



Australian Government

Department of Defence

Defence Materiel Organisation

Chief Audit Executive

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COPY

12 MAR 2010

CAE/OUT/2010/8

Ms Sharon Grierson MP

Chair

Joint Committee of Public Accounts and Audit

Parliament House

Canberra ACT 2600

Dear Ms Grierson

**JCPAA PRIVATE HEARING ON THE 2009-10 DMO MAJOR PROJECTS REPORT,
15 MARCH 2010**

Reference:

A. CEO DMO/OUT/2009/130, dated 29 June 2009, Amendment to the Requirements of the Project Data Summary Sheets – Major Projects Report

1. Thankyou for the invitation to present at the JCPAA on Monday 15 March 2010 to discuss the 2009-10 DMO Major Projects Report (MPR) Program.

2. The DMO participants will be Dr. Stephen Gumley CEO DMO, Ms Shireane McKinnie General Manager Systems, Mr Warren King General Manager Programs, myself as Chief Audit Executive DMO, Mr Paul Way Director of Assurance and Audit Management, and Mr Brett Bettiol Manager DMO Major Projects Report.

3. In the Agenda, the Committee advised that it wished to address the following items:

a. Guidelines: The DMO Work Plan for the 2009-10 MPR, which incorporates the Guidelines for consideration by the Committee is contained at Enclosure 1. The Guidelines have been developed after extensive consultation with the ANAO and cover project selection criteria, DMO roles and responsibilities, guidelines for producing the Project Data Summary Sheet (PDSS), PDSS Template and an indicative Program Schedule to support a mid November 2010 tabling.

b. Financial Data: During 2009, in response to the qualification the ANAO placed on some of the project financial data in the 2007-08 MPR (and then repeated in the 2008-09 report) - specifically contractor expenditure in Base Date Dollars - the DMO requested the Committee consider replacing 'Base Date Dollar' data with 'Assets Under Construction' data, Reference A refers. The JCPAA kindly agreed to trial this request. As a part of this trial, the DMO and ANAO have investigated this proposal among a broader range of options to address the qualification. Consequently, the DMO is now proposing to not proceed with reporting of the 'Assets Under Construction' data but reconsider the presentation of all financial data in Section 2 of the PDSS; a revised Section 2 Financial Performance format

is provided for the Committee's consideration at Enclosure 2. The revision provides all of the financial data requested by the Committee, including information on the top five contracts, but consolidates the information in the Financial Performance Section from seven tables into two. The DMO recommends adoption of this revised format as it enhances the quality of information, increases readability and addresses the qualification issue.

c. Moving to further developments of the MPR, the DMO offers the following for the Committee's consideration:

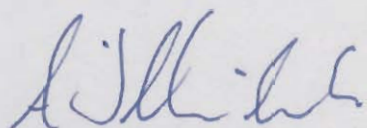
1. Reporting on Contingency: DMO notes the Committee is keen to increase the level of transparency on the reporting of Contingency. However, non-disclosure of this commercially sensitive data protects the interests of the taxpayer. In the course of the MPR review, the DMO does provide the ANAO with access to project Contingency logs. The DMO can also provide a high-level analysis on use of contingency, in aggregate, for the projects included in the MPR without disclosing commercially sensitive information and we will provide further high level narrative, in the body of the DMO Report, regarding the mitigation of risks and use of Contingency Budget.
2. Reporting on Earned Value Management (EVM): DMO notes the Committee remains keen to increase the level of transparency on reporting of EVM, and in its 'Report 416' the Committee expressed a desire that EVM data, where available, be included in the MPR. However, not all project contracts invoke EVM; hence EVM cannot be readily used to provide a standardised set of metrics across all PDSS. At the Enterprise level, DMO will provide a high-level analysis on management aspects regarding use of EVM in the MPR.
3. Reporting on Measures of Effectiveness (MOEs): DMO notes the Committee requests that the DMO report on a set of unclassified and standardised MOEs for each individual MPR project. The DMO is supportive of the Committee's position. The requirement to provide more information regarding MOEs necessitates developing enhanced policy documentation with Capability Development Group (CDG) and Capability Managers and this process is likely to take some time before improvements are seen in the MPR. The DMO will continue to keep the Committee apprised on this development.

4. We understand that the Committee may wish to discuss the 2009 Deed of Settlement between the Commonwealth and Boeing regarding Project Wedgetail (AIR 5077 Phase 3). The DMO requests discussion on this matter be conducted during the Private Hearing due to the commercial sensitivities involved. In this regard, you may wish to consider inviting Senator David Johnston, who has expressed an interest in this specific Deed issue, to the Project Wedgetail aspects (only) of the private hearing.

5. The DMO would like the Committee to recognise the cooperative approach and assistance that the Auditor-General and ANAO Staff have provided to the DMO in support of the 2009-10 MPR Program.

6. We look forward to discussing these issues with the Committee at the Private Hearing on Monday 15 March 2010.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Hindmarsh', written in a cursive style.

