

# Senate Finance and Public Administration Legislation Committee

## ANSWERS TO QUESTIONS ON NOTICE

### Prime Minister and Cabinet Portfolio

#### Department of the Prime Minister and Cabinet

Budget Estimates Hearings 2005-2006, February 2006

#### PM 29

Senator Bishop asked how much it would cost the ANAO to implement audits that could produce an annual report on progress in major Defence projects.

#### Answer

We recently advised the JCPAA of the costs associated with the production of an annual report on progress in major Defence capital equipment. These costs were based on our resourcing proposal to produce an annual report on progress in major Defence equipment projects as part of the 2006-07 budget process. This response is also based on this resourcing proposal and is dependent on Defence providing the underlying information on a project by project basis.

By way of background, in 1981-82, the United Kingdom Parliament's Public Accounts Committee (PAC) requested the Ministry of Defence (MOD) to produce an annual report informing the Committee of the progress and cost of major Defence equipment projects. The ANAO understands that until 1991 both the major Projects summary prepared by the MOD and the associated National Audit Office (NAO) review were restricted to the PAC. Starting 1993, the NAO commenced tabling their analysis of cost, schedule and performance progress on MOD major capital equipment, which is now based around reviewing the project summary sheets prepared by the MOD.

The resourcing bid referred to above assumes that, like the NAO report, considerable reliance will be placed on information provided by the Defence Material Organisation and the Department of Defence's Capability Development Group.

It is estimated that this annual report would cost some \$3.570 million over four years and \$0.962 million ongoing. The break up of the \$3.570 million is set out below:

	Year 1 (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Total (\$m)
<b>Resourcing Required</b>	0.724	0.914	0.970	0.962	<b>3.570</b>

As a guide to UK experience, the NAO used 11 auditors to produce their 2005 Report. To produce a report here the ANAO envisages a development and due diligence stage which would involve 3.5 full-time equivalent officers in Year 1 rising to six officers in Year 2. In Year 3 and onward, the annual reporting phase is estimated to require 6.5 full-time equivalent officers to carry out the work.