

# HON RON MARK, MINISTER OF DEFENCE

## Procurement Review Cabinet Paper and Terms of Reference

August 2018

This publication provides documents on Cabinet's June 2018 consideration of the *Review of Defence Procurement Policies and Practices for Major Capability Projects* conducted by Sir Brian Roche. The Terms of Reference for the Review are also provided.

The Review itself is referred to in the papers as Annex B but not duplicated in this pack. It is available from the Ministry of Defence website at

[www.defence.govt.nz/publications/publication/review-of-defence-procurement-policies-and-practices-for-major-capability-projects](http://www.defence.govt.nz/publications/publication/review-of-defence-procurement-policies-and-practices-for-major-capability-projects).

The pack comprises the following documents:

- the Cabinet minute of decision: *Review of Defence Procurement Policies and Practices for Major Capability Projects* [GOV-18-MIN-0026]
- the Cabinet paper: *Defence: Review of Defence Procurement Policies and Practices for Major Capability Projects* [GOV-18-SUB-0026].
- the *Terms of Reference for the Review of Defence Procurement Policies and Practices for Major Capability Projects*.

This pack has been released on the Ministry of Defence website, and is available at:

[www.defence.govt.nz/publications](http://www.defence.govt.nz/publications).

It has been necessary to withhold certain information where making it available would be likely to prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand [section 6(a) of the Official Information Act 1982]. Where information has been withheld, this is marked in the document.



# Cabinet Government Administration and Expenditure Review Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Review of Defence Procurement Policies and Practices for Major Capability Projects

**Portfolio**                      **Finance, Defence**

On 12 June 2018, the Cabinet Government Administration and Expenditure Review Committee:

- 1        **noted** that in April 2018 the Cabinet Government Administration and Expenditure Review Committee (GOV) noted that:
  - 1.1      four reviews covering Defence policy, procurement, and capabilities would be undertaken in 2018;
  - 1.2      the reviews would be undertaken sequentially, with the Strategic Defence Policy review and Review of Defence's Procurement Policies and Practices informing the focus of the Review of Defence Capability Plan and support Cabinet consideration of forthcoming Defence capability investment decisions;
  - 1.3      the Minister of Finance and Minister of Defence (Joint Ministers) will report back to GOV by May 2018 with the findings of the Review of Defence's Procurement Policies and Practices;

[GOV-18-MIN-0008]

- 2        **noted** that Joint Ministers approved Terms of Reference for the Review of Defence Procurement Policies and Practices for Major Capability Projects (the Review), and that Sir Brian Roche KNZM was engaged to conduct the Review;
- 3        **noted** that the Review has been completed, and observes significant evidence and experience internationally and domestically around the challenges and inherent risks of acquiring military capability;
- 4        **noted** that, in the context of paragraph 3 above, Sir Brian found that the Defence Capability Management System:
  - 4.1      is well led by aligned and motivated leaders;
  - 4.2      has a number of inbuilt checks and balances to mitigate risk;

- 4.3 operates within a well-defined structure and governance regime;
  - 4.4 has clear delegations and accountabilities;
  - 4.5 is making strong inroads into embedding a new way of working within an environment that historically had challenges with transparency, alignment and resourcing;
- 5 **noted** that Sir Brian makes no recommendations, but instead makes a number of observations which Defence intends to take forward as part of its continuous improvement process;
- 6 **noted** that Defence intends to conduct annual independent reviews in 2019 and 2020 to report on progress with embedding the new Capability Management System and the International Exemplar;
- 7 **noted** that Joint Ministers will continue to actively monitor the performance of Defence's procurement capability through the Defence Capability Plan review and upcoming significant investment decisions.

Rachel Clarke  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
 Hon Kelvin Davis  
 Hon Grant Robertson (Chair)  
 Hon Chris Hipkins  
 Hon Dr David Clark  
 Hon Stuart Nash  
 Hon Clare Curran  
 Hon Ron Mark  
 Hon Tracey Martin  
 Hon James Shaw

**Officials present from:**

Office of the Minister of Finance  
 Officials Committee For GOV

**Hard-copy distribution:**

Minister of Finance  
 Minister of Defence

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Chair,  
Cabinet Government Administration and Expenditure Review Committee

## **DEFENCE: REVIEW OF DEFENCE PROCUREMENT POLICIES AND PRACTICES FOR MAJOR CAPABILITY PROJECTS**

### **Proposal**

1. In March 2018, we requested a review of Defence's Procurement Policies and Practices. This submission reports back to Cabinet the observations and findings of that Review.