Tony Hindmarsh
Chief Audit Executive
Defence Materiel Organisation

12 March 2010

Enclosures:

1. DMO 2009-10 Major Projects Report Work Plan
2. Revised Section 2 Financial Data of the PDSS



Australian Government
Department of Defence
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DMO 2009-10 MAJOR PROJECTS REPORT

WORK PLAN

Introduction

1.1 The Defence Materiel Organisation (DMO) 2009-10 Major Projects Report (MPR) will form part of the Australian National Audit Office's (ANAO) 2009-10 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.¹

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 which reported on 15 projects. The 2009-10 MPR will report on 22 projects [endorsed by the JCPAA] and aims to build up to 30 projects in future years.

1.3 The summary 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 Plan² [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 conduct a review of 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 Program Work Plan addresses the following aspects of the 2009-10 MPR Program:

- (a) define the criteria for project selection and provide the list of projects selected for the 2009-10 MPR;
- (b) define the roles and responsibilities of the DMO in the production and review of the DMO 2009-10 MPR;
- (c) provide the guidelines for producing the PDSSs (Attachment A to the Work Plan);
- (d) provide the PDSS Template (Attachment B to the Work Plan); and
- (e) provide an indicative Program Schedule in support of a mid November 2010 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.

¹ The ANAO will append a summary of its review and analysis to the DMO 2009-10 MPR, and its formal review conclusion, to form the ANAO's 2009-10 MPR.

² Guidelines for the Development of the Project Data Summary Sheets (see page 7).

Selection of projects for the 2009-10 MPR

1.7 The inclusion³ 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 The JCPAA has endorsed the following seven new projects for inclusion in the 2009-10 MPR:

- (a) Field Vehicles and Trailers – LAND 121 Phase 3;
- (b) Next Generation Satellite Program – JP 2008 Phase 4;
- (c) New Heavyweight Torpedo – SEA 1429 Phase 2;
- (d) Follow-on Stand Off Weapon – AIR 5418 Phase 1;
- (e) Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2A;
- (f) Anzac Ship Anti-ship Missile Defence – SEA 1448 Phase 2B; and
- (g) Collins Reliability and Sustainment – SEA 1439 Phase 3.

1.9 The following 15 “repeat” projects appeared in the 2008-09 MPR and will be updated for the 2009-10 MPR:

- (a) Air Warfare Destroyer – SEA 4000 Phase 3;
- (b) Bridging Air Combat Capability – AIR 5349 Phase 1;
- (c) Multi Role Helicopter – AIR 9000 Phase 2, 4 & 6;
- (d) Airborne Early Warning and Control Aircraft – AIR 5077 Phase 3;
- (e) Amphibious Deployment and Sustainment – JP 2048 Phase 4A/4B;
- (f) Armed Reconnaissance Helicopter – AIR 87 Phase 2;
- (g) Air to Air Refuelling Capability – AIR 5402;
- (h) F/A-18 Hornet Upgrade – AIR 5376 Phase 2;
- (i) Hornet Structural Refurbishment – AIR 5376 Phase 3.2;
- (j) Guided Missile Frigate Upgrade – SEA 1390 Phase 2.1;
- (k) Bushmaster Protected Mobility Vehicle – LAND 116 Phase 3;
- (l) High Frequency Modernisation – JP 2043 Phase 3A;
- (m) Collins Replacement Combat System - SEA 1439 Phase 4A;

³ Projects which have achieved initial release and accepted by the Capability Managers would be expected to be removed from subsequent MPRs.

- (n) Armidale Class Patrol Boat – SEA 1444 Phase 1; and
- (o) C-17 Heavy Airlifter – AIR 8000 Phase 3.

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

DMO's Roles and Responsibilities

1.11 The DMO will develop projects' PDSSs for the ANAO's review. The DMO's Director General Governance and Assurance, in his capacity as 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.

1.12 The CEO 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.

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

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

Table 1: DMO MPR Positions, Roles and Responsibilities

Position	Role	Responsibility
General Manager Systems (GMS)	Business Process Owner	<ul style="list-style-type: none"> • Executive direction in DMO
Chief Audit Executive (CAE)	DMO accountability for the MPR	<ul style="list-style-type: none"> • Liaison with ANAO Senior Management • Advice to GMS and CEO • Guidance to Manager MPR • Clearance of DMO MPR
Director Assurance & Audit Management (DAAM)	Overall management oversight of the MPR Program	<ul style="list-style-type: none"> • Responsible for the overall coordination, preparation and achievement of DMO MPR outcomes • Providing advice, guidance and support to Manager MPR • Deputising for CAE when not available
Manager MPR	MPR management, coordination, and liaison	<ul style="list-style-type: none"> • Guidance and direction to project offices • Manage the 2009-10 MPR Program with ANAO MPR team • Configuration management of MPR and PDSS suite • Review of PDSSs and Evidence Packs to ensure completeness and accuracy • MPR schedule management • Development of DMO elements of MPR • Deputising for DAAM when not available
Project	PDSS development and	<ul style="list-style-type: none"> • Develop and produce PDSS and associated Evidence

Directors/Managers	generation of Evidence Packs	Packs <ul style="list-style-type: none"> • 100% Review of PDSS and Evidence Packs to ensure completeness and accuracy • Actively engage the ANAO MPR team in its reviews of the PDSS
Director Capital Equipment Investment Program	Provision and coordination of corporate budget information	<ul style="list-style-type: none"> • Provide relevant budget data as indicated in the PDSSs • Assist ANAO team in their reviews of budget data
Executive line management	Assurance	<ul style="list-style-type: none"> • Post 30 June assurance of PDSS data and content of the DMO element of the MPR

MPR Process

1.15 The DMO has developed an indicative schedule of the MPR process 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.

