

## Project Data Summary Sheet<sup>1</sup>

Project Number	SEA3036 Phase 1
Project Name	PACIFIC PATROL BOAT REPLACEMENT
First Year Reported in the MPR	2017-18
Capability Type	Replacement
Capability Manager	Chief of Navy
Government 1st Pass Approval	Apr 16
Government 2nd Pass Approval	Apr 16
Budget at 2nd Pass Approval	\$503.3m
Total Approved Budget (Current)	\$502.9m
2022–23 Budget	\$64.5
Complexity	ACAT II



### Section 1 – Project Summary

#### 1.1 Project Description

SEA3036 Phase 1 – Pacific Patrol Boat Replacement (PPB-R) is acquiring 22 vessels to replace the existing 22 Pacific Patrol Boats (PPBs) gifted to 12 Pacific Island Countries between 1987 and 1997 and to provide two boats for Timor-Leste as part of Australia's Pacific Maritime Security Program (PMSP). The project also includes disposal of the current PPB fleet and upgrades to Pacific Island infrastructure to enable safe berthing of the new Guardian Class Patrol Boats (GCPBs).

#### 1.2 Current Status

##### Cost Performance

###### In-year

As at 30 June 2023, the project had spent \$49.5m against an in-year budget of \$64.5m. The variance of \$15.0m is mainly due to the prime contractor (Austal Ships Pty Ltd) delay in issuing the escalation invoices whilst commercial negotiations are underway and delays in execution of the infrastructure program. This is expected to be recovered in the Financial Year (FY) 2023-24.

###### Project Financial Assurance Statement

As at 30 June 2023, the project has reviewed the approved scope and budget for those elements required to be delivered by the project. Having reviewed the current financial and contractual obligations of Defence for this project, current known risks and estimated future expenditure, Defence considers, as at the reporting date, there is sufficient budget remaining for the project to complete against the agreed scope.

###### Contingency Statement

The project has applied for contingency in the FY 2022-23 primarily for engineering modifications to reduce and treat risks to health and safety.

##### Schedule Performance

The project is currently within the delivery phase. To date, 15 GCPBs have been delivered to their respective recipient nations as follows:

- Vessel 1 to Papua New Guinea (PNG) in November 2018.
- Vessel 2 to Tuvalu in April 2019.
- Vessel 3 to Tonga in June 2019.
- Vessel 4 to Samoa in August 2019.
- Vessel 5 to Solomon Islands in November 2019.
- Vessel 6 to Fiji in March 2020.
- Vessel 7 to Palau in September 2020.
- Vessel 8 to Kiribati in June 2021.
- Vessel 9 to Tonga in October 2020.
- Vessel 10 to PNG in March 2021.
- Vessel 11 to Solomon Islands in May 2021.
- Vessel 12 to Vanuatu in July 2021.
- Vessel 13 to PNG in October 2021.
- Vessel 14 to Federated States of Micronesia (FSM) in March 2022.
- Vessel 15 to Cook Islands in May 2022.

In addition, from 1 July 2022 the project has achieved the following Key Milestones on time:

- Vessel 18 (Samoa) launch milestone achieved 21 November 2022.

#### Notice to reader

1. Forecast dates and Sections: 1.2 (Materiel Capability/Scope Delivery Performance), 1.3 (Major Risks and Issues), 4.1 (Measures of Materiel Capability/Scope Delivery Performance), and 5 (Major Risks and Issues) are excluded from the scope of the ANAO's review of this Project Data Summary Sheet. Information on the scope of the review is provided in the *Independent Assurance Report* by the Auditor-General in **Part 3** of this report.

