

Part 4. JCPAA 2014–15 Major Projects Report Guidelines



Endorsed by the Joint Committee of Public Accounts and Audit

October 2015

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Introduction¹

1.1 Given the recommendations of the First Principles Review, on 1 July 2015, the Defence Materiel Organisation (DMO) was delisted and its responsibilities merged back into the Department of Defence (Defence).² The Defence Major Projects Report (MPR) will form part of the Australian National Audit Office's (ANAO) 2014–15 MPR, which is to be tabled in Parliament by the Auditor-General. It reports on the performance of selected major Defence equipment acquisition projects (Major Projects).³ The summary project data is prepared by Defence and reviewed by the ANAO.⁴

1.2 The Major Projects selected for reporting were proposed based on criteria agreed with the Joint Committee of Public Accounts and Audit (JCPAA), and provided by the ANAO to the JCPAA for endorsement. Since its inception, the number of projects included in the MPR is as follows:

- 9 projects in the 2007–08 MPR;
- 15 projects in the 2008–09 MPR;
- 22 projects in the 2009–10 MPR;
- 28 projects in the 2010–11 MPR;
- 29 projects in the 2011–12 and 2012–13 MPRs; and
- 30 projects in the 2013–14 MPR.

The 2014–15 MPR will report on 25 projects as endorsed by the JCPAA.

1.3 Project data is presented by way of Project Data Summary Sheets (PDSSs) supported by appropriate evidence. The Secretary of the Department of Defence (Secretary) is responsible for ensuring that the PDSSs are prepared in accordance with these Guidelines, as endorsed by the JCPAA, and for ensuring that the PDSSs and supporting evidence provided to the ANAO for review are complete and accurate.

1.4 The ANAO will review the PDSSs in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The ANAO's review is designed to enable the ANAO to obtain sufficient appropriate evidence to form a conclusion that nothing has come to the ANAO's attention which indicates that the information in the PDSSs, that is within the scope of the review, has not been prepared, in all material respects, in accordance with the Guidelines.

1.5 These Guidelines:

- (a) define the criteria for project selection and provide the list of projects for the 2014–15 MPR;

1 This document, previously endorsed by the JCPAA in September 2014, has been revised following the release of the First Principles Review *Creating One Defence*, and reflects the delisting of DMO and transfer of its functions to the Defence Capability Acquisition and Sustainment Group (CASG), effective 1 July 2015.

2 Periods prior to 30 June refer to the then DMO. Post 1 July all references are to Defence, however Defence is used for consistency throughout.

3 For the purposes of the MPR, a project is defined as the acquisition or upgrade of Specialist Military Equipment, which normally excludes facilities and other Fundamental Inputs to Capability.

4 The MPR will include a summary of the ANAO's review and analysis, and the Auditor-General's Independent Review Report.

- (b) define the roles and responsibilities of Defence in the production and review of the 2014–15 MPR;
- (c) provide requirements for the preparation of the PDSSs;
- (d) provide the PDSS template; and
- (e) provide an indicative program schedule in support of a November 2015 tabling.

1.6 Each year the MPR Guidelines are reviewed and amended to reflect lessons learned, in order to improve the MPR processes. As the Guidelines are now a stable document reflecting the requirements of the MPR and in the interests of administrative efficiency, the ANAO has taken administrative responsibility for updating the Guidelines annually and submitting them to the Committee for endorsement.

Criteria for Project Selection

1.7 The inclusion of projects in the MPR was based on the projects included in the Defence Capability Plan and subject to the following criteria:

- (a) Projects only admitted one year after Year of Decision (Second Pass Approval);
- (b) a total approved project budget of > \$150m;
- (c) a project should have at least three years of asset delivery remaining;
- (d) a project must have at least \$50m or 10% (whichever is greater) of their budget remaining over the next two years; and
- (e) a maximum of eight new projects in any one year.

1.8 All projects for inclusion in the MPR were proposed based on the above criteria, and provided to the JCPAA for endorsement, which occurred in September 2014.

1.9 The removal of projects from the MPR was based on achievement of Final Operational Capability (FOC) or on a post-Final Materiel Release (FMR) risk assessment of the timely achievement of FOC and subject to the following criteria:

- (a) the outstanding deliverables post-FMR, against the relevant Materiel Acquisition Agreement (MAA)⁵ and/or Joint Project Directive (JPD)⁶;

5 The MAA will detail the scope and cost of the capability to be acquired, and will commit the signatory agencies to completing assigned tasks and providing the necessary resources and assets to ensure effective management of the Acquisition Phase. Department of Defence, *Defence Capability Development Handbook 2014*, June 2014, p. 78.

6 Following Second Pass Approval by Government, the Secretary, Department of Defence and the Chief of the Defence Force will issue a JPD that covers the time from Second Pass Approval to the closure of the project business case. The post-Second Pass JPD assigns accountability and responsibility to:

- a. the Capability Manager/Project Realisation Manager for overall responsibility for the realisation of the capability through to declaration of FOC;
- b. the Acquisition Agency for acquisition responsibilities. Where DMO is the acquisition agency, the CEO DMO for materiel acquisition (which is implemented through the terms and conditions in the (post Second Pass) MAA);
- c. other key enablers, such as the Chief Information Officer, Deputy Secretary Defence Support and Reform and Chief Defence Scientist responsible for the provision of elements of Fundamental Inputs to Capability; and

Footnote continued on the next page...

- (b) the remaining schedule post-FMR, against the relevant MAA and/or JPD;
- (c) the remaining budget post-FMR, against the relevant MAA and/or JPD;
- (d) the remaining project risks and issues; and
- (e) the Capability Manager’s assessment, including overall risk rating and the extent to which this risk rating related to the DMO’s responsibilities.

