
The Parliament of the Commonwealth of Australia

Report 422

Review of the 2009-10 Defence Materiel Organisation Major Projects Report

Joint Committee of Public Accounts and Audit

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Foreword

The 2009-10 Defence Materiel Organisation (DMO) Major Projects Report (MPR) is the third MPR to be produced, but only the second MPR to be reviewed and reported on by the committee. As a result, through this review, the committee has incorporated ongoing issues that were raised as part of the review of the pilot MPR (2007-08), but also provides discussion on the Auditor-General's major findings in relation to the 2008-09 MPR in addition to the 2009-10 MPR.

In particular, as qualified audit conclusions have been received for the 2007-08, 2008-09 and 2009-10 MPRs for the non inclusion of price and expenditure information expressed in base date dollars, the committee focused on evidence received in relation to this issue. Through its recommendations, the committee has requested the DMO to address the base date dollar issue associated with the qualified audit opinions given, with a resolution of the matter expected for the 2011-12 MPR.

Other areas of interest highlighted during the review included: timing of the preparation of the MPR Guidelines, determining the exit criteria for MPR projects, the impact of financial control frameworks on the cost, schedule and capability of projects, analysis of the Gate Review Assurance Boards process, and inclusion of Earned Value Management Systems data in the Project Data Summary Sheets for individual projects.

The 2009-10 MPR builds on the level and presentation of information provided in the previous MPRs which in turn improves the readability and utility of the document. As each successive MPR is intended to further progress and improve accountability and transparency in regard to the management of major defence capital acquisition projects, it is important that the concerns highlighted through the assurance audit process and consequently the committee's review be dealt with and addressed by the DMO.

On behalf of the committee, I acknowledge the officers of the Defence Materiel Organisation, and the officers of the Australian National Audit Office for their continuing development of the MPR and for contributing their knowledge and expertise to the committee's review.

If implemented as agreed, the goal of cost savings and increased quality will be achieved in key major projects, making this a worthwhile contribution to better public policy outcomes.

I thank my fellow committee members for maintaining this bi-partisan focus.

Mr Robert Oakeshott MP
Chair




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Membership of the committee

Chair Mr Robert Oakeshott MP

Deputy Chair Mrs Yvette D'Ath MP

Members Hon Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deb O'Neill MP

Ms Laura Smyth MP

Hon Alexander Somlyay MP

Senator Guy Barnett

Senator Mark Bishop

Senator Annette Hurley

Senator Helen Kroger

Senator Glenn Sterle

Committee secretariat

Secretary	Mr David Brunoro (from 3 February 2011)
	Mr Russell Chafer (until 2 February 2011)
Inquiry Secretary	Ms Stephanie Mikac



List of abbreviations

ANAO	Australian National Audit Office
AUC	Assets Under Construction
Cwth	Commonwealth
DMO	Defence Materiel Organisation
EVMS	Earned Value Management Systems
FMR	Final Materiel Release
FOC	Final Operational Capability
GRAB	Gate Review Assurance Boards
IMR	Initial Materiel Release
IOC	Initial Operational Capability
JCPAA	Joint Committee of Public Accounts and Audit
MAA	Materiel Acquisition Agreement
MOE	Measures of Effectiveness
MPR	Major Projects Report
PDSS	Project Data Summary Sheets
Projects	Major defence capital acquisition projects
PoC	Projects of Concern
PoI	Projects of Interest
UK	United Kingdom of Great Britain



List of recommendations

2 Major Projects Report Work Program

Recommendation 1

The committee recommends that the Major Projects Report (MPR) Work Plan (which contains the MPR Guidelines) be provided to the Joint Committee of Public Accounts and Audit concurrently with the list of proposed projects for inclusion and exclusion in the following year's MPR, no later than 31 August each year.

Recommendation 2

The committee recommends that Projects of Concern (PoC) not be specifically included in the selection criteria for projects to be reported on in the Major Projects Report (MPR), but where projects reported on in the MPR are also PoC, that they continue to be identified as such.

Recommendation 3

The committee recommends that the exit criteria for projects reported on in the Major Projects Report be the point at which both Final Materiel Release and Final Operational Capability (as currently defined by the Defence Materiel Organisation and Department of Defence respectively) is achieved.

Recommendation 4

The committee recommends that in determining whether the exit criteria is appropriate for future Major Projects Reports (MPRs), that the Defence Materiel Organisation's assessment of the difference in scale, size and incidence of requirements to be completed between Final Materiel Release and Final Operational Capability be provided to the Joint Committee of Public Accounts and Audit as soon as possible to allow for the implementation of any changes to occur for the 2011-12 MPR. In conducting its analysis, the DMO should consult with the three services, the Department of Defence, the Australian National Audit Office and industry representatives.

Recommendation 5

The committee recommends that once projects have met the exit criteria, they be removed from the Major Projects Report (MPR) and for each project which has been removed, the lessons learned at both the project level and the whole-of-organisation level are included as a separate section in the following MPR.

3 Auditor-General's Review

Recommendation 6

The committee recommends that the Defence Materiel Organisation include in the format of a comparison table, for the listed eleven projects included in the Major Projects Report, columns appearing side by side showing base date dollars, out-turned dollars and current dollars for expenditure information.

Recommendation 7

The committee recommends that the Defence Materiel Organisation present the findings of its examination of the presentation of financial data on all possible methods for project expenditure information (Eg. Base date dollars, out-turned dollars and current dollars) to the Joint Committee of Public Accounts and Audit (JCPAA) as soon as it is completed and no later than 31 August 2011.

This examination should include a: (1) preferred method, and (2) comprehensive proposal for transition towards the proposed new arrangement. In addition, the proposed examination should be reviewed by the Australian National Audit Office before it is submitted to the JCPAA for consideration and recommendation prior to inclusion in the MPR.

Recommendation 8

The committee recommends that the way that Measures of Effectiveness data is presented in the Major Projects Report not be changed until a thorough analysis outlining the reasons for and implications of the change has been undertaken and presented to the Joint Committee of Public Accounts and Audit for consideration and endorsement.

Recommendation 9

The committee recommends, in line with the previous committee's recommendation, that the Defence Materiel Organisation in conjunction with the Australian National Audit Office develop a standardised graphical representation of each project's cost and schedule variance for inclusion in the Project Data Summary Sheets for the 2011-12 Major Projects Report Guidelines.