<ul style="list-style-type: none"> <li>• Vessel 20 (Timor-Leste) keel laying achieved 14 July 2022.</li> <li>• Vessel 21 (Timor-Leste) keel laying achieved 12 October 2022.</li> <li>• Vessel 22 (Republic of Marshall Islands (RMI)) keel laying achieved 19 April 2023.</li> </ul> <p>Vessels 16 and 17 were launched prior to 1 July 2022, with Vessel 16 originally scheduled to be delivered in July 2022. During March and May 2023, Vessels 16 and 17 were removed from water for hull preservation and engineering changes to treat safety issues and latent defects. Vessel 16 has been relaunched and is undergoing recommissioning with Vessel 17 to follow. The launch of Vessel 19 has been delayed in line with project requirements.</p> <p>Subsequent vessels are to be delivered and gifted at a rate of one every two to three months through to the last vessel delivery (Vessel 22, added to the contract in November 2022) scheduled for September 2024.</p> <p>To date the prime contractor key milestones have been met in alignment with the contract schedule, with the exceptions to this being:</p> <ul style="list-style-type: none"> <li>• Delivery of the first vessel was approximately five weeks later than contracted as a result of delays in establishing a steel production facility, vessel production activities and the resolution of first of class issues. This delay incurred a corresponding delay to achievement of Initial Materiel Release (IMR) / Initial Operational Capability (IOC) which was achieved on 30 November 2018.</li> <li>• Delivery of Vessel 7 was approximately four months later than contracted because crew were unable to travel to Australia to accept the vessel due to international COVID-19 travel restrictions.</li> <li>• Delivery of Vessel 8 was approximately 10 months later than contracted because crew were unable to travel to Australia to accept the vessel due to international COVID-19 travel restrictions.</li> <li>• Delivery of Vessels 10 and 14 were delayed by two weeks due to the crew undertaking COVID-19 quarantine to enter Australia. In both cases the crew was unable to alter their departure date so the arrival in Australia was on schedule and other activities including acceptance of the vessel were adjusted by two weeks.</li> <li>• Delivery of Vessel 15 was delayed by four weeks due to a number of the crew testing positive for COVID-19 during training in Australia and therefore being unable to accept the vessel.</li> <li>• Delivery of Vessel 16 has been significantly delayed due to two issues: <ul style="list-style-type: none"> <li>◦ Hydrogen sulphide gas, emanating from the black water system, was recorded in the accommodation spaces of several in-service GCPBs, presenting a serious risk and safety hazard to the Pacific Island crews. To mitigate this risk, a contract change proposal was executed by the Commonwealth of Australia (CoA) and Austal Ships Pty Ltd to install and commission a fixed gas detection system to Vessels 16 through 22 to provide added safety assurances of awareness of potentially harmful gases. The time required to make these changes is approximately 13 months however, the delay will be absorbed to the end of the project with no impact to the delivery of the final GBP (Vessel 22); and</li> <li>◦ The rectification of a latent defect in the engine exhaust silencers that presented a safety hazard to crew, that will be rectified during the lay-up period whilst the fixed gas detection system is being installed and commissioned on the vessels.</li> </ul> </li> </ul> <p>Aspects of the project involving Pacific Island Country Infrastructure upgrades have been completed with the Defence Cooperation Program Infrastructure Project completing an enhanced scope of major upgrades to ensure the vessels are able to be supported after delivery.</p> <p>Disposal of the existing PPBs is progressing in alignment with project needs.</p>
<p><b>Material Capability/Scope Delivery Performance</b></p> <p>The first 15 GCPBs have been delivered to their recipient nations. COVID-19 caused delay to delivery of vessels to Cook Islands, FSM, Kiribati, Palau, and PNG. However, these delays have been absorbed within the overall project delivery schedule with the project managing the continued risks to the schedule posed by COVID-19 and global freight delays.</p> <p>The emergence of a latent defect and directive to deliver more robust safety systems have delayed the delivery of Vessel 16 with flow on delays gradually absorbed through to Vessel 22.</p>
<p><b>Note</b></p> <p>Forecast dates and capability assessments are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

