Each year the MPR Work Plan will be reviewed and amended to reflect lessons learned by the DMO in order to improve the management of the MPR processes. This MPR Work Plan has been prepared by the DMO in consultation with the ANAO.

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<sup>1</sup> The ANAO will append a summary of its review and analysis to the DMO 2010-11 MPR, and its formal review conclusion, to form the ANAO's 2010-11 MPR.

<sup>2</sup> The Work Plan which incorporates the Guidelines for the Development of the Project Data Summary Sheets (Attachment A).

## Selection of projects for the 2010-11 MPR

1.7 The inclusion of projects in the MPR is based on the projects included in the Defence Capability Plan and subject to the following criteria:

- (a) projects only admitted one year after Year of Decision;
- (b) a total approved project budget of > \$150m;
- (c) a project should have at least three years of asset delivery remaining;
- (d) a project must have at least \$50m or 10% (whichever is greater) of their budget remaining over the next two years;
- (e) a maximum of eight new projects in any one year; and
- (f) all projects for inclusion in the MPR will be proposed by the DMO in consultation with ANAO, based on the above criteria, and provided to the JCPAA, by 31 August in the year to which the MPR relates, for endorsement.

1.8 Projects which have achieved both Final Materiel Release (FMR) and Final Operational Capability (FOC) have therefore gained acceptance by the Capability Managers and would be expected to be removed from subsequent MPRs.

1.9 The JCPAA has endorsed the following six new projects for inclusion in the 2010-11 MPR:

- (a) New Air Combat Capability – AIR 6000 Phase 2;
- (b) SM-1 Missile Replacement – SEA 1390 Phase 4B;
- (c) Additional Chinook Helicopter – AIR 9000 Phase 5C;
- (d) UHF SATCOM – JP 2008 Phase 5A;
- (e) Battle Management System – LAND 75 Phase 3.4; and
- (f) Artillery Replacement 155mm Howitzer – LAND 17 Phase 1A.

1.10 The following 22 'repeat' projects appeared in the 2009-10 MPR and will be updated for the 2010-11 MPR:

- (a) Air Warfare Destroyer – SEA 4000 Phase 3;
- (b) Airborne Early Warning and Control Aircraft – AIR 5077 Phase 3;
- (c) Multi Role Helicopter – AIR 9000 Phase 2, 4 & 6;
- (d) Bridging Air Combat Capability – AIR 5349 Phase 1;
- (e) Field Vehicles and Trailers – LAND 121 Phase 3;
- (f) Amphibious Deployment and Sustainment – JP 2048 Phase 4A/4B;
- (g) Armed Reconnaissance Helicopter – AIR 87 Phase 2;
- (h) F/A-18 Hornet Upgrade – AIR 5376 Phase 2;
- (i) Air to Air Refuelling Capability – AIR 5402;
- (j) C-17 Heavy Airlifter – AIR 8000 Phase 3;
- (k) Guided Missile Frigate Upgrade – SEA 1390 Phase 2.1;
- (l) Hornet Structural Refurbishment – AIR 5376 Phase 3.2;
- (m) Bushmaster Protected Mobility Vehicle – LAND 116 Phase 3;
- (n) Next Generation Satellite Program – JP 2008 Phase 4;

- (o) High Frequency Modernisation – JP 2043 Phase 3A;
- (p) Armidale Class Patrol Boat – SEA 1444 Phase 1;
- (q) Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2B;
- (r) Collins Replacement Combat System – SEA 1439 Phase 4A;
- (s) New Heavyweight Torpedo – SEA 1429 Phase 2;
- (t) Collins Reliability and Sustainment – SEA 1439 Phase 3;
- (u) Follow-on Stand Off Weapon – AIR 5418 Phase 1; and
- (v) Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2A.

1.11 The format of the PDSS is contained at Attachment B to the Work Plan.

### **DMO's Roles and Responsibilities**

1.12 The DMO will develop projects' PDSS for the ANAO's review. The DMO Chief Audit Executive (CAE) has overall management responsibility for the MPR and is the key point of contact for the ANAO's senior leadership team. The DMO's General Manager Systems is the DMO Executive team leader and the Business Process Owner for the MPR.

1.13 The DMO is responsible for ensuring information of a classified nature is made available to the ANAO for review, as it relates to the data contained within the PDSSs. Data of a classified nature is to be prepared in such a way as to allow for unclassified publication.