1.10 All projects selected for removal from the MPR were proposed based on the above criteria, and provided to the JCPAA for endorsement, which occurred in September 2014.

1.11 Projects that met the exit criteria were removed from the PDSSs and information included within Defence’s section of the 2014–15 MPR for the first time.

2014–15 Project Selection

1.12 The following table reflects projects selected for addition and removal in the 2013–14 and 2014–15 MPRs. For each project which has been removed, the lessons learned at both the project level and the whole-of-organisation level should be included as a separate Defence section in the following MPR.

Table 1: Project Selection for the 2013–14 and 2014–15 MPRs

MPR	New projects added	Project PDSSs removed
2013–14	<ul style="list-style-type: none"> • LAND 121 Phase 3B Field Vehicles and Trailers • AIR 5349 Phase 3 EA-18G Growler Airborne Electronic Attack Capability • AIR 8000 Phase 2 Battlefield Airlift – Caribou Replacement • JP 2048 Phase 3 Amphibious Watercraft Replacement 	<ul style="list-style-type: none"> • AIR 5349 Phase 1/2 Bridging Air Combat Capability • SEA 1444 Phase 1 Armidale Class Patrol Boat • LAND 19 Phase 7A Counter-Rocket Artillery & Mortar (C-RAM)
2014–15	<ul style="list-style-type: none"> • AIR 7000 Phase 2 Maritime Patrol Aircraft (Boeing P-8A Poseidon) • SEA 1442 Phase 4 Maritime Communications Modernisation 	<ul style="list-style-type: none"> • AIR 5376 Phase 2 F/A-18 Hornet Upgrade • SEA 1390 Phase 2.1 Guided Missile Frigate Upgrade Implementation • JP 2008 Phase 4 Next Generation SATCOM Capability • JP 2043 Phase 3A High Frequency Modernisation • SEA 1390 Phase 4B SM-1 Missile Replacement • LAND 17 Phase 1A Artillery Replacement • AIR 5418 Phase 1 Follow On Stand Off Weapon

d. Deputy Secretary Defence People for the management of the Department’s workforce allocations via the Workforce Guidance Trails.

Department of Defence, *Defence Capability Development Handbook 2014*, June 2014, pp. 78–79.

1.13 The 23 'repeat' projects in the table below, appeared in the 2013–14 MPR and will be updated for the 2014–15 MPR.

Table 2: Repeat projects for the 2014–15 MPR

Project Number	Project Name	Defence Abbreviation
AIR 6000 Phase 2A/2B	New Air Combat Capability	Joint Strike Fighter
SEA 4000 Phase 3	Air Warfare Destroyer Build	AWD Ships
AIR 5077 Phase 3	Airborne Early Warning and Control Aircraft	Wedgetail
AIR 9000 Phase 2/4/6	Multi-Role Helicopter	MRH90 Helicopters
JP 2048 Phase 4A/4B	Amphibious Ships (LHD)	LHD Ships
AIR 5349 Phase 3	EA-18G Growler Airborne Electronic Attack Capability	Growler
AIR 9000 Phase 8	Future Naval Aviation Combat System Helicopter	MH-60R Seahawk
LAND 121 Phase 3B	Medium Heavy Capability, Field Vehicles, Modules and Trailers	Overlander Medium/Heavy
AIR 87 Phase 2	Armed Reconnaissance Helicopter	ARH Tiger Helicopters
AIR 5402	Air to Air Refuelling Capability	Air to Air Refuel
LAND 116 Phase 3	Bushmaster Protected Mobility Vehicle	Bushmaster Vehicles
AIR 8000 Phase 2	Battlefield Airlift – Caribou Replacement	Battlefield Airlifter
LAND 121 Phase 3A	Field Vehicles and Trailers	Overlander Light
SEA 1448 Phase 2B	ANZAC Anti-Ship Missile Defence	ANZAC ASMD 2B
AIR 9000 Phase 5C	Additional Medium Lift Helicopters	Additional Chinook
SEA 1439 Phase 4A	Collins Replacement Combat System	Collins RCS
JP 2072 Phase 2A	Battlespace Communications System	Battle Comm. Sys. (Land)
JP 2008 Phase 5A	Indian Ocean Region UHF SATCOM	UHF SATCOM
SEA 1429 Phase 2	Replacement Heavyweight Torpedo	Hw Torpedo
SEA 1439 Phase 3	Collins Class Submarine Reliability and Sustainability	Collins R&S
SEA 1448 Phase 2A	ANZAC Anti-Ship Missile Defence	ANZAC ASMD 2A
LAND 75 Phase 3.4	Battlefield Command Support System	Battle Comm. Sys.
JP 2048 Phase 3	Amphibious Watercraft Replacement	LHD Landing Craft

1.14 The format of the PDSS is contained at page 472.

Defence's Roles and Responsibilities

1.15 Defence will develop each project's PDSS for the ANAO's review (optimum length 10 pages). The Secretary is responsible for ensuring that the PDSSs are prepared in accordance with these Guidelines and that the PDSSs and supporting evidence provided to the ANAO for review are complete and accurate. The Secretary is also responsible for formally presenting Defence's sections of the MPR to the ANAO on completion of the PDSSs and associated commentary.

1.16 The Defence Deputy Secretary Capability Acquisition and Sustainment Group (DS CASG) is the Business Process Owner for the MPR. The Director General Business Services and Assurance (DGBSA) has management responsibility for the preparation of the MPR and is the key point of contact for the ANAO. The DGBSA has assigned responsibility to the Director MPR for managing the MPR process with the ANAO's MPR team at the operational level. Defence is responsible for ensuring information of a classified nature is made available to the ANAO for review, as it relates to the data contained within the PDSSs. Data of a classified nature is to be prepared in such a way as to allow for unclassified publication.