1.16 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 Manager MPR.

1.17 Normally, at least five working days prior to the commencement of a project site visit, the Manager 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.

1.18 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 contractor's comments received within specified reasonable time limits. The DMO will also keep the ANAO apprised on how the DMO intends to deal with the contractor's response in the PDSS.

1.19 The ANAO may also directly engage with contractors (with courtesy copy to the DMO) to seek any clarification on their comments on the project data.

Other items to note

1.20 As the Project Data Summary Sheets are 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, an acronyms list is to be provided by each project.
- (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. 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:

- A. Guidelines for the Development of the PDSS.
- B. PDSS Template.
- C. 2009-10 Major Projects Report Schedule.

GUIDELINES FOR THE DEVELOPMENT OF THE PROJECT DATA SUMMARY SHEETS

Data Element No/ Heading	Data	Definition/ Description
SECTION 1 – PROJECT SUMMARY		
1.1 Project Management	General Information	<ul style="list-style-type: none"> ▪ <u>Service</u>: could be either one or a combination of Royal Australian Navy, Australian Army or Royal Australian Air Force. ▪ <u>Capability Type</u>: New Capability, Replacement or Upgrade. ▪ <u>Complexity</u>: ACAT I, ACAT II, or ACAT III. ▪ <u>Government 2nd Pass Approval</u>: Date achieved. ▪ <u>Prime Contractor</u>: Contractor title as represented in the Contract.
	Line Managers List	<ul style="list-style-type: none"> ▪ <u>General Manager</u>: ▪ <u>Division Head or Program Manager</u>: ▪ <u>Branch Head</u>: ▪ <u>Project Director</u>:
	History	<ul style="list-style-type: none"> ▪ <u>Project Manager</u>: Name and title of officer, Start and End dates.
1.2 Project Context	Description	One paragraph description of the project which commences with the current project budget (reconciling to Section 2). The description should be written in capability terms and, where appropriate, mention equipment quantities (reconciling to Section 2).
	Background	<p>This is a summary level statement that covers Government approvals history and any strategic changes that have occurred since approval.</p> <p>A further explanatory paragraph or two would set the context for the current status of the project.</p>
	Uniqueness	This data element focuses on those particular aspects that make the project unique.
	Major Challenges	This data element should bring out the challenges the project faced in the reporting year and those it is likely to face in the coming year. The focus should be on the project's current major issues rather than short-term problems.
	Current Status	<p><u>Cost Performance</u>: At a strategic level this should make a statement whether the project is currently within its approved project cost and confirm whether the project is on track for delivering within budget. E.g. If there were any circumstances that affected payments to contractors (briefly mention this).</p> <p>This section must be consistent with the data in Section 2 Financial Performance.</p> <p><u>Schedule Performance</u>: At a strategic level this section should briefly discuss key schedule milestones achieved so far and discuss what issues are facing the project in achieving future milestones. Milestone achievements or non-achievements in the current year should also be mentioned.</p> <p>This section must be consistent with Section 3 Schedule Performance (3.3 Progress Toward IOC and 3.4 Progress Toward FOC – Original date column).</p>

		<p><u>Capability Performance:</u> At a strategic level this section should discuss how systems under acquisition are performing. Detailed technical performance of systems is to be avoided. No classified information is to be disclosed in this section.</p>
1.3 Project Approvals	First Pass	<p>State First Pass Government approval date for post-Kinnaird projects. For pre-Kinnaird projects state the equivalent date.</p> <ul style="list-style-type: none"> ▪ <u>Original:</u> Where this date cannot be determined state NA. ▪ <u>Achieved:</u> An achieved date should be possible to establish. It will generally be the date e.g. when a pre-Kinnaird project was approved to conduct Project Definition Studies.
	Second Pass	<p>State Second Pass Government approval date for post-Kinnaird projects. For pre-Kinnaird projects state the equivalent date.</p> <ul style="list-style-type: none"> ▪ <u>Original:</u> Where this date cannot be determined state NA. ▪ <u>Achieved:</u> An achieved date for this can always be established. It will generally be the date when the project was approved by Government. The date in question is when the project was approved by Government not when the MAA was established.
1.4 Top Five Contract(s) Details	Prime Contractor(s)	<p><u>Prime contractor(s):</u> For projects where there is a single prime contractor, state the business name of the contractor.</p> <p>For projects where the DMO is the systems integrator only include contractors where the contract value is more than 10% or >\$10m (which is greater) of the approved project cost.</p> <p>For FMS procurements say “US Government”</p>
		<p><u>Scope Outline:</u> State in a few words the essence of the contract in supply terms e.g. how many items being procured, if there is a support contract as part of the acquisition contract – how long.</p>
		<p><u>Type (Price basis):</u> There are three usual choices for this:</p> <p>Variable – where the base contract price is variable for indexation and/ or foreign exchange</p> <p>Firm – where the price is firm and unalterable</p> <p>For Foreign Military Sales – say “FMS”</p>
		<p><u>Form of Contract:</u> This refers to the genesis of the contract i.e. DEFPUR 101, ASDEFCON (Strategic, Complex).</p> <p>For unique arrangements such as alliance or PPP they would need to be specially treated.</p> <p>For Foreign Military Sales - say “FMS”</p>
		<p><u>Signature:</u> Is the date that the contract was signed.</p>

