
The Parliament of the Commonwealth of Australia

Report 436

Review of the 2011–12 Defence Materiel Organisation Major Projects Report

Joint Committee of Public Accounts and Audit

May 2013
Canberra

© Commonwealth of Australia 2013

ISBN 978-1-74366-020-1 (Printed version)

ISBN 978-1-74366-021-8 (HTML version)

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website:
<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.



Contents

Foreword	v
Membership of the Committee	vii
List of abbreviations	ix
List of recommendations	xi
1 Introduction	1
Background	1
Role of the committee.....	2
Conduct of the review.....	2
Report structure	3
2 Major Projects Report 2011–12	5
Introduction	5
Major Projects included in 2011–12.....	6
Australian National Audit Office Review.....	8
Cost performance.....	9
Schedule performance	9
Capability performance	10
Governance and business processes	11
3 The Committee’s Review	13
Introduction	13
Cost.....	13
Project financial assurance statements.....	13

Contingency funds	16
Schedule	18
Slippage issues	18
Project maturity scores.....	21
Governance and business processes.....	25
Consistency of information and system rationalisation.....	25
Accountability for projects	27
Sustainment reporting	29
MPR stakeholder survey	30
4 Guidelines for the 2012–13 MPR	33
Introduction	33
Changes from the 2011–12 Guidelines.....	33
New projects and exiting projects.....	34
Appendix A – Submissions	37
Appendix B – Public Hearing.....	39

LIST OF TABLES

No table of contents entries found.



Foreword

Since coming to Federal politics in 2008, it has been a personal view of mine that the Defence Materiel Organisations (DMO) is an agency that needs a lot of improvement in a number of ways. This was captured in a dissenting report made to the Defence sub-committee in 2010.¹

In recent times, my view is changing. Through oversight at many levels – and a demonstrated desire within DMO management to improve – efficiency, value for money and human management looks to be improving.

The dilemma the DMO wrestles with of delivering private sector principles to a public sector framework is laudable, but will be forever problematic. Such a logic denies a long history of administrative law and fails to admit the public sector can match, and beat, the private sector on value for money – not always, not enough, but certainly often enough to give it a chance, and often enough to not automatically assume it never happens.

The DMO itself, now more than ever, using public sector principles as first principles, is an example of where performance actually improves by doing so.

The 2011–12 Major Projects Report is the fifth to be reviewed by the Joint Committee of Public Accounts and Audit. This year's report covers 29 projects with a combined approved budget of \$47.3 billion.

The Committee is committed to ensuring the information presented in the Major Projects Report helps to maximise transparency and accountability in the Defence acquisition process for major projects managed by the DMO.

Specific areas of focus in the Committee's review of this year's report include the presentation of financial information, project schedule slippage, and governance and business processes.

¹ See Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of Defence Annual Report 2008–09*, July 2010:
<http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jfadt/defenceannualreport_2008_2009/report.htm> viewed 24 May 2013.

The Committee's report makes recommendations directed at:

- supporting the development of meaningful project financial assurance statements;
- disclosing information on the expenditure of project contingency funds;
- improving reporting on the DMO's sustainment of capability functions;
- improving consistency in the application of project 'maturity scores'; and
- taking a more strategic approach to business systems improvements.


The 2011–12 Major Projects Report also contains the findings of a survey of external stakeholders on the use by, and value of, the report. This survey came about as a result of a recommendation of the Committee's previous review.

Although the response rate to the survey was low, the results appear to confirm that the Major Projects Report has become a valuable asset for improving the accessibility of information on major Defence projects. The results also indicate that there is more work that can be done to improve the transparency, clarity and accuracy of information in the report, suggesting a strong case for ongoing parliamentary oversight.

On behalf of the Committee, I would like to express my appreciation for the large amount of work by the DMO and the Australian National Audit Office (ANAO) that goes into producing the Major Projects Report each year. The ANAO's role in both auditing the Project Data Summary Sheets and providing a comparative and longitudinally-focused overview of the report is invaluable.

I thank the witnesses from the DMO and the ANAO for their participation in the Committee's review.

Rob Oakeshott MP
Chair



Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP (until 06/02/13)
Ms Gai Brodtmann MP (from 13/02/13)

Members	Hon Dick Adams MP	Senator Mark Bishop
	Mr Jamie Briggs MP	Senator Louise Pratt
	Ms Gai Brodtmann MP	Senator Anne Ruston
	Mr Darren Cheeseman MP	Senator Dean Smith
	Mr Josh Frydenberg MP	Senator Matt Thistlethwaite
	Mr Harry Jenkins MP (from 22/04/13)	
	Mr Shayne Neumann MP (from 06/02/13 until 22/04/13)	
	Ms Deborah O'Neill MP	
	Ms Laura Smyth MP	
	Hon Alex Somlyay MP	

Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretary	Mr James Nelson
Research Officer	Mr Nathan Fewkes (until 15/02/13)
Administrative Officers	Ms Jazmine Rakic Ms Louise Goss (until 28/03/13)



List of abbreviations

AMOTS	Australianised Military Off-The-Shelf
ANAO	Australian National Audit Office
COTS	Commercial Off-The-Shelf
DMO	Defence Materiel Organisation
FMR	Final Materiel Release
FOC	Final Operational Capability
IPA	Independent Project Analysis, Inc.
JCPAA	Joint Committee of Public Accounts and Audit
JPD	Joint Project Directive
MAA	Materiel Acquisition Agreement
MOTS	Military Off-The-Shelf
MPR	Major Projects Report
PDSS	Project Data Summary Sheet



List of recommendations

3

The Committee's review

Recommendation 1

To help ensure that project financial assurance statements continue to be robust and meaningful, the Committee recommends that, in consultation with the Australian National Audit Office, the Defence Materiel Organisation continue to seek independent financial assurance during the development of future Major Project Reports for an appropriately selected sample of projects.

Recommendation 2

The Committee recommends that, by 20 June 2013, the Defence Materiel Organisation submit a proposal, for incorporation into the 2013-14 Major Projects Report Guidelines, on how project-level contingency fund data could be disclosed in future Major Projects Reports without being significantly prejudicial to taxpayers' interests. At a minimum, projects that have utilised contingency funds during the previous financial year or are anticipated to use contingency funds in the forthcoming financial year, and the amount of such funds, should be identified in the reports.

Recommendation 3

The Committee recommends that the Defence Materiel Organisation review its current approach to assigning maturity scores to projects to improve the consistency of their application and their consistency with the *Defence Capability Plan*.

Recommendation 4

The Committee recommends that the Defence Materiel Organisation develop a business systems improvement plan which prioritises projects, assigns completion dates and allocates senior level ownership for implementation. A progress update on achievements against the plan should be included in the 2012–13 Major Projects Report.

Recommendation 5

The Committee recommends that, by 20 June 2013, the Department of Defence reports to the Committee on how it intends to achieve greater transparency in relation to its spending on sustainment activities.

4

Guidelines for the 2012–13 MPR

Appendix A – Submissions

Appendix B – Public Hearing