### **Executive Summary**

2. In April 2018, Cabinet noted that reviews covering Defence policy, procurement, and capabilities will be undertaken in 2018 [CAB-18-MIN-0116 refers].

3. The Strategic Defence Policy Review was considered by Cabinet on 8 May. The Review of Defence Procurement Policies and Practices for Major Capability Projects is also complete. The purpose of this review was to assess Defence's ability to deliver capability investments effectively. In keeping with the Terms of Reference we approved, the Review examined the Defence Capability Change Action Programme (DCCAP). The Programme commenced in 2015 to achieve a significant uplift in the end-to-end performance of Defence's Capability Management System. As part of phase one of the DCCAP, Defence created a vision for the future of capability management in New Zealand and called it *The New Zealand Capability Management System: An International Exemplar*.

4. The Review concludes that Defence has addressed the structural, operations and information deficiencies of the previous Capability Management System. The Review finds that the new system is providing decision makers with a strong level of confidence and assurance to support informed decision-making. Ministers will continue to actively monitor the performance of Defence's procurement capability through the Defence Capability Plan review and upcoming significant investment decisions, and will expect these to demonstrate that the progress achieved through DCCAP is being maintained.

5. Defence will also look to conduct annual independent reviews in 2019 and 2020 to report on progress with embedding the new Capability Management System and the International Exemplar.

6. A copy of the Review's observations and Defence's response is at Annex A. The Review is at Annex B.

## Background

7. Defence is responsible for one of the largest capital investment programmes across government. The Defence asset portfolio at 30 June 2017 included \$5.9 billion in property, plant, and equipment, of which \$3.1 billion was specialist military equipment. Driven largely by the advancing age of a number of major New Zealand Defence Force (NZDF) assets, including aircraft and ships, and the requirement to re-capitalise the Defence Estate, the forecast investment in Defence out to 2030 is significant at \$20 billion.

8. To ensure Defence has the people, systems, and processes in place to manage this investment, the Secretary of Defence and Vice Chief of Defence Force have led and overseen a comprehensive capability management improvement programme, the Defence Capability Change Action Programme (DCCAP).

9. DCCAP has sought a significant uplift in the maturity of the Defence Capability Management System by implementing a plan to become an international exemplar. DCCAP has also implemented 87 recommendations from previous reviews of Defence's capability management practice and capability projects dating back to 2008. In doing so, the Programme has:

**9.1.** restructured and strengthened Defence's capability development and design policy functions and its capability delivery (including procurement) functions; and

**9.2.** encompassed end-to-end business process change, including the establishment of a new Defence operating model for capability management and development of new supporting policies and practices.

10. The build of the new Capability Management System is nearing completion, with the focus now moving to embedding and sustaining the new ways of working. A review of the Programme is therefore appropriate.

11. Draft Terms of Reference for a Review of Defence Procurement Policies and Practices for Major Capability Projects were prepared by Defence, in consultation with Treasury. These were approved by us in March 2018. The Terms of Reference focused on the progress of DCCAP, the development of the Capability Management System, and the question of whether Defence was able to provide confidence and assurance through the new system to support and inform decision-making.

12. In April 2018, Cabinet asked for a report back to the Cabinet Government Administration and Expenditure Review Committee on the Review's findings. This submission responds to that request.

## Review scope

13. In March 2018, Sir Brian Roche was engaged by Defence to conduct a Review of Defence Procurement Policies and Practices for Major Capability Projects.<sup>1</sup> Sir Brian was assisted by PwC in the conduct of the Review.

14. The Terms of Reference directed that Sir Brian assess:

- 14.1. what DCCAP has done to address the recommendations of the pre-2015 Reviews of Defence procurement;
- 14.2. whether the programme is on track to complete all of these planned actions;
- 14.3. whether these actions are sufficient to deliver the desired uplift in procurement performance required by Ministers;
- 14.4. whether additional actions or measures are needed to supplement DCCAP work to date; and
- 14.5. whether the revised governance structures put in place under the DCCAP are delivering improved oversight and discipline in project management.

