



Submission No: 2



15 April 2010

Ms Kris Veenstra
Inquiry Secretary
Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

Dear Ms Veenstra

JCPAA – REVIEW OF THE MAJOR PROJECTS REPORT 2008-09

I refer to the questions the Committee put on notice arising from the private briefing into the Major Projects Report 2008-09 on 15 March 2010.

Please find enclosed responses to the questions on notice directed to the Australian National Audit Office.

Yours sincerely

Michael White
Executive Director
Performance Audit Services Group

ANAO Response to the JCPAA's Questions on Notice 15 March 2010

1. Mr Georgiou asked "Can you take this on notice and tell us which of [the 2008-09 MPR] projects has also been or is about to be the subject of a performance audit"?

ANAO answer:

a. Projects that have been the specific focus of a performance audit

Project	Audit
Airborne Early Warning and Control (AEW&C) ¹	ANAO Audit Report No.32 2003-04 <i>'Wedgetail' Airborne Early Warning and Control Aircraft: Project Management</i>
Armed Reconnaissance Helicopter (Tiger)	ANAO Audit Report No.36 2005-06 <i>Management of the Tiger Armed Reconnaissance Helicopter Project - Air 87</i>
Guided Missile Frigate Upgrade Implementation (FFG) ²	ANAO Performance Audit Report No.11 2007-08 <i>Management of the FFG Capability Upgrade</i>
Bushmaster Protected Mobility Vehicle ¹	ANAO Audit Report No.59 2003-04 <i>Defence's Project Bushranger: Acquisition of Infantry Mobility Vehicles</i>
High Frequency Modernisation (HF Mod)	ANAO Audit Report No.34 2006-07 <i>High Frequency Communication System Modernisation Project</i>
Armidale Class Patrol Boat	ANAO Report No.29 2004-05 <i>The Armidale Class patrol Boat Project: Project Management</i>
Collins Replacement Combat System ^{1,2}	ANAO Audit Report No.23 2008-09 <i>Management of the Collins-class Operations Sustainment</i>

¹ AEW&C, Bushmaster and Collins were also included as a part of a sample of projects (but not specifically examined) in **ANAO Audit Report No.30 2001-02 *Test and Evaluation of Major Defence Equipment Acquisitions***. The scope of Report 30 encompassed Defence's management of Test and Evaluation aspects of its capital equipment program.

² FFG and Collins were also included as part of a sample of projects (but not specifically examined) in **ANAO Audit Report No.10 2006-07 *SDSS Get Well Program (SDSS Follow-up)***. The scope of Report 10 encompassed the assessment of the how effectively a segment of the Defence Supply Chain (of which SDSS is one key component) was meeting selected maritime end user capability and reporting requirements.

b. ANAO Performance Audit Report No.48 2008-09 *Planning and Approval of Defence Major Capital Equipment Projects*

The scope of Report 48 was the operations of Government's First and Second Pass Approval and did not specifically examine the following projects, however, the sample of projects included:

- Air Warfare Destroyer (AWD) Build;
- Bridging Air Combat Capability (Super Hornet);
- Multi-role Helicopter (MRH);
- Amphibious Deployment and Support (LHD);
- Field Vehicles and Trailers – Overlander Program;
- C-17 Globemaster III Heavy Airlifter;
- Next Generation Satellite Program; and
- ANZAC Anti-Ship Missile Defence Phase 2B.

c. F/A 18 Hornet Upgrade

The F/A 18 Hornet Upgrade project has been included as part of a sample of projects (but was not specifically examined), in two performance audits:

- ANAO Audit Report No.27 2006-07 *Management of Air Combat Fleet In-Service Support*;
The scope of Report 27 was to assess the effectiveness of the Air Combat fleet's in-service support arrangements to provide capability for air combat operations.
- ANAO Audit Report No.40 1999-2000 *Tactical Fighter Operations*.
The scope of Report 40 was to assess whether the measures used to provide F/A-18 tactical fighter force operational capability are managed cost-effectively.

d. Projects that are currently, or are about to be, the subject of a performance audit

The current performance audit of Naval Acceptance into Service of Capital Equipment includes the following projects which are also in the Major Projects Report:

- Air Warfare Destroyer Build Project;
- Amphibious Deployment and Support;
- Guided Missile Frigate Upgrade Implementation;
- Armidale Class Patrol Boats;
- New Heavyweight Torpedo;
- ANZAC Anti-Ship Missile Defence;
- Collins Replacement Combat System; and
- Collins Class Submarine Reliability and Sustainability.

In addition, the following performance audits are included in the Audit Work Program July 2009, and also relate to projects in the Major Projects Report:

- Air Warfare Destroyer – Vendor Selection Post Second Pass Approval;
- Project Overlander;
- Management of Technical Risk Associated with Air Warfare Destroyer;
- Acquisition of F/A-18F Block II Super Hornet Capability; and
- Acquisition of the MRH 90 Helicopter Capability.

I refer to Mr Peter White's letter to the JCPAA Chair of 22 December 2009, in which we detailed the difference between the work entailed by a performance audit (which provides reasonable

assurance), such as that in the reports mentioned above, and the Major Projects Report (which provides limited assurance).

In addition, there is a difference in the focus of the performance audits, as mentioned above, and that of the Major Projects Report, which is on the status of each project in terms of cost, schedule and capability.

AUDITOR'S RESPONSIBILITY

- 2. Mr Georgiou asked "Can you tell me what the difference is between your responsibility as auditor on the major projects and your responsibility as auditor on government advertising?"**

ANAO answer:

The major difference between the Auditor-General's responsibilities on the Major Projects Report and Government Advertising is the subject matter being reviewed, and the Guidelines – which are approved by Cabinet for Government Advertising, and are endorsed by the JCPAA for the Major Projects Report.

The following extracts from the relevant audit reports explain the Auditor-General's responsibility in relation to each engagement.

The Auditor's Responsibility extracted from the Independent Review Report by the Auditor-General on the Defence Materiel Organisation's Project Data Summary Sheets

My responsibility is to express an independent conclusion based on my review.

My review has been conducted in accordance with the Australian Standard on Assurance Engagements, *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standard Board. My review is designed to enable me to obtain sufficient appropriate evidence to form a conclusion on whether anything has come to my attention to indicate that the information and data in the PDSSs that is within the scope of my review has not been prepared, in all material respects, in accordance with the Guidelines.

The Auditor's Responsibility extracted from the standard Independent Report of an advertising campaign

My responsibility is to express, in this assurance report, an independent conclusion based on my review.

My review is conducted in accordance with the Australian Standard on Assurance Engagements, *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standard Board. My review is designed to enable me to obtain sufficient appropriate evidence to form a conclusion on whether anything has come to my attention to indicate that the campaign does not comply, in all material respects, with the Guidelines.