1.17 Defence's positions, roles and responsibilities in relation to the MPR are outlined in Table 3, below.

Table 3: Defence’s Positions, Roles and Responsibilities

Position	Role	Responsibility
Secretary of Defence	Defence accountability	<ul style="list-style-type: none"> • Sign off on the Statement by the Secretary • Primary accountability for the completeness and accuracy of the Defence MPR
Defence Deputy Secretary Capability Acquisition and Sustainment Group	Business Process Owner	<ul style="list-style-type: none"> • Executive direction in CASG
Chief Finance Officer Defence	Financial advice and assurance	<ul style="list-style-type: none"> • Overall responsibility for giving strategic financial advice and information in Defence⁷ • In consultation with the ANAO, arrange for independent financial assurance for an appropriately selected sample of projects⁸
Director General Business Services and Assurance	CASG accountability for the MPR	<ul style="list-style-type: none"> • Liaison with ANAO senior management • Advice to DS CASG and Secretary • Guidance to the Director MPR • Clearance of the PDSS suite and Defence’s sections of the MPR
Director MPR	MPR management, coordination and liaison	<ul style="list-style-type: none"> • Responsible for the overall coordination, preparation and achievement of the Defence MPR • Guidance and direction to project offices • Manage the MPR Program with the ANAO MPR team • Configuration management of the MPR and PDSS suite • Review of PDSS suite and evidence packs to ensure completeness and accuracy • MPR schedule management • Development of Defence’s sections of the MPR
Project Directors/Managers	PDSS development and generation of evidence packs	<ul style="list-style-type: none"> • Develop and produce the project’s PDSS and associated evidence packs • Review of the project’s PDSS and evidence packs to ensure completeness and accuracy • Actively engage the ANAO MPR team in its review of the project’s PDSS
Chief Finance Officer Group	Provision and coordination of corporate budget information	<ul style="list-style-type: none"> • Provide relevant budget data as indicated in the PDSS suite • Assist the ANAO MPR team in their review of budget data
Project line management	Assurance	<ul style="list-style-type: none"> • Assurance of data and content in the PDSS suite

7 Department of Defence, *Defence Annual Report 2013–14*, October 2014, p. 70.

8 Department of Defence, *Executive minute on JCPAA Report No. 436 Review of the 2011–12 Defence Materiel Organisation Major Projects Report*, 29 November 2013, p. 1.

MPR Process

1.18 The JCPAA identified the MPR as a Priority Assurance Review in Report 429 *Review of the 2010–11 Defence Materiel Organisation Major Projects Report*. Consequently, Section 33 of the *Auditor-General Act 1997* requires Defence to provide full and free access to premises and to any documents in the conduct of the review. This will be facilitated by the Director MPR.

1.19 An indicative schedule for the MPR program was developed in consultation with the ANAO contained at page 479. The schedule provides for a pre-30 June site visit period for the ANAO to conduct PDSS reviews of all projects. All project data should be prepared for this period at the date selected for the ANAO's review, without anticipating outcomes for the post-30 June review. A second period is set aside after the end of the financial year for reviewing completed PDSSs.

1.20 Normally, at least five working days prior to the commencement of a project site visit, a reviewed copy of the PDSS together with the relevant evidence pack (in soft copy) was provided to the ANAO. The evidence pack was to be appropriately structured and mapped to the PDSS for efficient review.

1.21 In accordance with natural justice provisions, contractors named within a PDSS will be consulted before Defence finalises the PDSS. The aim of the consultation is to provide the contractor with an opportunity to comment on relevant extracts from a project's PDSS. Defence will request contractors to provide the ANAO with a copy of their comments (including nil returns) in relation to any errors or misstatements in the PDSS. Defence may wish to have regard to contractors' comments received within specified and reasonable time limits. Defence will also keep the ANAO apprised on how Defence intends to deal with the contractor responses to the PDSS suite.

1.22 The ANAO may also directly engage with contractors to seek any clarification on their comments on the project data, and will keep Defence apprised on feedback and outcomes.

Other Items to Note

1.23 As the PDSS is part of a public document, the use of acronyms and jargon must be avoided. The following style conventions must be followed:

- (a) Acronyms are not to be used where possible. When acronyms are used, the first use must be spelt out in full.
- (b) Project names should be written in full or the approved Defence abbreviation and should be presented with an initial capital e.g. Hornet Upgrade.
- (c) All costs should be shown as \$m (millions) and be rounded to one decimal place (i.e. to the nearest \$100,000), with negative amounts in brackets.
- (d) Dates in the PDSS narratives should be presented as Month 20yy, and dates in the PDSS tables should be presented as mmm yy (e.g. Jul 09). Time variations should be shown as full months.
- (e) Any cells in a table not containing data should be shown as 'N/A'.
- (f) PDSSs should be kept to an optimum length of 10 pages and focus on key information.