15. The Terms of Reference also sought advice:

- 15.1. on aspects of procurement best practice and any insights from DCCAP for other parts of Government;
- 15.2. how Defence could measure the efficiency and effectiveness/value for money of its investments over their life; and
- 15.3. which performance measures and reporting arrangements should remain/be put in place to give ongoing assurances on Defence's procurement capability.

16. The Review was undertaken in parallel with a Review of Defence's strategic policy settings, and will precede a Review of Defence Capability and Capital Plans scheduled for the second half of 2018.

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<sup>1</sup> Sir Brian Roche KNZM has extensive leadership and governance experience across multiple sectors and entities. As Chair of the Ministerial Group for the Defence White Paper in 2016, he understands the key challenges faced across the Defence portfolio.

## Review findings

17. Sir Brian's approach included interviews with key individuals from Defence, Treasury, independent project board members and Defence Industry; a series of small focus groups and deep dives into such areas as governance and project management practice; a review of core documents; and a detailed examination of three projects.

18. At Annex B, Sir Brian's covering letter provides a detailed summary of the Review. He concludes that the DCCAP has addressed the structural, operations and information deficiencies of the previous system; and the new Capability Management System now provides decision makers with a strong level of confidence and assurance to support informed decision-making.

19. Sir Brian found that the Defence Capability Management System:

- 19.1. is well led by aligned and motivated leaders;
- 19.2. has a number of inbuilt checks and balances to mitigate risk;
- 19.3. operates within a well-defined structure and governance regime;
- 19.4. has clear delegations and accountabilities; and
- 19.5. is making strong inroads into embedding a new way of working within an environment that historically had challenges with transparency, alignment and resourcing.

20. Although DCCAP is still early in its life cycle, the foundations have been well established. The programme is found to have delivered a Capability Management System which has substantially changed and improved the acquisition process. The core components of the system together with the quality of leadership and culture operating within the new Capability Management System has demonstrably mitigated the risks associated with the process of military acquisition.

21. Against this background, Sir Brian concludes that there is no identified reason why decision makers cannot or should not have confidence or assurance in the information presented to them to support decisions.

## Lessons for other government agencies

22. The Terms of Reference also asked Sir Brian to identify lessons likely to be useful for other government agencies that undertake significant procurement. He found that Defence was an exemplar in translating strategic policy into capital planning through the White Paper and Capability Plan processes.

23. Defence also spent a lot of time and effort in developing a forward-looking goal of becoming an exemplar for capability management for New Zealand. This ensured DCCAP had strong clarity of purpose and direction. Implementing the goal has been led from the top which was identified by Sir Brian as critical in sustaining DCCAP's momentum.

24. Other areas where there were lessons for government agencies, included stakeholder management. Defence's strong relationships with central agencies, other public sector agencies and external advisors, coupled with a willingness to take on and apply feedback, are seen as assisting the professionalisation of the system.

25. That DCCAP involved the end users of the system in building and developing the changes fostered integrated thinking and brought staff from all levels along on the change process.

26. A focus on whole-of-life costs and investment across the capability lifecycle allowed the introduction of new ways of working through Integrated Project Teams with staff members from both Defence organisations. The codification of tools, processes and accountability supported this. Sir Brian observes that other agencies with large procurement functions could benefit from earlier involvement of key people and perspective and improved integration across an asset's lifecycle.

### **Comment**

27. So what does this mean for Defence? Sir Brian notes that there is significant evidence internationally and domestically around the challenges and inherent risks of acquiring military capability. These challenges remain. A small number of existing projects also pre-date the new system.

28. It is against this backdrop that Sir Brian approached the Review. His objective was to ensure that the problem definition and response established by Defence in 2015 through DCCAP was capable of addressing and mitigating these challenges. This was appropriate given the forthcoming investment decisions in Defence, of which the most immediate is the option to procure the P-8A Poseidon aircraft that is currently scheduled to be presented to Cabinet in June.

29. Sir Brian finds no reason why decision makers cannot or should not have confidence or assurance in the information presented to them to support decisions, and that Defence is well placed to manage the proposed investment in new capability.