		Contract (Current) Value: This is the contract value at 30 Jun 10.
1.5 Other Current Project Phases or Sub Projects	Phase or Sub-Project	Only include approved projects with the main project number e.g. SEA xxxx and state the phase of the project
	Description	The name of the project
1.6 Project Maturity Score and Benchmark	Benchmark	Benchmark Maturity Score.
	Current Project	The maturity score recorded in MRS/AOR record as at 30 June 2010.
	Explanation	A short explanation on the difference between the Current and Benchmark scores.
SECTION 2 - FINANCIAL PERFORMANCE		
Section 2 Financial Performance	Project Budget	<u>Date</u> The date the event occurred.
		<u>Description</u> A breakdown of Original Budget, Real Variation or Price Indexation/ Exchange.
		<u>No. Units / Equipment</u> A description of major equipment and quantities being acquired.
		<u>Contractor</u> The contractors short name.
	Project Expenditure	<u>\$M</u> A breakdown of project expenses by year and by major contractor. <u>No. Units / Equipment</u> A description of major equipment received and quantities for the disclosed expenditure. <u>Contractor</u> The contractors short name.
Budget Expenditure Variance	Variance (\$m) and Variance Factor	This section explains the variances between Budget Estimate and Actual Expenditures. These are expressed as the standard variance factors of: <ul style="list-style-type: none"> • Brought forward • Cost savings • Foreign Military Sales • Commonwealth • Local industry • Overseas industry
	Explanation	Explanations must address all of the variance factors noted above.
SECTION 3 – SCHEDULE PERFORMANCE		
3.1 Design Review Progress	Review	The events to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> ▪ System Requirements Review ▪ Preliminary Design Review ▪ Critical Design Review
	Major System/ Platform Variant	State the major system that the design review 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	<ul style="list-style-type: none"> ▪ <u>Achieved</u>: The date that the event was achieved. ▪ <u>Forecast</u>: of when it is likely to be achieved.
	Variance (months)	The difference between Originally Planned and Achieved/ Forecast.
	Variance explanations	A top level description of the reasons for the variance to achieved/ forecast dates.
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"> ▪ <u>System Integration</u> ▪ <u>Acceptance</u>
	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	<ul style="list-style-type: none"> ▪ <u>Achieved</u>: The date that the event was achieved. ▪ <u>Forecast</u>: The forecast 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.
3.3 Progress Toward Initial Operational Capability	Item	Represented at a whole of capability level, unless IOC is 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 IOC.
	Achieved/ Forecast	<ul style="list-style-type: none"> ▪ <u>Achieved</u>: The date that the event was achieved. ▪ <u>Forecast</u>: The forecast date for achievement.
	Variance (months)	The difference between original and achieved.
	Variance Explanations/ Implications	A top level description of the reasons for the variance to achieved forecast dates.
3.4 Progress Toward Final Operational Capability	Item	Represented at a whole of capability level, unless FOC is broken out under individual Mission or Support Systems.
	Original Planned	The original date on which the capability element was schedule to achieve FOC
	Achieved/ Forecast	<ul style="list-style-type: none"> ▪ <u>Achieved</u>: The date that the event was achieved. ▪ <u>Forecast</u>: The forecast date for achievement.
	Variance (months)	The difference between original and achieved.
	Variance Explanations/ Implications	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 nd Pass Approval, Contract Signature, IOC and FOC into the Bar Graph formula and produce the Graph.