Requirements for the Preparation of the Project Data Summary Sheets (PDSS)

Heading	Data	Definition/Description
Project Header	Project Number	The number of the project as approved by government.
	Project Name	The name of the project as approved by government.
	First Year Reported in the MPR	The year the project was first reported in the MPR. Use 20xx-xx date format.
	Capability Type	One of the following: <ul style="list-style-type: none"> • New; • Replacement; or • Upgrade.
	Acquisition Type	One of the following: <ul style="list-style-type: none"> • MOTS (Military-Off-The-Shelf); • Australianised MOTS; or • Developmental.
	Service	Either one or a combination of: <ul style="list-style-type: none"> • Royal Australian Navy; • Australian Army; • Royal Australian Air Force; • Chief Information Officer Group; or • Joint Services.
	Government 1st Pass Approval	The date Government First Pass Approval was given.
	Government 2nd Pass Approval	The date Government Second Pass Approval was given.
	Total Approved Budget (Current)	The current approved project budget. This amount should agree to the Total Budget in Section 2.1 Project Budget (out-turned) and Expenditure History.
	2014–15 Budget	The estimated project expenditure for 2014–15 as per the Portfolio Budget Statements (PBS) and/or the Portfolio Additional Estimates Statements (PAES), or other official budget tool when not available in the PBS or PAES. ⁹ This amount should agree to the Estimate Final Plan in Section 2.2A and Section 2.2B.
	Project Stage	The Life Cycle Gate as reported in the Monthly Reporting System (MRS). This should agree to Section 6.1 Project Maturity Score and Benchmark.
	Complexity	The Acquisition Categorisation (ACAT) level of the project.
Project Image	Image of the project to be provided to the ANAO by the Defence	

⁹ This amount may include updates since the last PAES, such as foreign exchange under the Government's 'no win, no loss' policy, or budget impacts resulting from other government decisions.

Heading	Data	Definition/Description
		MPR team in a separate file as a high resolution JPG.
SECTION 1 – PROJECT SUMMARY		
Section 1.1 Project Description	Description	A short description of the project, which summarises capability delivery and, where appropriate, equipment quantities. This information should be consistent with other sections of the PDSS.
Section 1.2 Current Status	Cost Performance	<p><u>In-year</u></p> <p>At a strategic level, state the project's current progress against its in-year budget, and provide a succinct explanation of causes for variations.</p> <p><u>Project Financial Assurance Statement</u></p> <p>An additional 'project financial assurance statement' on the project's budget performance should be disclosed, noting whether the budget remaining, together with the estimated future expenditure and current known risks, is sufficient for completing the project.¹⁰</p> <p><u>Contingency Statement</u></p> <p>State whether the project has/has not applied contingency funds this financial year. No amounts are to be included. Standard text: [positive case]: The project has applied contingency in the financial year primarily for the treatment of [a risk category¹¹] risk [and where possible include linkage to Section 5 – Major Risks and Issues and specified remediation activities]; or [negative case]: The project has not applied contingency in the financial year.</p> <p>This section must be consistent with the data in Section 2 – Financial Performance, noting that disclosure of contingency amounts is not required in the PDSS.</p>
	Schedule Performance	<p>At a strategic level, briefly describe key schedule milestones achieved so far and issues facing the project in achieving future milestones. Milestone achievements or non-achievements in the current year should also be explained.</p> <p>This section must be consistent with what is stated in Section 3 – Schedule Performance.</p>
	Materiel Capability Delivery Performance	<p>At a strategic level, provide a brief update on the materiel capability delivered to date, and expected future delivery.</p> <p>Detailed technical performance of systems is to be avoided and classified information is not to be disclosed.</p> <p>This section must be consistent with what is stated in Section 4 – Materiel Capability Delivery Performance.</p>

10 Department of Defence, Defence Materiel Instruction (Finance), DMI (FIN) 01-0-044, *Project Assurance Statements*, August 2012, provides instructions on the standard of review and expenditure forecasting required, standard text and consultation requirements.

11 Refer to the Department of Defence, Defence Materiel Manual Project, DMM (PROJ) 11-0-002, *DMO Project Risk Management Manual (PRMM) 2013*, July 2013, Annex G, for guidance.

Heading	Data	Definition/Description
Section 1.3 Project Context	Background	A succinct summary level statement that covers Government approvals history and any strategic changes that have occurred since approval. For post-2011–12 MPR projects, if the project's classification is not MOTS, an explanation must be provided to ensure that these options were explicitly considered and eliminated for particular reasons before final procurement decisions have been made. ¹²
	Uniqueness	A brief explanation of the particular aspects that make the project unique.
	Major Risks and Issues	Summarise the major risks and issues the project faced in the reporting year, in line with Section 5 – Major Risks and Issues, including action taken and outcomes, and what it is likely to face in the coming year. The focus should reflect those risks and issues that are of a strategic nature rather than short-term problems.
	Other Current Sub-Projects	List the current approved projects (i.e. Second Pass has been achieved) relating to the same platform, with the same main project number (e.g. SEA xxxx), including the phase of the project, and provide a brief description of the capability (i.e. one or two short sentences).
SECTION 2 – FINANCIAL PERFORMANCE		
Section 2.1 Project Budget (out- turned) and Expenditure History	Project Budget	
	Original Approved	The approved estimated cost for the project element at Government Approval.
	Real Variation	The variations to be included are shown below where they are applicable to the project: “Scope” changes are attributable to changes in requirements by Defence and government. These generally take the form of changes in quantities of equipment, a change in requirements that result in specification changes in contracts, changes in logistics support requirements or changes to services to be provided which are accompanied by a corresponding budget adjustment. Where the original approved amount above is not Government Second Pass Approval, projects are to disclose the actual Government Second Pass Approval amount as such in the description column (in bold) and not as a real scope variation. “Transfers” occur when a portion of the budget and corresponding scope is transferred to or from another approved project or sustainment product in CASG or to another Group in Defence in order to more efficiently manage delivery of an element of project scope and to vest accountability for performance accordingly.