30. The Review makes no recommendations. Rather, Sir Brian makes a number of observations as a result of his review of Defence procurement. These are listed at Annex A, along with Defence's response on how the Ministry of Defence and NZDF propose to take these forward as part of a continuous improvement process.

31. It is important to note that Defence projects can take years from conception to completion. While all existing and new projects have transitioned to the new improved process, no single acquisition project has gone through the process end-to-end. Therefore, it will be important to continue to monitor the progress of the change programme to ensure that the benefits are being realised as projects are completed and capability is entered into service. In addition, Defence intends to conduct annual independent



reviews in 2019 and 2020 to report on progress with embedding the new Capability Management System and achieving the International Exemplar.

### **Financial Implications**

32. There are no financial implications resulting from this paper.

### **Consultation**

33. This paper was prepared by Defence officials. The Treasury has been consulted. The State Services Commission and Department of the Prime Minister and Cabinet have been informed.

### **Other Implications**

34. There are no legislative, gender, disability, or human rights implications resulting from this paper.

### **Publicity**

35. There will be media interest in the Review of Defence Procurement Policies and Practices for Major Capability Projects. We propose to proactively release the Review, along with Defence's response. A press release will be issued to accompany the release.

### **Recommendations**

36. The Committee is asked to:

- a. **note** that in April 2018 Cabinet agreed to reviews of Defence policy, procurement, and capabilities;
- b. **note** that the reviews are being undertaken sequentially, with the Review of Defence's Procurement Policies and Practices and the Strategic Defence Policy Review informing the focus of a Review of the Defence Capability Plan;
- c. **note** that the reviews will support Cabinet consideration of forthcoming Defence capability investment decisions;
- d. **note** that in March 2018 Joint Ministers approved Terms of Reference for a Review of Defence Procurement Policies and Practices for Major Capability Projects, and that Sir Brian Roche KNZM was engaged to conduct the Review;
- e. **note** that in April 2018 Cabinet asked Joint Ministers (Finance and Defence) to report back to the Cabinet Government Administration and Expenditure Review Committee by May 2018 with the findings of the Review of Defence's Procurement Policies and Practices [CAB-18-MIN-0116 refers];
- f. **note** that the Review of Review of Defence Procurement Policies and Practices of Major Capability Projects is complete (the Review);

- g. **note** that the Review observes significant evidence and experience internationally and domestically around the challenges and inherent risks of acquiring military capability;
- h. **note** that in this context Sir Brian found that the Defence Capability Management System:
- i. is well led by aligned and motivated leaders;
  - ii. has a number of inbuilt checks and balances to mitigate risk;
  - iii. operates within a well-defined structure and governance regime;
  - iv. has clear delegations and accountabilities;
  - v. is making strong inroads into embedding a new way of working within an environment that historically had challenges with transparency, alignment and resourcing.
- i. **note** that Sir Brian makes no recommendations, but instead makes a number of observations which Defence intends to take forward as part of its continuous improvement process;
- j. **note** that Defence intends to conduct annual independent reviews in 2019 and 2020 to report on progress with embedding the new Capability Management System and the International Exemplar; and
- k. **note** that the Minister of Finance and the Minister of Defence will continue to actively monitor the performance of Defence's procurement capability through the Defence Capability Plan review and upcoming significant investment decisions.