1.14 The CAE has appointed a Director to manage the MPR process directly with the ANAO's MPR team at the operational level.

1.15 DMO positions, roles and responsibilities in relation to the MPR are as shown in Table 1.

**Table 1: DMO MPR Positions, Roles and Responsibilities**

<b>Position</b>	<b>Role</b>	<b>Responsibility</b>
General Manager Systems (GMS)	Business Process Owner	<ul style="list-style-type: none"> <li>• Executive direction in DMO</li> </ul>
Chief Audit Executive (CAE)	DMO accountability for the MPR	<ul style="list-style-type: none"> <li>• Liaison with ANAO Senior Management</li> <li>• Advice to GMS and CEO</li> <li>• Guidance to Director MPR</li> <li>• Clearance of DMO MPR</li> </ul>
Director MPR	MPR management, coordination, and liaison	<ul style="list-style-type: none"> <li>• Responsible for the overall coordination, preparation and achievement of DMO MPR outcomes</li> <li>• Guidance and direction to project offices</li> <li>• Manage the 2010-11 MPR Program with ANAO MPR team</li> <li>• Configuration management of MPR and PDSS suite</li> <li>• Review of PDSSs and Evidence Packs to ensure completeness and accuracy</li> <li>• MPR schedule management</li> <li>• Development of DMO elements of MPR</li> </ul>

## Appendix A

Project Directors/Managers	PDSS development and generation of Evidence Packs	<ul style="list-style-type: none"> <li>• Develop and produce PDSS and associated Evidence Packs</li> <li>• 100% Review of PDSS and Evidence Packs to ensure completeness and accuracy</li> <li>• Actively engage the ANAO MPR team in its reviews of the PDSS</li> </ul>
Director Capital Equipment Investment Program	Provision and coordination of corporate budget information	<ul style="list-style-type: none"> <li>• Provide relevant budget data as indicated in the PDSSs</li> <li>• Assist ANAO team in their reviews of budget data</li> </ul>
Executive line management	Assurance	<ul style="list-style-type: none"> <li>• Assurance of PDSS data and content of the DMO element of the MPR</li> </ul>

### MPR Process

1.16 The DMO has developed an indicative schedule of the MPR program in consultation with the ANAO – contained at Attachment C to the Work Plan. The schedule will provide for a site visit period prior to the end of the financial year for the ANAO to conduct PDSS reviews of all projects. A second period will be set aside after the end of the financial year for reviewing completed PDSSs.

1.17 The DMO will provide full access to the ANAO to make enquiries and examine the systems, processes and documentation used by the DMO to generate PDSS data, which will be facilitated by the Director MPR.

1.18 Normally, at least five working days prior to the commencement of a project site visit, the Director MPR will provide the ANAO with a DMO reviewed copy of the PDSS together with the relevant evidence pack. The evidence pack will be appropriately structured for ease of reference to the PDSS, for ANAO review. The PDSS and evidence pack will be provided in soft copy or, where soft copy is not possible, in hard copy.

1.19 Contractors named within a PDSS will be consulted before the DMO finalises the PDSS. In accordance with natural justice provisions, the aim of the consultation is to provide the contractor with an opportunity to comment on relevant extracts from a project's PDSS. The DMO and ANAO will seek contractor's comments in relation to errors or misstatements in the PDSS. The DMO may wish to have regard to contractors' comments received within specified reasonable time limits. The DMO will also keep the ANAO apprised on how the DMO intends to deal with the contractors' response in the PDSS.

1.20 The ANAO may also directly engage with contractors to seek any clarification on their comments on the project data, and will keep DMO apprised on feedback and outcomes.

### Other items to note

1.21 As the PDSS is part of a public document, the use of acronyms and jargon must be avoided. The following style conventions must be followed:

- (a) Acronyms: Acronyms are not to be used where possible within the MPR including project names which must appear as the full project title. When acronyms are used, the first use must be spelt out in full.



## Appendix A

- (b) Project Names: Project names should be written in full and should be presented with an initial capital e.g. HORNET should be written as Hornet.
- (c) Costs: All costs should be shown as \$m (millions), presented with one decimal place (i.e. to the nearest \$100k) and negative variations presented in brackets.
- (d) Dates: Dates in the PDSS narratives should be presented in full (e.g. July 2009). Dates in the PDSS tables should be presented as mmm yy (e.g. Jul 09). Time variations should be shown as full months.
- (e) No data: Any tables cells not containing data should be shown as 'N/A'.