12 JCPAA, Report 429, *Review of the 2010–11 Defence Materiel Organisation Major Projects Report*, May 2012, p. 25.

Heading	Data	Definition/Description
		<p>“Budgetary Adjustment” is made to account for corrections resulting from foreign exchange or indexation accounting estimation errors that might occur from time to time. Also included under this heading are administrative decisions that result in variations such as efficiency dividends imposed on project budgets or adjustments made to fund initiatives such as Skilling Australia’s Defence Industry.</p> <p>“Real Cost Increases” attributed to any negotiated Foreign Military Sales (FMS) or commercial contracts. These funds have been approved by government to increase the Project’s budget.</p> <p>“Real Cost Decreases” attributed to any negotiated FMS or commercial contracts. These funds have been handed back to the Defence Portfolio.</p> <p>The elements above are to be subtotalled to give a single amount for all real variations (including Government Second Pass Approvals).</p>
	Price Indexation	Variations to the Original Approved project cost due to price indexation and out-turning adjustments, to take account of variations in labour and materiel indices over time. This is disclosed where applicable, i.e. not for projects approved post-July 2010 in out-turned prices.
	Exchange Variation	Variations to the Original Approved project cost due to foreign exchange adjustments brought about by changes in foreign exchange rates for payments in foreign currency.
	Total Budget	The sum of the above. Note: For the pre-30 June PDSS, this amount and its components noted above should reconcile to the current BORIS Project Approvals extract at Additional Estimates, and should agree to the ‘Year To Date – Gross Plan’ in the MRS Majors Budget Performance Total report as published in PAES.
Project Expenditure		
	Prior to Jul 14	<p>This item comprises all amounts incurred in all <u>periods prior</u> to the current reporting period (i.e. expenditure up to 30 June 2014). All expenditure is to be presented in brackets to indicate a negative figure.</p> <p>Reporting of expenditure is to be split into the following:</p> <p>“Contract Expenditure” against each of the top 5 contracts, restricted to contracts valued at greater than or equal to \$10m. Contract expenditure should be listed from highest to lowest value.</p> <p>“Other Contract Payments/Internal Expenses” which comprises operating expenditure, contractors, consultants, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <p>It is generally expected that ‘other’ expenditure will not exceed 10% of total prior period expenditure. However, in the event that ‘other’ expenditure exceeds this threshold, additional explanation will be required within the Notes section outlining the key aspects of the expenditure including amounts to bring the amount of unexplained ‘other’ below 10%.</p> <p>The two expenditure elements above are to be subtotalled to give a single amount for all prior period expenditure.</p>

Heading	Data	Definition/Description
	FY to Jun 15	<p>This item comprises all amounts incurred in the <u>current reporting period</u> (i.e. contract level expenditure from 1 July 2014 to 30 June 2015). All expenditure is to be presented in brackets to indicate a negative figure.</p> <p>Reporting of expenditure is to be split into the following:</p> <p>“Contract Expenditure” against each of the top 5 contracts, restricted to contracts valued at greater than or equal to \$10m. Contract expenditure should be listed from highest to lowest value.</p> <p>“Other Contract Payments/Internal Expenses” which comprises operating expenditure, contractors, consultants, other capital expenditure not attributable to the aforementioned contracts and minor contract expenditure.</p> <p>It is generally expected that ‘other’ expenditure will not exceed 10% of total expenditure in the current reporting period. However, in the event that ‘other’ expenditure exceeds this threshold, additional explanation will be required within the Notes section outlining the key aspects of the expenditure including amounts to bring the amount of unexplained ‘other’ below 10%.</p> <p>The two expenditure elements above are to be subtotaled to give a single amount for Financial Year (FY) expenditure.</p> <p>Note: For the pre-30 June PDSS, this amount should reconcile to the year to date expenditure in ROMAN and agree to the Actual in Section 2.2B In-year Budget/Expenditure Variance.</p>
	Total Expenditure	<p>This item discloses total project expenditure as at the reporting date (i.e. 30 June 2015) and is the sum of prior period and current period expenditure reported above. All expenditure is to be presented in brackets to indicate a negative figure.</p> <p>Note: For the pre-30 June PDSS, this amount should reconcile to the life to date expenditure in ROMAN.</p>
	Remaining Budget	The subtraction of total expenditure from total budget, thus showing the unspent portion of the approved budget, as at 30 June.
	Notes	For additional information as required, e.g. the breakdown of ‘Other Contract Payments/Internal Expenses’.
Section 2.2A In-year Budget Estimate Variance	Estimate PBS \$m	The initial budget estimate for 2014–15, as published in the PBS.
	Estimate PAES \$m	<p>The mid-year revised budget estimate for 2014–15, as published in the PAES.</p> <p>The variance, as an amount and percentage, should be calculated between the Estimate PAES and Estimate PBS.</p>
	Estimate Final Plan \$m	<p>The final revised budget estimate for 2014–15.</p> <p>The variance, as an amount and percentage, should be calculated between the Estimate Final Plan and Estimate PAES.</p>
	Variance \$m and Variance %	<p>Budget estimate variances, and corresponding variance percentages, are to be disaggregated and disclosed separately.</p> <p>The sum of these variances should also be disclosed.</p>
	Explanation of Material Movements	The explanations for the material variance/s noted above.