Hon Grant Robertson  
Minister of Finance

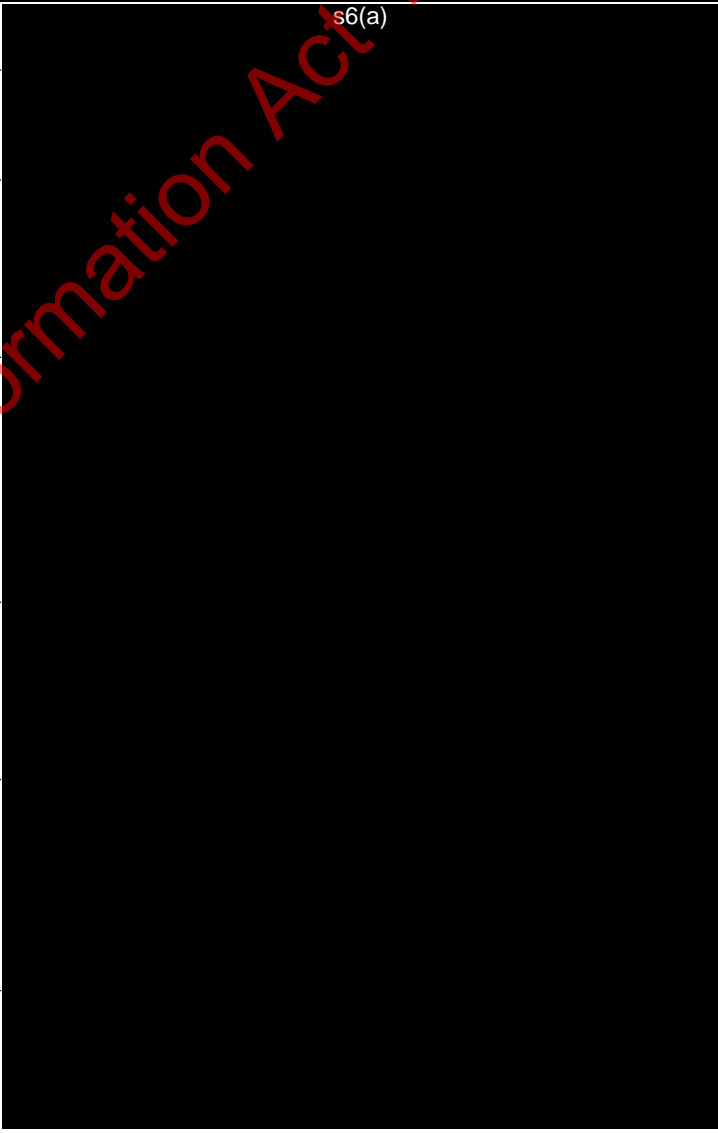
Hon Ron Mark  
Minister of Defence

## Summary of Review Observations and Defence's Response

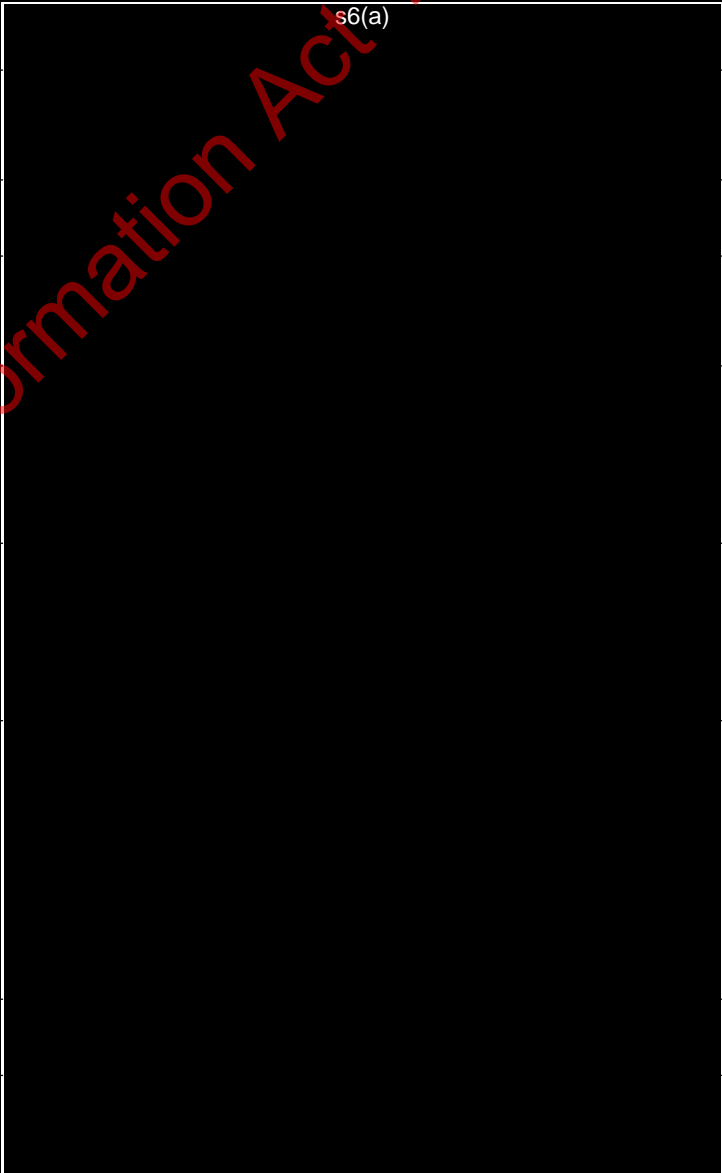
Component	Observations	Defence Comment
Vision and Leadership	<ul style="list-style-type: none"> <li>Further refine a set of roadmaps with line of sight to the International Exemplar 2020 in each of the core functional areas to support practical next steps.</li> </ul>	s6(a)
	<ul style="list-style-type: none"> <li>Ensure strong leadership, and familiarity with programme objectives, continues as DCCAP moves to embed and sustain change and realise continuous improvement.</li> </ul>	
Governance and Oversight	<ul style="list-style-type: none"> <li>Consider carefully on-going appointments, particularly SROs and externals, with particular attention on the tone of the relationship between the Project Board, the IPT and the influence with the wider organisations.</li> </ul>	
	<ul style="list-style-type: none"> <li>Consider on-going mentoring and specific training for IPT leads and those who might be new to governance roles, to support them in understanding the purpose of the relationship and getting the most out of the forums.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Focus more dedicated time on portfolio management and governance to review portfolio risks, resourcing and dependencies across both the Major and 'Minor' projects.</li> <li>• Provide more awareness and attention to projects classified as enablers in an effort to manage key dependencies.</li> </ul>	s6(a)
<b>Integrated project teams</b>	<ul style="list-style-type: none"> <li>• Consider the value of embedding external SMEs on project teams for deep, narrow technical support.</li> <li>• Consider specific training and guidance for IPT members on how to get the best out of highly technical SMEs at the most appropriate time, as well as how to get the best out of the Project boards.</li> </ul>	