3.5 Measures of Effectiveness	Capability Pie Chart and associated Traffic Light Analysis	<p>Capability Pie Chart and associated narratives will provide a percentage breakdown of the Measures of Effectiveness (MOEs), as identified in the respective MAA, prior to ANAO site visit and further updated to reflect status at 30 Jun 10.</p> <p>The pie chart analysis/narrative ('Green', 'Amber' & 'Red') is to be provided at the <u>strategic</u> level, including:</p> <ul style="list-style-type: none"> ▪ <u>Issue</u>: Strategic level detail of the issue/s impacting the MOEs. ▪ <u>Remediation</u>: Strategic level detail of remedial activity to recover MOEs performance. <p><u>Please note</u>: Detailed comment on technical performance of systems is to be avoided. No classified information is to be disclosed in this section.</p>
SECTION 4 – MAJOR RISKS AND ISSUES AND LINKED PROJECTS		
4.1 Major Project Risks	Identified Risk (Risk identified by standard project risk management processes).	<ul style="list-style-type: none"> ▪ <u>Description</u>: A major project risk is one that is rated "extreme" or "high" on DMO's 5x5 Standard Risk Management Matrix. ▪ <u>Remedial Action</u>: The risk treatment proposed for the risk identified (these must be actionable measures).
	Emergent Risk (Risk identified during 2009-10)	<ul style="list-style-type: none"> ▪ <u>Description</u>: A major project risk that was not previously identified in the risk log but has emerged this year. ▪ <u>Remedial Action</u>: The risk treatment proposed for the risk identified (these must be actionable measures).
4.2 Major Project Issues	Description	Issues are 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.
4.3 Linked Projects	Project	The name and number of the project. Linked projects are those projects that you depend on to deliver your project outcomes.
	Description of project	A very brief description of the project.
	Description of Dependency	Describe the nature of the dependency.
SECTION 5 – LESSONS LEARNED		
5.1 Key Lessons Learned	Project Lesson	Describe the lesson (at the 'Strategic' level) that has been learned.
	Reference to DMO Systemic Lessons Learned – DMO MPR Pt 2 Ch 3	<p>Select one of the following 'DMO Systemic Lessons' that can be cross referenced back to each individual Project Lesson include:</p> <ul style="list-style-type: none"> ▪ Requirements Management ▪ First of Type Equipment ▪ Off-the-shelf Equipment ▪ Contract Management ▪ Schedule Management ▪ Resourcing