## **Attachments:**

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- A. Guidelines for the Development of the PDSS
- B. Project Data Summary Sheet Template
- C. 2010-11 MPR Program Schedule

## GUIDELINES FOR THE DEVELOPMENT OF THE PROJECT DATA SUMMARY SHEETS (PDSS)

Data Element No / Heading	Data	Definition/ Description
<b>SECTION 1 – PROJECT SUMMARY</b>		
<b>Project Header</b>	Project Name	The name of the project as approved by Government
	Project Number	The number of the project as approved by Government
	Capability Type	Is one of the following: <ul style="list-style-type: none"> <li>• New Capability;</li> <li>• Replacement; or</li> <li>• Upgrade.</li> </ul>
	Service	Could be either one or a combination of: <ul style="list-style-type: none"> <li>• Royal Australian Navy;</li> <li>• Australian Army;</li> <li>• Royal Australian Air Force; or</li> <li>• Joint Services.</li> </ul>
	Government 1 <sup>st</sup> Pass Approval	The date Government 1 <sup>st</sup> Pass Approval was given.
	Government 2 <sup>nd</sup> Pass Approval	The date Government 2 <sup>nd</sup> Pass Approval was given.
	Total Approved Budget (current)	The current approved budget for the project.
	2010-11 Budget	The estimated project expenditure for 2010-11 as detailed in the Portfolio Additional Estimates Statements (PAES).
	Project Stage	The Lifecycle Gate as reported in the Monthly Reporting System (MRS).
	Complexity	The Acquisition Categorisation (ACAT) level of the project.
<b>Section 1.1 – Project Description</b>	Description	One paragraph description of the project which should be written in terms of capability delivery and, where appropriate, mention equipment quantities. This information should be consistent with other sections of the PDSS.
<b>Section 1.2 – Current Status</b>	Cost Performance	At a strategic level, state the project's current progress against its approved and in-year budgets, and provide a succinct explanation of causes for variations.  This section must be consistent with the data in Section 2 Financial Performance.
	Schedule Performance	At a strategic level, briefly describe key schedule milestones achieved so far and issues facing the project in achieving future milestones. Milestone achievements or non-achievements in the current year should also be explained.  This section must be consistent with what is stated in Section 3 Schedule Performance.
	Materiel Capability Performance	At a strategic level, detail how the systems under acquisition are performing. Detailed technical performance of systems is to be avoided and classified information is not to be disclosed in this section.
<b>Section 1.3 – Project Context</b>	Background	A succinct summary level statement that covers Government approvals history and any strategic changes that have occurred since approval.
	Uniqueness	Brief explanation of the particular aspects that make the project unique.
	Major Challenges	Describe the challenges the project faced in the reporting year and what it is likely to face in the coming year. The focus should reflect those risks and issues that are of a strategic nature rather than short-term problems.

Data Element No / Heading	Data	Definition/ Description
	Other Current Projects / Sub-projects	<p>Only include approved projects with the main project number e.g. Sea xxxx and state the phase of the project.</p> <p>Describe the name of the project and a brief description of the capability (i.e. one or two short sentences).</p>
<b>Section 1.4 – Linked Projects</b>	Linked Projects (Project Dependency)	The name and number of the project. Provide a brief description of the project and the nature of the dependency. Linked projects are those projects that you depend on to deliver your project outcomes.
<b>SECTION 2 – FINANCIAL PERFORMANCE</b>		
<b>Section 2.1 – Project Budget History</b>	Original Approved	The approved project cost for the DMO element of the project at Government Approval. The Approved Cost is to be expressed in both 'Base Date' and in 'Current' Dollar terms.
	Real Variation	<p>Variations are to be expressed in both 'Base Date' and in 'Current' Dollar terms.</p> <p><b>“Scope”</b> changes are attributable to changes in requirements by Defence and Government. These generally take the form of changes in quantities of equipment, a change in requirements that result in specification changes in contracts, changes in logistics support requirements or changes to services to be provided which are accompanied by a corresponding budget adjustment.</p> <p><i>Note: Where the original approved amount above is not Second Pass Government Approval, Projects are to disclose the actual Government Second Pass Approval amount as such in the description column (in bold) and not as a scope real variation.</i></p> <p><b>“Transfers”</b> occur when a portion of the budget and corresponding scope is transferred to or from another approved project in DMO or to another Group in Defence in order to more efficiently manage delivery of an element of project scope and to vest accountability for performance accordingly.</p> <p><b>“Budgetary Adjustment”</b> is made to account for corrections resulting from foreign exchange or indexation accounting estimation errors that might occur from time to time. Also included under this heading are Departmental administrative decisions that result in variations such as efficiency dividends harvested from project budgets or adjustments made to fund initiatives such as Skilling Australia's Defence Industry (SADI).</p> <p><i>The elements above are to be subtotalled to give a single amount for all real variations (including Government Second Pass approvals).</i></p>
	Price Indexation Variation	Variations to the Original Approved project cost for the DMO element of the project due to price indexation adjustments to take account of variations in labour and materiel indices over time.
	Exchange Variation	The variations to the Original Approved project cost for the DMO element of the project due to foreign exchange adjustments brought about by changes in foreign exchange rates for payments in foreign currency.
	Total Budget	The sum of the above.

