

APPENDIX THREE

Benchmarks for Committee scrutiny of DMO

The Committee intends to monitor closely all aspects of the Defence Materiel Organisation over the next few years, culminating in a formal review of the Organisation at the end of 2005. The Committee will also be examining carefully the performance audits of the DMO undertaken by the Australian National Audit Office.

Throughout this inquiry, in the evidence provided by DMO officials, various undertakings were made concerning goals, time frames, milestones etc. The Committee will use the Estimates process (Budget and additional) to monitor the DMO's performance with respect to those undertakings.

The Committee has been impressed with the standard of documentation prepared by Defence for many aspects of its capability development and acquisition processes. The Committee is satisfied that these guides and manuals constitute, in themselves, a substantial benchmark against which to assess performance.

Some benchmarks to be used by the Committee in its scrutiny of the DMO

- Adherence to the requirements of the *Capability Systems Life Cycle Management Manual 2002*.
- Adherence to the Goals and Values set out in the *Defence Materiel Guide 2002*.
- Achievement of the objectives and performance indicators contained in the DMO Balanced Scorecard.
- Full compliance with the Business Rules specified in the DMO's Corporate Governance Framework.
- Implementation, by the end of 2004, of the Defence Business Model for in-service support, including a Customer/Supplier Agreement between Output Executives and Enabling Executives, and Service Level Agreements between the SPOs and the Force Element Groups.
- Between 2003–05, the Air 87 Armed Reconnaissance Helicopter Project, the Airborne Early Warning and Control Aircraft Project, and the replacement Patrol Boats Project shall meet all scheduled milestones.
- Tracking and managing of enterprise risk in accordance with the DMO Risk Management Plan.
- Achievement, demonstrated by the results of the annual Defence Staff Survey, of the DMO's goal to 'create a climate where people are valued for doing their best.'

- Timely provision by DMO to the Senate Committee, on an annual basis, of an audited summary of the industry feedback on the effectiveness of the Systems Program Offices.
- Full compliance with the Defence Procurement Policy Manual and the requirements of the *Financial Management and Accountability Act 1997*.
- Achievement by 2005 of tendering costs as a percentage of contract value being at a level equivalent to commercial industry standards.
- For each project, acceptance of materiel capability to be on the basis of fulfilment of the requirements of the Operational Concept Document and the Test Concept Document.
- Successful implementation, by end of the financial year 2003–04, of policy and guidelines for achieving world's best practice in the acquisition and maintenance of software intensive systems, with particular reference to independent verification and validation and the management of safety critical systems.
- Establishment of a formal and transparent complaint handling mechanism using a case management approach for implementation from the beginning of 2004.
- Independently verified enhancement, each year, of the involvement of Australian industry in Defence acquisition projects, in accordance with the *Australian Industry Involvement Manual 2001*.
- Establishment, by the end of financial year 2003–04, of a database of all Professional Service Providers engaged by Defence which will include details of the location and project upon which the PSP is engaged, the length of time for which the PSP has been involved in the project, and the anticipated duration of the PSP's engagement.
- Implementation, by the end of 2004, of a fully functioning inventory and asset management system (SDSS) with common software and common processes across all three ADF services.
- By the end of 2005, full integration of SDSS with Defence's financial management system.
- In each of 2004 and 2005, at least twenty DMO staff will have completed the Masters degree level Project Manager Development Course.
- In each of 2004 and 2005 at least three DMO staff will have participated in an industry exchange/work experience program of no less than 6 months duration.

- By September 2003, the endorsement by the Defence Capability Committee of the report by DTRIALS addressing Defence's Test and Evaluation policy.
- By the end of 2004 each System Program Office and business unit will have established quality management systems, and 50 per cent will have been formally accredited.
- By the end of 2005, the DMO will have achieved accreditation to ISO standard of its corporate level quality management system.
- The Defence and Industry Advisory Council will have met at least twice per year in 2003, 2004 and 2005.