ID	Task Name	Start	Finish	Duration	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010
1	ANAO/ DMO Finalise Arrangements for the Review	Mon 7/12/09	Fri 26/02/10	55.4 days												
2	DMO develop Guidance/ Guidelines in consultation with the ANAO for JCPAA	Mon 7/12/09	Wed 10/02/10	42 days												
3	DMO/ ANAO to develop PDSS Template	Mon 18/01/10	Wed 10/02/10	18 days												
4	CEO DMO and Auditor-General Approve PDSS Template	Wed 10/02/10	Wed 10/02/10	1 day												
5	DMO/ ANAO finalise project review dates	Mon 8/02/10	Fri 12/02/10	5 days												
6	DMO/ ANAO finalise Section 20 Agreement	Tue 9/02/10	Fri 26/02/10	14 days												
7	JCPAA Hearing on 2008-09 MPR	Mon 15/03/10	Mon 15/03/10	1 day												
8	DMO Prepare for Project Reviews	Mon 15/02/10	Fri 11/06/10	86 days												
9	Brief to DMO Div Head and Program Manager	Mon 15/02/10	Mon 15/02/10	0.5 days												
10	Brief 8 New projects	Mon 15/02/10	Fri 19/02/10	5 days												
11	Brief 15 Repeat projects	Mon 15/02/10	Fri 19/02/10	5 days												
12	Brief individual Projects (Based on Risk Assessment)	Mon 22/02/10	Mon 1/03/10	6 days												
13	DMO Projects complete PDSS with supporting evidence	Mon 1/03/10	Fri 28/05/10	65 days												
14	DMO to QA and Executive Review of PDSS + evidence pack	Tue 9/03/10	Fri 11/06/10	70 days												
15	ANAO Pre-30 June Project Reviews	Mon 29/03/10	Fri 9/07/10	75.4 days												
16	ANAO preparation for review of Projects	Mon 29/03/10	Mon 21/06/10	60 days												
17	Repeat Project 1 - C-17 Heavy Airlift (Canberra) by Team 1 and Team 2	Mon 12/04/10	Wed 14/04/10	3 days												
18	Repeat Project 2 - Collins RCS (Canberra) by Team 1	Mon 19/04/10	Wed 21/04/10	3 days												
19	Repeat Project 3 - Amphibious Deployment and Sustainment (Canberra) by Team 2	Tue 20/04/10	Thu 22/04/10	3 days												
20	New Project 1 - Follow-on Stand-off Weapon (Canberra) by Team 1	Tue 27/04/10	Fri 30/04/10	4 days												
21	New Project 2 - Next Generation Satellite (Canberra) by Team 2	Tue 27/04/10	Fri 30/04/10	4 days												
22	ANAO review of arrangements and outcome of visits to the projects	Mon 3/05/10	Fri 7/05/10	5 days												
23	New Project 3 - New Heavy Weight Torpedo (Canberra) by Team 1	Mon 10/05/10	Fri 14/05/10	5 days												
24	New Project 4 - ANZAC Anti ship Missile Defence Ph2A (Canberra) by Team 2	Mon 10/05/10	Fri 14/05/10	5 days												
25	New Project 5 - Overlander (Melbourne) by Team 1	Mon 17/05/10	Fri 21/05/10	5 days												
26	Repeat Project 4 - Bushmaster (Melbourne) by Team 1	Mon 24/05/10	Wed 26/05/10	3 days												
27	Repeat Project 5 - Wedgetail (Canberra) by Team 1	Mon 31/05/10	Wed 2/06/10	3 days												
28	Repeat Project 6 - Air Warfare Destroyer (Adelaide) by Team 1	Mon 7/06/10	Wed 9/06/10	3 days												
29	Repeat Project 7 - Air to Air Refuelling (Canberra) by Team 1	Tue 15/06/10	Thu 17/06/10	3 days												
30	Repeat Project 8 - FFG Upgrade (Sydney) by Team 1	Mon 21/06/10	Wed 23/06/10	3 days												
31	New Project 7 - Collins Reliability & Sustainability (Canberra) by Team 1	Mon 28/06/10	Fri 2/07/10	5 days												
32	New Project 6 - ANZAC Anti Ship Missile Defence Ph2B (Canberra) by Team 2	Mon 17/05/10	Fri 21/05/10	5 days												
33	Repeat Project 9 - Hornet Upgrade (Williamtown, NSW) by Team 2	Mon 24/05/10	Wed 26/05/10	3 days												
34	Repeat Project 10 - Hornet Structural Refub (Williamtown, NSW) by Team 2	Thu 27/05/10	Fri 28/05/10	2 days												
35	Repeat Project 11 - Super Hornet (Canberra) by Team 2	Mon 31/05/10	Wed 2/06/10	3 days												
36	Repeat Project 12 - Armadales (Darwin) by Team 2	Mon 7/06/10	Thu 10/06/10	4 days												
37	Repeat Project 13 - Multi Role Helicopter (Canberra) by Team 2	Tue 15/06/10	Thu 17/06/10	3 days												
38	Repeat Project 14 - ARH Tiger (Brisbane) by Team 2	Mon 21/06/10	Wed 23/06/10	3 days												
39	Repeat Project 15 - HF Modernisation (Canberra) by Team 2	Mon 28/06/10	Wed 30/06/10	3 days												
40	ANAO review of data supplied after the scheduled date	Mon 5/07/10	Fri 9/07/10	5 days												
41	End of Financial Year	Wed 30/06/10	Wed 30/06/10	0 days												
42	Post-30 June Project Reviews	Mon 12/07/10	Fri 27/08/10	36.27 days												
43	DMO Complete Draft PDSS for all Projects	Mon 12/07/10	Thu 19/08/10	30 days												
44	ANAO review centrally provided DMO Financial Data	Mon 12/07/10	Thu 5/08/10	20 days												
45	ANAO review of EOFY Draft PDSS of all Projects by Team 1 and 2	Mon 26/07/10	Thu 26/08/10	25 days												
46	Finalisation of ANAO feedback to DMO on Draft PDSS	Fri 27/08/10	Fri 27/08/10	0 days												
47	Projects for 2010-11 MPR	Mon 16/08/10	Fri 27/08/10	10 days												
48	DMO/ ANAO to consult JCPAA on selection of Projects for 2010-11 MPR	Mon 16/08/10	Fri 27/08/10	10 days												
49	DMO MPR Drafting and PDSS Approval and Clearance Process	Tue 1/06/10	Fri 1/10/10	91.8 days												
50	Draft DMO MPR	Tue 1/06/10	Tue 31/08/10	69 days												
51	DMO Senior Exec release draft PDSS to contractors	Mon 16/08/10	Fri 3/09/10	15 days												
52	DMO Receive Contractor Comments on PDSS	Mon 30/08/10	Fri 17/09/10	15 days												
53	DMO & ANAO Review Contractor Comments and DMO Update PDSS	Mon 30/08/10	Fri 17/09/10	15 days												
54	DMO internal clearance of MPR + PDSS	Fri 10/09/10	Fri 1/10/10	15 days												
55	CEO submits Draft MPR to Auditor General	Fri 1/10/10	Fri 1/10/10	0 days												
56	ANAO MPR Drafting Process	Mon 5/07/10	Wed 20/10/10	80 days												
57	ANAO Draft Assurance Conclusion/ MPR Overview and Analysis	Mon 5/07/10	Wed 6/10/10	70 days												
58	ANAO seek Capability Manager Confirmations	Tue 5/10/10	Thu 14/10/10	8 days												
59	Finalise ANAO MPR Assurance, Overview and Analysis	Wed 13/10/10	Tue 19/10/10	5 days												
60	ANAO Assurance, Overview, Analysis and Proof to CEO	Wed 20/10/10	Wed 20/10/10	0 days												
61	MPR Review, Response and Publishing	Thu 21/10/10	Wed 17/11/10	20.67 days												
62	DMO Response to ANAO	Thu 21/10/10	Wed 27/10/10	5 days												
63	CEO provides statement and response to Auditor General	Wed 27/10/10	Wed 27/10/10	0 days												
64	ANAO internal clearance of Final MPR	Wed 27/10/10	Tue 2/11/10	5 days												
65	MPR Provided to Printer (10 days for publication)	Thu 4/11/10	Wed 17/11/10	10 days												
66	Submit MPR to Parliament (Tabling of 2009-10 MPR) Week Beginning	Mon 15/11/10	Mon 15/11/10	0 days												