Data Element No / Heading	Data	Definition/ Description
Section 2.2 – Project Expenditure History	Prior to Jul 10	<p>This item comprises all amounts incurred in all <u>periods prior</u> to the current reporting period (i.e. contract level expenditure up to 30 June 2010) expressed in both 'Current' dollars (for all projects) and 'Base Date' (for those projects listed below at a minimum).</p> <ol style="list-style-type: none"> <li>1. Airborne Early Warning &amp; Control Aircraft – AIR 5077 Phase 3;</li> <li>2. Multi Role Helicopter – AIR 9000 Phase 2, 4 &amp; 6;</li> <li>3. Amphibious Deployment and Sustainment – JP 2048 Phase 4A/4B;</li> <li>4. Armed Reconnaissance Helicopter – AIR 87 Phase 2;</li> <li>5. Air to Air Refuelling Capability – AIR 5402;</li> <li>6. C-17 Heavy Airlifter – AIR 8000 Phase 3;</li> <li>7. Bushmaster Protected Mobility Vehicle – LAND 116 Phase 3;</li> <li>8. Next Generation Satellite Program – JP 2008 Phase 4;</li> <li>9. Armidale Class Patrol Boat – SEA 1444 Phase 1;</li> <li>10. Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2B;</li> <li>11. Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2A.</li> </ol> <p>Reporting of expenditure is to be split into the following:</p> <p><b>“Contractor”</b> expenditure against each of the top 5 contracts, restricted to contracts valued at 10% of the current approved project cost or \$10m.</p> <p><b>“Other”</b> which comprises operating expenditure, contractors, consultants, contingency, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <ul style="list-style-type: none"> <li>• It is generally expected that 'other' expenditure will not exceed 10% of total prior period expenditure. However, in the event that 'other' expenditure exceeds this threshold, additional explanation will be required within the Notes section outlining the key aspects of the expenditure.</li> </ul> <p><i>The two expenditure elements above are to be subtotalled to give a single amount for all prior period expenditure.</i></p> <p>Note: Base Date Dollar reporting will not be included in some instances as the DMO resource effort and cost to calculate the Base Date Dollar amounts has been considered to be excessive.</p>
	FY to Jun 11	<p>This item comprises all amounts incurred in the <u>current reporting period</u> (i.e. contract level expenditure from 1 July 2010 to 30 June 2011) expressed in both 'Current' dollars (for all projects) and 'Base Date' (for those projects listed below at a minimum).</p> <ol style="list-style-type: none"> <li>1. Airborne Early Warning &amp; Control Aircraft – AIR 5077 Phase 3;</li> <li>2. Multi Role Helicopter – AIR 9000 Phase 2, 4 &amp; 6;</li> <li>3. Amphibious Deployment and Sustainment – JP 2048 Phase 4A/4B;</li> <li>4. Armed Reconnaissance Helicopter – AIR 87 Phase 2;</li> <li>5. Air to Air Refuelling Capability – AIR 5402;</li> </ol>