Heading	Data	Definition/Description
Section 2.2B In-year Budget/ Expenditure Variance	Estimate Final Plan \$m	The estimated project expenditure for 2014–15. The data needs to present the project's 'Year to Date' performance in financial terms. It must explain the difference between the 'Latest Plan' in the MRS Majors Budget Performance Total report and/or BORIS and the End of Financial Year Actual Expenditure. This amount should agree to the Estimate Final Plan in Section 2.2A In-year Budget Estimate Variance.
	Actual \$m	The actual project expenditure incurred in the current reporting period (i.e. 2014–15). This amount should agree to the FY to Jun 15 Total Expenditure in Section 2.1 Project Budget (out-turned) and Expenditure History. Note: For the pre-30 June PDSS, projects should use the part-year result (i.e. 'Actual Total' in the MRS Majors Budget Performance Total report).
	Variance \$m	Budget expenditure variances are to be disaggregated and disclosed separately as per the variance factors described below. The sum of these should give a total variance equal to the difference between the Estimate and Actual expenditure. The variance percentage should also be calculated between the Estimate and Actual expenditure.
	Variance Factor	This section provides a range of factors attributable to the cause of the variances between the Budget Estimate and Actual expenditure. These are expressed as the standard variance factors of: <ul style="list-style-type: none"> • FMS; • Overseas Industry; • Local Industry; • Brought Forward; • Cost Savings; • FOREX Variation; • Commonwealth Delays; and • Additional Government Approvals.
	Explanation	Explanations must address all of the variance factors noted above, where relevant. Material changes following the publication of the PAES may require an explanation.
Section 2.3 Details of Project Major Contracts	Contractor	List the contractors for the top 5 contracts valued at greater than or equal to \$10m. Contractors should be listed in order of signature date (in ascending order).
	Signature Date	The date the contract was signed.
	Price at Signature \$m and 30 Jun 15 \$m	<u>Signature \$m</u> The value of the contract at signature. <u>30 Jun 15 \$m</u> The value of the contract at 30 June 2015 (i.e. value spent as per Section 2.1 Project Budget (out-turned) and Expenditure History plus remaining commitment as recorded in ROMAN for the life of the project at the budgeted FOREX rate). Note: For the pre-30 June PDSS, projects should use the life to date expenditure per Section 2.1 plus remaining commitment in ROMAN as above.

Heading	Data	Definition/Description
	Type (Price Basis)	The usual choices for this include: <ul style="list-style-type: none"> • Firm (or Fixed); • Variable; or • Reimbursement (for FMS). For further information including definitions refer to the Defence Procurement Policy Manual.
	Form of Contract	This refers to the contract template used, e.g. DEFPUR 101, ASDEFCON (Strategic, Complex). For unique arrangements such as Alliance or Public Private Partnership they would need to be specially treated (noting the key signatories to the arrangement). Projects should seek the advice of the Defence Major Projects Report Directorate. For Foreign Military Sales, declare "FMS". For Memorandum of Understanding, declare "MoU".
	Notes	For additional information as required, e.g. description of new contract or contract changes.
	Contractor	List the contractors for the top 5 contracts valued at greater than or equal to \$10m. Contractors should be listed in order of signature date (in ascending order), i.e. same order as above.
	Quantities as at Signature and 30 Jun 15	The quantity of major equipment under contract as at the date the contract was signed and also as at 30 June 2015. The quantity of contracted equipment should only be provided at a summary level.
	Scope	Generally only include hardware in this section and restrict it to a platform level summary, disclosing only major prime mission and support system elements, e.g. Four C-17 Globemaster III Aircraft accepted.
	Notes	For additional information as required.
	Major equipment received and quantities to 30 Jun 15	Detail the major equipment and quantities the project has received to 30 June 2015.
	Notes	For additional information as required.
SECTION 3 – SCHEDULE PERFORMANCE		
Section 3.1 Design Review Progress	Review	The events to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> • System Requirements; • Preliminary Design; and • Critical Design.
	Major System/ Platform Variant	State the major system that the design review refers to.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Planned	Replanned dates as evidenced by a contract amendment.
	Achieved/Forecast	<u>Achieved</u> : The date the event was achieved, or <u>Forecast</u> : The expected date for achievement.
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.

Heading	Data	Definition/Description
	Notes	A top level description of the reasons for the variance to Achieved/Forecast dates, and any additional background information as required.
Section 3.2 Contractor Test and Evaluation Progress	Test and Evaluation	The events to be included are shown below as they are applicable to the project: <ul style="list-style-type: none"> • System Integration; and • Acceptance.
	Major System/ Platform Variant	State the major system that the Test and Evaluation event refers to. If there are significant variants for the major systems, then state what they are.
	Original Planned	The originally planned achievement dates for the events per the contract at execution.
	Current Planned	Replanned dates as evidenced by a contract amendment.
	Achieved/Forecast	<u>Achieved</u> : The date the event was achieved; or <u>Forecast</u> : The expected date for achievement.
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.
	Notes	A top level description of the reasons for the variance to Achieved/Forecast dates, and any additional background information as required.
Section 3.3 Progress Toward Materiel Release and Operational Capability Milestones	Item	Represented at a whole of capability level, unless key milestones are broken out under individual Mission or Support Systems.
	Original Planned	The original date on which the Materiel Release or Operational Capability milestone was scheduled for achievement.
	Achieved/Forecast	<u>Achieved</u> : The date the event was achieved; or <u>Forecast</u> : The expected date for achievement.
	Variance (Months)	The difference between 'Original Planned' and 'Achieved/Forecast'.
	Notes	A top level description of the reasons for and implications of the variance to 'Achieved/Forecast' dates.
Schedule Status at 30 June 2015	Graph	The Defence Major Projects Report Directorate will use the projects existing detail on: Second Pass Approval, Initial Materiel Release, Initial Operational Capability, Final Materiel Release/Operational Release and Final Operational Capability, to produce the graph.
SECTION 4 – MATERIEL CAPABILITY DELIVERY PERFORMANCE		
Section 4.1 Measures of Materiel Capability Delivery Performance	Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance	Capability Pie Chart and associated narratives will provide a percentage breakdown of the Materiel Release Milestones and Completion Criteria, as identified in the MAA and/or JPD, at 30 June 2015. The pie chart analysis/narrative (Green, Amber and Red) is to be provided at the <u>strategic</u> level, including: <ul style="list-style-type: none"> • <u>Issues</u> impacting the achievement of Materiel Release Milestones and Completion Criteria; and • <u>Remedial activity</u> to recover performance. Where there is no data insert 'N/A'. Detailed technical performance of systems is to be avoided, and classified information is not to be disclosed.