<b>Supporting infrastructure</b>	<ul style="list-style-type: none"> <li>• Emphasise on-going communication, joint planning and coordination across the portfolio to avoid duplication and overlap in processes and functions.</li> <li>• Continue to work on ways to inform and improve decision-making related to resource management for both in-flight and upcoming projects across the portfolio, with a focus on prioritising the needs of relevant projects.</li> <li>• Review the process of transitioning capability integration plans from IPTs into on-going practice to ensure this transition is seamless.</li> </ul>	
<b>Methodologies, guidance, tools and systems</b>	<ul style="list-style-type: none"> <li>• Consider the use of Agile methodologies to strength the current approach to capability management,</li> </ul>	

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	<p>procurement, and development of business intelligence.</p> <ul style="list-style-type: none"> <li>• Review and update CMF On-Line regularly to keep information up-to-date and improve the user experience.</li> <li>• Consider supplementing CMF On-Line with an extensive set of lessons learned from experienced practitioners and previous acquisition projects to provide practical insights for IPTs and support sound judgement in the future.</li> <li>• Introduce on-going training and mentoring for both IPT leads and governance members to set expectations on the purpose of project governance, the role it plays in risk management, and how to get the best out of the forums.</li> <li>• Consider developing and promoting a formal process for dealing with risks that are outside the control of the project and provide guidance and set expectations with both the IPTs and the Project Boards.</li> <li>• Review the use of project management systems and the disciplined capture of information in a collaborative way with users to identify ways in which the process or the system might be improved to support improvements in the integrity of information.</li> </ul>	<p>s6(a)</p> 
<b>Skills and Experience</b>	<ul style="list-style-type: none"> <li>• Continue to invest in people working within the capability management system to support retention, succession planning, training, challenging, upskilling, and exposing people to the right</li> </ul>	