Data Element No / Heading	Data	Definition/ Description
		<p>6. C-17 Heavy Airlifter – AIR 8000 Phase 3;            7. Bushmaster Protected Mobility Vehicle – LAND 116 Phase 3;            8. Next Generation Satellite Program – JP 2008 Phase 4;            9. Armidale Class Patrol Boat – SEA 1444 Phase 1;            10. Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2B;            11. Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2A.</p> <p>Reporting of expenditure is to be split into the following:</p> <p><b>“Contractor”</b> expenditure against each of the top 5 contracts, restricted to contracts valued at 10% of the current approved project cost or \$10m.</p> <p><b>“Other”</b> expenditure which comprises operating expenditure, contractors, consultants, contingency, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <ul style="list-style-type: none"> <li>It is generally expected that ‘other’ expenditure will not exceed 10% of total expenditure in the current reporting period. However, in the event that ‘other’ expenditure exceeds this threshold, additional explanation will be required within the Notes section outlining the key aspects of the expenditure.</li> </ul> <p><i>The two expenditure elements above are to be subtotaled to give a single amount for FY expenditure.</i></p> <p>Note: Base Date Dollar reporting will not be included in some instances as the DMO resource effort and cost to calculate the Base Date Dollar amounts has been considered to be excessive.</p>
	Total Expenditure	This item discloses total project expenditure as at the reporting date (i.e. 30 June 2011) and is the sum of prior period and current period expenditure reported above.
	Remaining Budget	Is the subtraction of total expenditure from total budget, thus showing the unspent portion of the approved budget, as at reporting date, expressed in current dollar terms.
Section 2.3 – In-year Budget Expenditure Variance	Estimate (\$m)	The estimated project expenditure for 2010-11. The data needs to present the project’s ‘Year to Date’ performance in financial terms. It must explain the difference between the PAES and the End of Financial Year Actual Expenditure (If projects are subject to variation post PAES, then disclosure is required in a note).
	Actual (\$m)	The actual project expenditure incurred in the current reporting period (i.e. 2010-11).
	Variance (\$m)	<p>Budget expenditure variances are to be disaggregated and disclosed separately as per the variance factors described below.</p> <p>The sum of these should give a total variance equal to the difference between the Budget Estimate and actual expenditure.</p>
	Variance Factor	This section provides a range of factors attributable to the cause of the variances between the Budget Estimate and actual expenditure. These are expressed as the standard variance factors of:

Data Element No / Heading	Data	Definition/ Description
		<ul style="list-style-type: none"> <li>Foreign Military Sales (FMS);</li> <li>Overseas Industry;</li> <li>Local Industry;</li> <li>Brought Forward;</li> <li>Cost Savings;</li> <li>FOREX Variations; and</li> <li>Commonwealth Delays.</li> </ul>
	Explanation	Explanations must address all of the variance factors noted above, where relevant.
<b>Section 2.4 – Contract Details</b>	Contractor	List the name of the contractors for the top 5 contracts. Note that the top 5 contracts will be restricted to contracts that are valued at 10% or more of the current total budget or \$10m.
	Signature Date	The date the contract was signed.
	Price (Base) at Signature	This is the value of the contract at contract signature and the contract value at 30 June 2011.
	Price (Base) at 30 Jun 11	This is the value of the contract, in Base Date dollars, at 30 June 2011.  Where projects are the Prime Systems Integrator or where the structure of a contract prevents disclosure of 'Base Date' values, these projects will disclose contract values in 'Current' dollars as at 30 June 2011.
	Type (Price basis)	The usual choices for this include: Variable, Firm or FMS
	Form of Contract	This refers to the genesis of the contract i.e. DEFPUR 101, ASDEFCON (Strategic, Complex). For unique arrangements such as Alliance or PPP they would need to be specially treated. For Foreign Military Sales - say "FMS"
	Quantities at Signature and 30 Jun 11	The quantity of equipment under contract as at the date the contract was signed and also as at 30 June 2011. The quantity of contracted equipment should only be provided at a summary level.
	Scope	Generally only include hardware in this section and restrict it to a platform level summary, disclosing only prime mission and support system elements (e.g. 4 x C-17 Globemaster Aircraft).
	Major Equipment received and quantities to 30 Jun 11	Detail the Major equipment and quantities the project has received to 30 June 2011.
<b>SECTION 3 – SCHEDULE PERFORMANCE</b>		
<b>Section 3.1 – Design Review Progress</b>	Review	The events to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> <li>System Requirements Review</li> <li>Preliminary Design Review</li> <li>Critical Design Review.</li> </ul>
	Major System/ Platform Variant	State the major system that the Design review refers to.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Planned	Replanned dates as evidenced by a contract amendment.
	Achieved/ Forecast	<u>Achieved</u> : The date the event was achieved.  <u>Forecast</u> : The expected date for achievement.
	Variance (months)	The difference between 'Original Planned' and 'Achieved / Forecast'.
	Notes	A top level description of the reasons for the variance to