[PROJECT NAME]
[Project Number & Phase]
This project was first reported in the 200x-xx DMO MPR
 Project Data Summary Sheet

Section 1 – Project Summary

1.1 Project Management

Service	Capability Type	Complexity	Government 2 nd Pass Approval	Prime Contractor

30 June 2010	Name
General Manager	
Division Head	
Branch Head	
Project Director	

History	Name	Start	End
Project Manager	Current PM		Current
	Previous PM		
	Previous PM		
	Previous PM		

1.2 Project Context

Project	Explanation
Description	
Background	
Uniqueness	
Major Challenges	
Current Status	Cost Performance Schedule Performance Capability Performance

1.3 Project Approvals

Approval	Original Planned	Achieved	Variance
First Pass			
Second Pass			

1.4 Prime Acquisition Contract(s) Details

Prime Contractor(s)	Scope Outline	Type (Price Basis)	Form of Contract	Signature
Contractor 1				
Contractor 2				
Contractor 3				
Contractor 4				
Contractor 5				

1.5 Other Current Project Phases or Sub-Projects

Phase or Sub-Project	Description

1.6 Project Maturity Score and Benchmark

Maturity Score		Attributes							Total
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support	
Project Stage:	Benchmark								
	Current Project								
	Explanation								

Project Stage	Total Benchmark Score	Total Current Score
<p><i>DMO MPR Section to insert graph</i></p>		

Section 2 – Financial Performance – All financial figures in Section 2 are in \$millions

Date	Description	Base Date \$M	\$M	No. Units	Equipment	Contractor	Notes
<p>This Section is pending final agreement between DMO and ANAO</p>							
Budget Expenditure Variance							
Estimate \$M	Actual \$M	Variance	Variance Factor	Explanation			
Note 1:							
Note 2:							
Note 3:							

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/ Platform Variant	Original Planned	Current Planned	Achieved/ Forecast	Variance (Months)
System Requirements					
Preliminary Design					
Critical Design					
Variance Explanations					

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/ Platform Variant	Original Planned	Current Planned	Achieved/ Forecast	Variance (Months)
Test Readiness Review					
Acceptance					
Variance Explanations					

3.3 Progress toward Initial Operational Capability

Item	Original Planned	Achieved/ Forecast	Variance (Months)	Variance Explanations/ Implications

3.4 Progress toward Final Operational Capability

Item	Original Planned	Achieved/ Forecast	Variance (Months)	Variance Explanations/ Implications

Schedule Status as at 30 Jun 10

Approval	IOC	FOC
<i>DMO MPR Section to insert graph</i>		

3.5 Measures of Effectiveness

Capability Pie Chart (Percentage breakdown of Project Measures of Effectiveness - MOEs)	
<p><i>DMO MPR Section to insert graph</i></p>	Green:
	Amber:
	Red:

Section 4 – Major Risks, Issues and Linked Projects

4.1 Major Project Risks

Identified Risk (risk identified by standard project risk management processes)	
Description	Remedial Action
Emergent Risks (risk not previously identified but has emerged during 2009-10)	
Description	Remedial Action