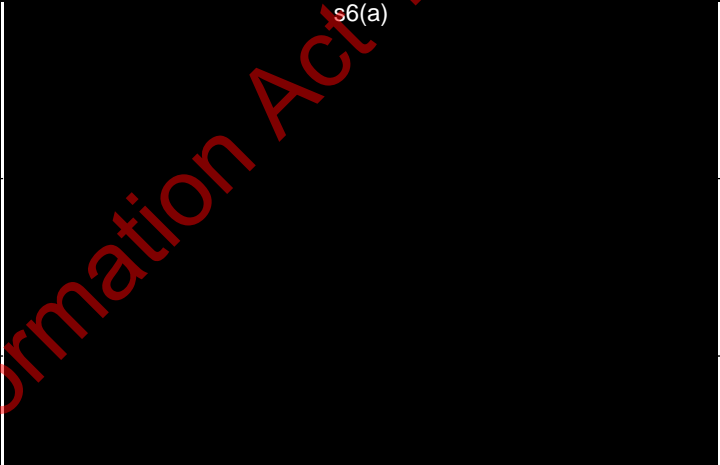
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	<p>experiences. People will need to be an on-going focus.</p>	<p>s6(a)</p> 
<ul style="list-style-type: none"> <li>• Develop a sustainable solution to the potential risk that posting cycles pose to optimal outcomes on capability projects.</li> </ul>		
<ul style="list-style-type: none"> <li>• Consider more pre-training for SMEs transitioning into Capability Branch.</li> </ul>		
<ul style="list-style-type: none"> <li>• Ensure all staff playing an active role in negotiations understand the advantages New Zealand has in the market place for any given project.</li> </ul>		
<ul style="list-style-type: none"> <li>• Continue to work on the approach to performance management across both organisations to support IPTs in the management of project performance.</li> </ul>		
<ul style="list-style-type: none"> <li>• Continue to promote the equal importance of both the acquisition and through-life support to optimise value in defence contracts. Continued training and focus is required to ensure this becomes an embedded practice.</li> </ul>		
<ul style="list-style-type: none"> <li>• Consider building staff experience and implementing retention strategies such as secondments with industry, secondments from industry into targeted roles, internal and external mentoring across both organisations, on-going engagement activity, setting clear expectations, identifying development paths and long-term career paths, and dealing swiftly with poor performance.</li> </ul>		
<ul style="list-style-type: none"> <li>• Implement strong succession planning to ensure on-going success and mitigate any key person risks.</li> </ul>		
<ul style="list-style-type: none"> <li>• Balance efforts to embed the changes made to date, whilst continuing to strive for improvements to</li> </ul>		

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	support the developing culture across the capability management system. Change management, further detailed planning, strong leadership and the continued involvement of all staff remain important.	s6(a)
<b>Industry engagement</b>	<ul style="list-style-type: none"> <li>Examine the industry engagement process between Approval to Initiate and drafting of the Detailed Business Case by talking to others in the public sector, as well as alternative procurement experts to support a better understanding of more flexible and dynamic industry engagement approaches.</li> </ul>	
	<ul style="list-style-type: none"> <li>Consider piloting alternative engagement approaches on relevant projects, in consultation with relevant experts to experience the benefits of alternative forms of market engagement.</li> </ul>	

<b>Information and reporting</b>	<ul style="list-style-type: none"> <li>Provide IPT Leads with further training on how to present the right information at the right level to the Project Board.</li> </ul>	s6(a)
	<ul style="list-style-type: none"> <li>Consider formal opportunities throughout the project cycle to refresh project information around price and schedule without any negative impact.</li> </ul>	
	<ul style="list-style-type: none"> <li>Consider applying mechanisms for managing optimism bias early on in the process where projects are just at a conceptual level.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Consider the addition of a set of navigation tools, to place any given decision in context and illustrate how the decision links in with other projects and the overall progress of the Capability Plan or White Paper.</li> </ul>	<div style="text-align: right;">s6(a)</div> 
	<ul style="list-style-type: none"> <li>• Consider areas for improvements in business cases including ensuring there is a strong connection between the acquisition and the strategic vision, and that accurate information on counterfactuals and the costs of deferring a decision are presented.</li> </ul>	
<b>Value for Money</b>	<ul style="list-style-type: none"> <li>• Work with The Treasury on ways to improve the measurement of value for money as a standalone piece of policy work</li> </ul>	



# TERMS OF REFERENCE FOR REVIEW OF DEFENCE'S PROCUREMENT POLICIES AND PRACTICES

## Purpose

1. This Review is to provide independent advice to the Secretary of Defence and Chief of Defence Force and supports the coalition agreement to: "Re-examine the defence procurement programme within the context of the 2016 Defence Capability Plan budget".
2. It sits within a proposed sequence of reviews in 2018 examining Defence policy, procurement, investment management, and capability planning
3. The Review findings, including any recommended actions, will be reported to the Minister of Defence and the Minister of Finance.