Heading	Data	Definition/Description
Section 4.2 Constitution of Initial Materiel Release and Final Materiel Release	Item	Represented at a whole of capability level, i.e. Initial Materiel Release and Final Materiel Release.
	Explanation	A top level description of the capability elements which constitute Initial Materiel Release and Final Materiel Release as stipulated in the MAA, at 30 June 2015, including an indication of whether or not these milestones have been achieved.
	Achievement	Standard text, i.e. Achieved; Not achieved; or Achieved with caveats.
SECTION 5 – MAJOR RISKS AND ISSUES		
Section 5.1 Major Project Risks	Identified Risks (risk identified by standard project risk management processes)	<u>Description:</u> A major project risk is one that is rated high or extreme pre-mitigation. <u>Remedial Action:</u> The risk mitigation/treatment proposed for the risk identified (these must be actionable measures). If the risk has been retired or the pre-mitigation rating has been downgraded to medium, this should be documented along with the reason; the risk can then be removed in the subsequent MPR.
	Emergent Risks (risk not previously identified but has emerged during 2014–15)	<u>Description:</u> A major project risk that was not previously identified in the risk log but has emerged this year, rated as high or extreme pre-mitigation. <u>Remedial Action:</u> The risk mitigation/treatment proposed for the risk identified (these must be actionable measures). The risk becomes an Identified Risk in the subsequent MPR.
Section 5.2 Major Project Issues	Description	Issues are high or extreme risks that have been realised or issues that have arisen that require management action to address.
	Remedial Action	The remediation action proposed for the issue identified. If the issue has been resolved or downgraded to medium, this should be documented along with the reason; the issue can then be removed in the subsequent MPR.
SECTION 6 – PROJECT MATURITY		
Section 6.1 Project Maturity Score and Benchmark	Project Stage	The Life Cycle Gate stage applicable to the project according to the Maturity Score procedure. ¹³ This should agree to the Project Header.
	Benchmark	The Benchmark Maturity Score applicable to the project according to the Maturity Score procedure.
	Project Status	The maturity score recorded in the June 2015 MRS Majors Master Data report.
	Explanation	A short explanation is required for each attribute of the Maturity Score (Schedule, Cost, Requirement, Technical Understanding, Technical Difficulty, Commercial, and Operations and Support) where there is a difference between the Project Status and Benchmark scores, explaining the reasons for the variance.
	Graph	The Defence Major Projects Report Directorate will use the prior and current year 'Project Status' scores, to produce the graph.

13 Refer to the Department of Defence, Defence Materiel Standard Procedure (Project Management), DMSP (PROJ) 11-0-007, *Project Maturity Scores at Life Cycle Gates*, September 2010, for guidance.

Heading	Data	Definition/Description
SECTION 7 – LESSONS LEARNED		
Section 7.1 Key Lessons Learned	Project Lesson	Describe the project lesson (at the strategic level) that has been learned.
	Categories of Systemic Lessons	Select from the following Systemic Lessons ¹⁴ categories where they are applicable to the project: <ul style="list-style-type: none"> • Requirements Management; • First of Type Equipment; • Off-The-Shelf Equipment; • Contract Management; • Schedule Management; • Resourcing; and/or • Governance.
SECTION 8 – PROJECT LINE MANAGEMENT		
Section 8.1 Project Line Management in 2014–15	Position and names of the Project's Line Management	List the names of the senior management team as appropriate to the project. This should include: <ul style="list-style-type: none"> • General Manager (pre and post 30 June); • Division Head or Program Manager; • Branch Head; • Project Director; and • Project Manager. <p>This list will contain those persons who occupied their respective position during the course of 2014–15, and applicable dates of change.</p> <p>Where the Project Director and Project Manager are the same, combine as 'Project Director/Manager'.</p>

14 ANAO Report No.13 2009–10, *2008–09 Major Projects Report*, November 2009, Part 3, paragraph 3.25, p. 122.

Project Data Summary Sheet Template

Project Number	
Project Name	
First Year Reported in the MPR	
Capability Type	
Acquisition Type	
Service	
Government 1st Pass Approval	
Government 2nd Pass Approval	
Total Approved Budget (Current)	
2014–15 Budget	
Project Stage	
Complexity	

Project Image.

Section 1 – Project Summary

1.1 Project Description

1.2 Current Status

Cost Performance
<u>In-year</u>
<u>Project Financial Assurance Statement</u>
<u>Contingency Statement</u>
Schedule Performance
Materiel Capability Delivery Performance
Note
The capability assessments and forecasts by the project are not subject to the ANAO's assurance review.

1.3 Project Context

Background
Uniqueness
Major Risks and Issues
Other Current Sub-Projects

Section 2 – Financial Performance

[Presentation for Projects who received Government approval PRE-JULY 2010]:

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
	Original Approved		
	Real Variation – Scope		
	Real Variation – Transfer		
	Real Variation – Budgetary Adjustment		
	Real Variation – Real Cost		
	Increase/Decrease		
Jul 10	Price Indexation*		
Jun 15	Exchange Variation		
Jun 15	Total Budget		
	Project Expenditure		
Prior to Jul 14	Contract Expenditure – Contractor 1		
	Contract Expenditure – Contractor 2		
	Contract Expenditure – Contractor 3		
	Contract Expenditure – Contractor 4		
	Contract Expenditure – Contractor 5		
	Other Contract Payments/Internal Expenses		
FY to Jun 15	Contract Expenditure – Contractor 1		
	Contract Expenditure – Contractor 2		
	Contract Expenditure – Contractor 3		
	Contract Expenditure – Contractor 4		
	Contract Expenditure – Contractor 5		
	Other Contract Payments/Internal Expenses		
Jun 15	Total Expenditure		
Jun 15	Remaining Budget		
Notes			
1			
2			
3			
4			

*Note – Those projects approved in 'out- turned' dollars will not contain an entry for 'Price Indexation'.