Data Element No / Heading	Data	Definition/ Description
		Achieved / Forecast dates, and any additional background information as required.
Section 3.2 – Contractor Test and Evaluation Progress	Test and Evaluation	The events to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> <li>• System Integration</li> <li>• Acceptance.</li> </ul>
	Major System/ Platform Variant	State the major system that the Test and Evaluation event refers to. If there are significant variants for the major systems then state what they are.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Planned	Replanned dates as evidenced by a contract amendment.
	Achieved/ Forecast	<u>Achieved:</u> The date the event was achieved.  <u>Forecast:</u> The expected date for achievement.
	Variance (months)	The difference between 'Original Planned' and 'Achieved / Forecast'.
	Notes	A top level description of the reasons for the variance to Achieved / Forecast dates, and any additional background information as required.
Section 3.3 – Progress Toward Materiel Release and Operational Capability Milestones	Item	Represented at a whole of capability level, unless key milestones are broken out under individual Mission or Support Systems.
	Original Planned	The original date on which the Mission or Support System element was scheduled to achieve the key milestone.
	Current Planned	Replanned dates as evidenced by a contract amendment.
	Achieved/ Forecast	<u>Achieved:</u> The date the event was achieved.  <u>Forecast:</u> The expected date for achievement.
	Variance (months)	The difference between original and achieved.
	Variance Explanations	A top level description of the reasons for the variance to 'Achieved / Forecast' dates.
Schedule Status Bar Graph		DMO MPR Management will input the projects existing detail on: 2 <sup>nd</sup> Pass Approval, IMR, IOC, FMR and FOC into the Bar Graph formula and produce the Graph.
<b>SECTION 4 – MATERIEL CAPABILITY PERFORMANCE</b>		
Section 4.1 – Measures of Materiel Capability Performance	Capability Pie Chart and associated Traffic Light Analysis	<p>Capability Pie Chart and associated narratives will provide a percentage breakdown of the FMR Milestones and Completion Criteria, as identified in the respective MAA, prior to ANAO site visit and further updated to reflect status at 30 Jun 11.</p> <p>The pie chart analysis / narrative (Green, Amber &amp; Red) is to be provided at the <u>strategic</u> level, including:</p> <ul style="list-style-type: none"> <li>• <u>Issue:</u> Strategic level detail of the issue/s impacting the milestones and completion criteria.</li> <li>• <u>Remediation:</u> Strategic level detail of remedial activity to recover performance.</li> </ul> <p><b>Please note: Detailed technical performance of systems is to be avoided. No classified information is to be disclosed in this section.</b></p>
<b>SECTION 5 – MAJOR RISKS AND ISSUES</b>		
Section 5.1 – Major Project Risks	Identified Risk (Risk identified by standard project risk management processes)	<p><u>Description:</u> A major project risk is one that is rated high or extreme pre-mitigation and has DMO Executive attention.</p> <p><u>Remedial Action:</u> The risk mitigation / treatment proposed for the risk identified (These must be actionable</p>