## Context

4. Defence established a capability management improvement programme in 2015, the Defence Capability Change Action Programme (DCCAP), to address shortcomings in Defence's capability management practices as identified by a number of past reviews.
5. This programme is nearing the end of the design, build and implementation phase, with the embedding and sustainment phases not yet completed. Additional baseline funding was provided to the Ministry of Defence (\$27.1million over four years) to implement changes from 1 July 2015.
6. The DCCAP has involved restructuring and strengthening the Ministry's capability development and design policy functions and its capability delivery (including acquisition) functions. Ministry staff positions working in these two areas have increased from 24 to 80 since 1 July 2015 as funding has been progressively released.
7. The DCCAP encompasses end to end business process change including the establishment of a new Ministry/Defence Force operating model for capability management and development of new supporting policies and practices. A vision and end state, known as the International Exemplar 2020, was developed and launched in 2016 based on international best practice.
8. The implementation of DCCAP is based around achievement of the International Exemplar vision and end state as well as implementing 87 extant recommendations from previous reviews of Defence's capability management practice and of capability projects dating back to 2008, and 31 later incorporated recommendations arising from the 2016 Investor Confidence Rating Assessment.

## Scope

9. A Review is now being established to assess and provide assurance on the progress that has been achieved and to make recommendations on future actions and next steps. The Review will also identify any best practices and provide insight into any lessons learned from the existing procurement improvement plan for other parts of Government that do significant procurement.

10. The 2010 Defence White Paper directed the Secretary of Defence and the Chief of the New Zealand Defence Force have joint responsibility for the efficient and effective functioning of the capability management system. Notwithstanding this and, in accordance with statutory responsibilities, the Secretary of Defence retains primary responsibility for the strategic policy, capability development and design, and capability delivery functions and the Chief of the Defence Force retains primary responsibility for integration into service, in service management and disposal functions. The Secretary and Chief of Defence Force are co-chairs of the Capability Governance Board which oversees the Defence portfolio, programme and project capability management functions.
11. This is not a machinery of Government review and therefore the Review will work within the accountability and responsibility framework described above and the organisation settings that support this.
12. The Review will be limited to the major acquisitions system which the Capability Management Framework defines as those projects with a capital value of \$15m or greater.
13. The Review may occur in parallel with the Treasury sponsored Investor Confidence Rating Assessment. The Review will have regard to material being prepared for this Assessment.
14. The Review will be undertaken in parallel with a Review of Defence's strategic policy settings. This Review of Defence's procurement policies and practices precedes a Review of Defence Capability and Capital Plans scheduled for the second half of 2018.

### **The Review**

15. The Review will:

- 15.1. Assess and provide assurance on the progress of the DCCAP programme including assessing:
- a. What DCCAP has done to address the 87 recommendations of the pre 2015 Reviews of Defence
  - b. Whether the programme is on track to complete all of these planned actions
  - c. Whether these actions are sufficient to deliver the desired uplift in procurement performance required by Ministers, and achieve the International Exemplar 2020
  - d. Whether additional actions or measures are needed to supplement DCCAP work to date
  - e. Whether the revised governance structures put in place under the DCCAP are delivering improved oversight and discipline in project management

- 15.2. Identify any aspects of procurement best practice and determine any insights into lessons learned from the DCCAP for other parts of Government that do significant procurement
  - 15.3. Provide advice on how Defence could measure the efficiency and effectiveness/value for money of its investments over their life-course, and
  - 15.4. Advise which performance measures and reporting arrangements should remain/be put in place to give ongoing assurance on Defence's procurement capability
  - 15.5. Make recommendations on future actions and next steps.
16. The Reviewers will have regard to the Investor Confidence Rating Assessment of Defence's capability management system, in particular, the Procurement Capability Index, and incorporate any relevant information to inform the recommendations of this Review.
  17. The Reviewers will complete their final report to the Secretary of Defence and the Chief of Defence Force within six weeks from the date of commencement of the Review. The Review needs to be completed by 20 April 2018 at the latest.

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