[Presentation for Projects who received Government approval POST-JULY 2010]:

2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
	Project Budget		
	Original Approved		
	Real Variation – Scope		
	Real Variation – Transfer		
	Real Variation – Budgetary Adjustment		
	Real Variation – Real Cost		
	Increase/Decrease		
Jun 15	Exchange Variation		
Jun 15	Total Budget		
	Project Expenditure		
Prior to Jul 14	Contract Expenditure – Contractor 1		
	Contract Expenditure – Contractor 2		
	Contract Expenditure – Contractor 3		
	Contract Expenditure – Contractor 4		
	Contract Expenditure – Contractor 5		
	Other Contract Payments/Internal Expenses		
FY to Jun 15	Contract Expenditure – Contractor 1		
	Contract Expenditure – Contractor 2		
	Contract Expenditure – Contractor 3		
	Contract Expenditure – Contractor 4		
	Contract Expenditure – Contractor 5		
	Other Contract Payments/Internal Expenses		
Jun 15	Total Expenditure		
Jun 15	Remaining Budget		
Notes			
1			
2			
3			
4			

2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
Variance \$m			Total Variance (\$m): XXX
Variance %			Total Variance (%): XXX

2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
			FMS	
			Overseas Industry	
			Local Industry	
			Brought Forward	
			Cost Savings	
			FOREX Variation	
			Commonwealth Delays	
			Additional Government Approvals	
			Total Variance	
			% Variance	

2.3 Details of Project Major Contracts

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 15 \$m			
Contractor 1						
Contractor 2						
Contractor 3						
Contractor 4						
Contractor 5						
Notes						
1						
Contractor	Quantities as at		Scope	Notes		
	Signature	30 Jun 15				
Contractor 1						
Contractor 2						
Contractor 3						
Contractor 4						
Contractor 5						
Major equipment received and quantities to 30 Jun 15						
Notes						
1						

Section 3 – Schedule Performance

3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Planned	Achieved/Forecast	Variance (Months)	Notes
System Requirements						
Preliminary Design						
Critical Design						
Notes						
1						
2						
3						
4						

3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Planned	Achieved/Forecast	Variance (Months)	Notes
System Integration						
Acceptance						
Notes						
1						
2						
3						
4						

3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)				
Initial Operational Capability (IOC)				
Final Materiel Release (FMR)				
Final Operational Capability (FOC)				
Notes				
1				
2				
3				
4				
Schedule Status at 30 June 2015 Defence MPR Team to insert graph				

Section 4 – Materiel Capability Delivery Performance

4.1 Measures of Materiel Capability Delivery Performance

Pie Chart: Percentage Breakdown of Materiel Capability Delivery Performance	
Defence MPR Team to insert Pie Chart	Green:
	Amber:
	Red:
Note	
This Pie Chart does not necessarily represent capability achieved. The capability assessments and forecasts by the project are not subject to the ANAO's assurance review.	

4.2 Constitution of Initial Materiel Release and Final Materiel Release

Item	Explanation	Achievement
Initial Materiel Release (IMR)		
Final Materiel Release (FMR)		

Section 5 – Major Risks and Issues

5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)	
Description	Remedial Action
Emergent Risks (risk not previously identified but has emerged during 2014–15)	
Description	Remedial Action

5.2 Major Project Issues

Description	Remedial Action

Section 6 – Project Maturity

6.1 Project Maturity Score and Benchmark

Maturity Score		Attributes							Total
		Schedule	Cost	Requirement	Technical Understanding	Technical Difficulty	Commercial	Operations and Support	
Project Stage	Benchmark								
	Project Status								
	Explanation	<ul style="list-style-type: none"> 							
Defence MPR Team to insert graph									

Section 7 – Lessons Learned

7.1 Key Lessons Learned

Project Lesson	Categories of Systemic Lessons

Section 8 – Project Line Management

8.1 Project Line Management in 2014–15

Position	Name
General Manager	
Division Head	
Branch Head	
Project Director	
Project Manager	

Indicative 2014–15 MPR Program Schedule

Event	Start Date	End Date
Planning for the 2014–15 MPR (including review of outcomes of the 2013–14 program)	Dec 14	Jan 15
Defence and ANAO finalised preparations for the 2014–15 MPR program in time for the JCPAA Hearing	Jan 15	Mar 15
Defence MPR provided program advice to the project offices	Feb 15	Feb 15
Defence MPR management finalised preparation with the project offices	Feb 15	Feb 15
Project site visits conducted by the ANAO	Mar 15	Jun 15
End Of Financial Year advice to project offices	Jul 15	Jul 15
Post-30 June PDSS reviews	Aug 15	Sep 15
Development of the Defence 2014–15 MPR	Aug 15	Oct 15
ANAO develops its Assurance, Review and Analysis for provision to the Secretary	Aug 15	Oct 15
Secretary submits draft Defence section of the 2014–15 MPR to the Auditor-General	Oct 15	Oct 15
Defence response to the ANAO Assurance, Review and Analysis for provision to the Auditor-General	Oct 15	Oct 15
ANAO internal clearance of the 2014–15 MPR (Publication and Tabling)	November 2015	