Data Element No / Heading	Data	Definition/ Description
		measures).
	Emergent Risk (Risk identified during 2010-11)	<p><b>Description:</b> A major project risk that was not previously identified in the risk log but has emerged this year, rated as high or extreme pre-mitigation and has DMO Executive attention.</p> <p><b>Remedial Action:</b> The risk mitigation / treatment proposed for the risk identified (These must be actionable measures).</p>
<b>Section 5.2 – Major Project Issues</b>	Description	Issues are high or extreme risks that have been realised or issues that have arisen that require management action to address.
	Remedial Action	What remedial action is proposed for the issue identified.
<b>SECTION 6 – PROJECT MATURITY</b>		
<b>Section 6.1 – Project Maturity Score and Benchmark</b>	Benchmark	Benchmark Maturity Score.
	Project Status	The maturity score recorded in the June 2011 MRS record.
	Explanation	A short explanation is required for each element of the Maturity Score where there is a difference between the Current and Benchmark scores.
<b>SECTION 7 – LESSONS LEARNED</b>		
<b>Section 7.1 – Key Lessons Learned</b>	Project Lesson	Describe the project lesson (at the 'Strategic' level) that has been learned.
	Reference to DMO Systemic Lessons Learned – 2009-10 DMO MPR Pt 2, Ch 1, Pg 87-91	<p>Select one of the following 'DMO Systemic Lessons' that can be cross referenced back to each individual Project Lesson. Lessons learned can include:</p> <ul style="list-style-type: none"> <li>• Requirements Management</li> <li>• First of Type Equipment</li> <li>• Off-the-shelf Equipment</li> <li>• Contract Management</li> <li>• Schedule Management</li> <li>• Resourcing</li> <li>• Governance</li> </ul>
<b>SECTION 8 – PROJECT LINE MANAGEMENT</b>		
<b>Section 8.1 – Project Line Management in 2010-11</b>	Line Managers List	<ul style="list-style-type: none"> <li>• General Manager</li> <li>• Division Head or Program Manager</li> <li>• Branch Head</li> <li>• Project Director</li> </ul> <p>This list will contain those persons who occupied their respective position during the course of 2010-11.</p>



**Project Data Summary Sheet**

Project Name		<b>DMO MPR Team to Insert Project Picture</b>
Project Number		
Capability Type		
Service		
Government 1st Pass Approval		
Government 2nd Pass Approval		
Total Approved Budget (Current)		
2010-11 Budget		
Project Stage		
Complexity		

**Section 1 – Project Summary**

**1.1 Project Description**

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**1.2 Current Status**

<b>Cost Performance</b>
<b>Schedule Performance</b>
<b>Material Capability Performance</b>

**1.3 Project Context**

Project	Explanation
Background	
Uniqueness	
Major Challenges	
Other Current Projects/Sub-Projects	

**1.4 Linked Projects**

Project	Description of Project	Description of Dependency

Section 2 – Financial Performance

Date	Description	Base Date \$m	Current \$m	Contractor	Notes
<b>2.1 Project Budget History</b>					
	Original Approved				
	Real Variation – Scope				
	Real Variation – Transfer				
	Real Variation – Budgetary Adjustment				
Jun 11	Price Indexation Variation				
Jun 11	Exchange Variation				
Jun 11	<b>Total Budget</b>				
<b>2.2 Project Expenditure History</b>					
Prior to Jul 10				Contractor 1 Contractor 2 Contractor 3 Contractor 4 Contractor 5 Other	
FY to Jun 11				Contractor 1 Contractor 2 Contractor 3 Contractor 4 Contractor 5 Other	
Jun 11	Total Expenditure				
Jun 11	Remaining Budget				
<b>Notes</b>					
1					
2					
3					
4					

2.3 In-year Budget Expenditure Variance

Estimate \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
			FMS	
			Overseas Industry	
			Local Industry	
			Brought Forward	
			Cost Savings	
			FOREX Variation	
			Commonwealth Delays	
			<b>Total Variance</b>	

2.4 Details of Project Major Contracts

Contractor	Signature Date	Price (Base) at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 11 \$m			
<b>Notes</b>						
1						
2						
3						
4						
5						
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 11				

Attachment B to Appendix A

Major equipment received and quantities to 30 Jun 11				
Notes				
1				
2				
3				
4				
5				

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System / Platform Variant	Original Planned	Current Planned	Achieved / Forecast	Variance (Months)	Notes
System Requirements						
Preliminary Design						
Critical Design						
Notes						
1						
2						
3						
4						
5						

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System / Platform Variant	Original Planned	Current Planned	Achieved / Forecast	Variance (Months)	Notes
System Integration						
Acceptance						
Notes						
1						
2						
3						
4						
5						

3.3 Progress Towards Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved / Forecast	Variance (Months)	Variance Explanation / Implications
Initial Materiel Release (IMR)				
Initial Operational Capability (IOC)				
Final Materiel Release (FMR)				
Final Operational Capability (FOC)				