4.2 Major Project Issues

Description	Remedial Action

4.3 Linked Projects

Project	Description of Project	Description of Dependency

Section 5 – Lessons Learned

5.1 Key Lessons Learned

Project Lesson	Reference to DMO Systemic Lessons Learned - Part 2 Chapter 3

Revised Section 2 - Financial Performance

ABC PROJECT JP1234 Phase 1
2009-10 Major Projects Report

Ref	Date	Description	Base Date \$m	Current \$m	Contractor	Notes	
2.1 Project Budget History							
A	Jun '07	Original Approved	6,500.5	6,500.5			
B	Jul '07	Real Variation - Scope	450.6	450.6			
	Aug '07	Real Variation - Transfers	200.5	200.5			
	Sep '07	Real Variation - Budgetary Adjustments	100.5	100.5			
	Jul '08	Real Variation - DMO Performance	49.4	49.4			
			801.0	801.0			
C	Jun '10	Price Indexation		545.3			
D	Jun '10	Exchange Variation		278.1			
E	Jun '10	Total Budget	7,301.5	8,124.9			
2.2 Project Expenditure History							
F	Prior to Jul '09			429.3	ABC Pty Ltd		
				62.4	Contract 2		
				102.5	Contract 3		
				23.1	Contract 4		
				99.6	Contract 5		
				40.2	Other	1	
G				757.1			
H	FY to Jun '10			564.9	ABC Pty Ltd		
				259.1	Contract 2		
				189.7	Contract 3		
				12.7	Contract 4		
				60.2	Contract 5		
				23.7	Other	1	
I				1,110.3			
J	Jun '10	Total Expenditure	N/A	1,867.4		2	
K	Jun '10	Remaining Budget		6,257.5			
2.3 Contract details							
L	M	N	O	P	Q	R	
Contractor	Signature date	Price at signature (base) \$m	Quantities at signature	Price at 30 Jun 10 (base) \$m	Quantities at 30 Jun 10	Equipment	Notes
ABC Pty Ltd	Dec '07	2,359.8	4	2,451.6	5	Equipment A	3
Contract 2	Jan'08	2,137.4	5	2,156.8	5	Equipment B	4
Contract 3	Feb '08	1,000.0	2	1,000.0	2	Equipment C	5
Contract 4	Mar '08	689.2	1	701.7	1	Equipment D	6
Contract 5	Apr '08	548.9	10	548.9	10	Equipment E	7
Note 1: Other expenditure comprises: operating expenditure, contingencies, other capital expenditure not attributable to the aforementioned top 5 contracts and minor contract expenditure.							
Note 2: 'N/A': Contract expenditure in base date dollars has not been provided. Defence's financial management system, ROMAN, maintains authoritative data on the total amount expended against the project and related contracts, but this project does not manage ROMAN transactions in a way that facilitates separation into base date and variation payments against individual contracts in that system. Due to the age of the project, this project originally recorded payments in DEFMIS, a financial management system that has been superseded by Defence's current ROMAN system.							
Notes 3-7: Additional narrative to be provided only where necessary.							
2.4 In-year Budget Expenditure Variance							
S	T	U	V	W			
Estimate \$M	Actual \$M	Variance \$M	Variance Factor	Explanation			
		(200.50)	FMS	FMS Underspend represents, in part, some cost savings on the program. Local Industry overspend relates to procurement and placement of contracts earlier than anticipated in the budget.			
		256.7	Overseas Industry				
		156.5	Local Industry				
897.6	1,110.3	212.7	Total variance				

Legend
Items in grey are provided for guidance reference purposes only and will not form part of the working PDSS template.

Ref	Guidance
A	The approved project cost for the DMO element of the project at Government Approval.
B	Depending on the circumstances of the project, it may be necessary to also include real variations (budget) which may have occurred. Variations can comprise the following: * Scope - changes which are attributable to changes in requirements by Defence. * Transfers - 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. * Budgetary Adjustments - to account for corrections resulting from foreign exchange or indexation accounting estimation errors and Departmental administrative decisions that result in variations such as efficiency dividends or adjustments made to fund initiatives such as Skilling Australia's Defence Industry (SADI). * DMO Performance - adjustments attributed to how effectively the DMO manages its financial performance on a project.
C	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. Note that this line item does not have a base date dollar impact, with all entries to be recorded in the current amount column.
D	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. Note that this line item does not have a base date dollar impact, with all entries to be recorded in current dollars.
E	The sum of the above. Note that totals are required in both base date and current dollar terms.
F	This item comprises all amounts incurred in all periods prior to the current reporting period (e.g. all project expenditure up to 30 June 2009) expressed in current day dollars. Reporting of expenditure is to be split into the following: * Contractor - expenditure against each of the top 5 contracts, restricted to contracts valued at 10% of the current approved project cost or \$10m (whichever is the greater). * Other - which comprises operating expenditure, contingencies, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.
G	The two expenditure elements above are to be subtotalled to give a single amount for all prior period expenditure.
H	This item comprises all amounts incurred in the current reporting period (e.g. all expenditure from 1 July 2009 to 30 June 2010) expressed in current day dollars. Reporting of expenditure is to be split into the following: * Contractor - expenditure against each of the top 5 contracts, restricted to contracts valued at 10% of the current approved project cost or \$10m (whichever is the greater). * Other - which comprises operating expenditure, contingencies, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.
I	The two expenditure elements above are to be subtotalled to give a single amount for FY expenditure.
J	This item discloses total project expenditure as at the reporting date (i.e. 30 June 2010) and is the sum of prior period and current period expenditure reported above.
K	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.
L	Lists the names 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 (whichever is the greater).
M	The date the contract was signed.
N	Expressed in whole numbers, this is the quantity of equipment under contract as at the date the contract was signed. The quantity of contracted equipment should only be provided at a summary level.
O	This is the base date price at contract signature and by definition is expressed in base date dollars.
P	The base date contract price at 30 June 2010 expressed in base date dollars.
Q	Expressed in whole numbers, this is the quantity of equipment under contract as at the end of the reporting period (i.e. 30 June 2010). The quantity of contracted equipment should only be provided at a summary level.
R	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).
S	The estimated project expenditure for 2009-10.
T	The actual project expenditure incurred in the current reporting period (i.e. 2009-10).
U	Budget expenditure variances are to be disaggregated and disclosed separately as per the variance factors identified. The sum of these should give a total variance equal to the difference between the Budget Estimate and actual expenditure.
V	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: Brought forward; Cost savings; Foreign Military Sales; Commonwealth Delays; Local industry; Overseas industry; and FOREX variations.
W	Explanations must address all of the variance factors noted above, where relevant.