Schedule Status as at 30 Jun 11

**DMO MPR Team to Insert Schedule Graph**

**Section 4 – Materiel Capability Performance**

**4.1 Measures of Materiel Capability Performance**

Pie Chart: Percentage Breakdown of Materiel Capability Performance	
<b>DMO MPR Team to Insert Pie Chart</b>	<u>Green:</u>
	<u>Amber:</u>
	<u>Red:</u>

**Section 5 – Major Risks and Issues**

**5.1 Major Project Risks**

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
Emergent Risks (risk not previously identified but has emerged during 2010-11)	
Description	Remedial Action

**5.2 Major Project Issues**

Description	Remedial Action

**Section 6 – Project Maturity**

**6.1 Project Maturity Score and Benchmark**

Maturity Score		Attributes							Total
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operational Support	
Project Stage	Benchmark								
	Project Status								
	Explanation								
<b>DMO MPR Team to Insert Maturity Score Graph</b>									

**Section 7 – Lessons Learned**

**7.1 Key Lessons Learned**

Project Lesson	Categories of Systemic Lessons

**Section 8 – Project Line Management**

**8.1 Project Line Management in 2010-11**

Position	Name
General Manager	
Division Head	
Branch Head	
Project Director	
Project Manager	

**Major Projects Report Selection Criteria – As published by the JCPAA in Report 416**

The inclusion of projects in the MPR is based on the projects included in the Defence Capability Plan and subject to the following criteria:

- (a) projects only admitted one year after Year of Decision;
- (b) a total approved project budget of > \$150m;
- (c) a project should have at least three years of asset delivery remaining;
- (d) a project must have at least \$50m or 10% (whichever is greater) of their budget remaining over the next two years;
- (e) a maximum of eight new projects in any one year; and
- (f) all projects for inclusion in the MPR will be proposed by the DMO in consultation with ANAO, based on the above criteria, and provided to the JCPAA, by 31 August in the year to which the MPR relates, for endorsement.

### Projects of Concern Breakdown

Project	Description	MPR Project
AIR 5077 Phase 3	'Wedgetail' Airborne Early Warning and Control aircraft	Yes
SEA 1448 Phase 2B	Anti-Ship Missile Defence radar upgrades for ANZAC Class Frigates	Yes
JOINT 2043 Phase 3A	High Frequency Modernisation (HFMOD) – communications and data exchange capability for sea, air and land forces	Yes
LAND 121 Phase 3	'Overlander' replacement field vehicles, trailers and modules for land forces ('Medium Heavy' class of vehicles only)	Yes
AIR 5402	Multi-Role Tanker Transport aircraft – Air to Air Refuelling Capability	Yes
AIR 5418 Phase 1	Joint Air to Surface Standoff Missiles	Yes
CN10	Collins Class Submarine Sustainment and Projects	No
AIR 5333	'Vigilare' – Aerospace surveillance and command and control system	No
JOINT 2070	Lightweight torpedo replacement for ANZAC and ADELAIDE Class Frigates	No
JOINT 129 Phase 2	Tactical Unmanned Aerial Vehicles – airborne surveillance for land forces	No
JOINT 2048 Phase 1A	LCM2000 Watercraft for Landing Platform Amphibious Ships	No
AIR 5276 Phase 8B	Electronic Support Measures upgrade for AP-3C Orion aircraft	No

Source: *Project of Concern – Update Media Release*, 26 November 2010

#### **Explanation of why project is not reviewed in the MPR**

The Collins Class Submarine Sustainment and Projects (CN10) is a sustainment product, not an acquisition project, and as a result is not included in the MPR.

The Vigilare Project (AIR 5333) had the potential to be selected in 2009-10, but was ranked lower than other potential projects because it only has 25% (\$68.8m) of its budget remaining, and had an expected FOC of mid-2011.

The Lightweight Torpedo Replacement Project (JOINT 2070) did not satisfy all of the selection criteria, specifically 'a project should have at least three years asset delivery remaining'. This project was also subject to a Performance Audit, Audit Report No.37 2009-10, *Lightweight Torpedo Replacement Project*.

The Tactical Unmanned Aerial Vehicles (JOINT 129 Phase 2), LCM2000 Watercraft for Landing Platform Amphibious Ships (JOINT 2048 Phase 1A) and Electronic Support Measures upgrade for AP-3C Orion aircraft (AIR 5276 Phase 8B) Projects did not satisfy all of the selection criteria, specifically 'a total approved budget of greater than \$150m'.