### 1.3 Project Context

<p><b>Background</b></p> <p>SEA3036 Phase 1, PPB-R Project was initiated in 2014 under the auspices of PMSP to replace the 22 PPBs that were gifted to 12 Pacific Island Countries between 1987 and 1997 with GCPBs.</p> <p>The 12 PPB nations are Cook Islands, FSM, Fiji, Kiribati, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Timor-Leste have also been offered and accepted the offer to receive two GCPBs although were not originally part of the PPB program.</p> <p>A Request for Tender was released in March 2015 for up to 21 vessels no longer than 40 metres, built to a commercial standard with a steel hull. The tender also included a support contract for an initial period of seven years. The tender closed in June 2015, evaluations were completed in September 2015 with an Offer Definition and Improvement Activity concluded in January 2016. Austal Ships Pty Ltd was the preferred tenderer.</p> <p>Combined Pass Project Approval was achieved in April 2016. Both the acquisition and support contracts were signed with Austal Ships Pty Ltd in May 2016. The initial acquisition contract was for 19 vessels with a costed option for an additional two vessels. In December 2017, Timor-Leste joined the PMSP and the project exercised the costed option for two additional vessels through a contract change in April 2018.</p> <p>Construction of the first vessel commenced in April 2017 with acceptance by the CoA (combined IMR and IOC) in November 2018. The last vessel is currently anticipated to be accepted by the CoA in September 2024.</p> <p>Due to a delay in the acceptance and handover of the first boat of approximately five weeks, caused by the establishment of a dedicated steel production facility and resolution of first-of-class issues, Liquidated Damages have been accrued. Agreement has</p>
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<p>also been reached on provision of goods and services in kind to the CoA in alignment with the value of Liquidated Damages accrued.</p> <p>In August 2021, the vessel that was gifted to Samoa in August 2019 ran aground on a reef and its replacement, Boat 22, was added to the Acquisition Contract via a contract change in November 2022.</p> <p>The project is scoped and funded to complete minor infrastructure upgrades to existing infrastructure to enable safe and secure berthing of the new, slightly larger, vessels. Responsibility for execution of the infrastructure upgrades was officially transferred from the project to Defence's International Policy Division in September 2019. The infrastructure upgrades within the original scope of SEA3036 Phase 1 have been completed.</p>
<p><b>Uniqueness</b></p> <p>The GCPB is a vessel being built to commercial standards that will be gifted to 13 nations. The vessels are being built to International Maritime Organization requirements, under the Australian Maritime Safety Authority flag. Lloyds Register is the classification society and the vessels will meet class requirements. However, ultimately the GCPB will not be put into class. The project's Capability Manager is Chief of Navy with International Policy as the Sponsor of the PMSP. Once gifted, each vessel will become a sovereign asset of the recipient nations and Australia will assist and support their operation and sustainment.</p>
<p><b>Major Risks and Issues</b></p> <p>Since July 2022, the project has retired one High risk relating to the COVID-19 pandemic impact on project deliverables.</p> <p>Two High risks have been retained which relate to the delay of project milestones. One focuses on project and stakeholder personnel and the other on supplier personnel and supply chain issues.</p> <p>One very High risk has emerged which relates to relatively inexperienced crews having enough practical experience to be ready to commence familiarisation training on the new GCPBs.</p> <p>Two very High issues have emerged since July 2022. One is a health and safety risk and has resulted in the second issue with the acceptance of boats being delayed due to the extended time required to install additional safety equipment. The schedule related issue has been retired following its resolution via a contract change.</p>
<p><b>Other Current Related Projects/Phases</b></p> <p>N/A</p>
<p><b>Note</b></p> <p>Major risks and issues are excluded from the scope of the Auditor-General's Independent Assurance Report.</p>

## Section 2 – Financial Performance<sup>2</sup>

### 2.1 Project Budget (out-turned) and Expenditure History

Date	Description	\$m	Notes
<b>Project Budget</b>			
Aug 14	Original Approved (Initial Pass Approval)	5.7	1
May 16	Government Combined Pass Approval	497.6	
	<b>Total at Second Pass Approval</b>	<b>503.3</b>	
Jan 15	Real Variation – Transfer	1.2	2
	Exchange Variation	(1.6)	
	<b>Total Budget</b>	<b>502.9</b>	
<b>Project Expenditure</b>			
Prior to Jul 22	Contract Expenditure – Contractor - Austal Ships Pty Ltd	(281.5)	
	Other Contract Payments / Internal Expenses	(29.9)	3
		(311.4)	
FY to Jun 23	Contract Expenditure – Austal Ships Pty Ltd	(35.5)	
	Other Contract Payments / Internal Expenses	(14.0)	4
		(49.5)	
Jun 23	<b>Total Expenditure</b>	<b>(361.7)</b>	
Jun 23	<b>Remaining Budget</b>	<b>141.3</b>	
<b>Notes</b>			
1	This amount was for Initial Pass Project Approval.		
2	Transfer of funding to Defence Materiel Organisation, now known as Capability Acquisition and Sustainment Group (CASG), to support Offer Definition Improvement Activity and Anthropometric Study.		
3	Other contract payments and expenditure includes, other project support contracted staff costs (\$16.9m), infrastructure costs (\$8.1m), Pre-Combined Pass expenditure (\$3.6m) and other direct project costs (\$1.3m).		

#### Notice to reader

2. As per the JCPAA 2022-23 MPR Guidelines, financial figures in the PDSS have been rounded to one decimal point. Section 2 financial tables may include totals and percentages that are impacted due to the rounding of the original financial data.

4	Other contract payments and expenditure includes, project support contracted staff costs of (\$8.8m) and other direct project costs of (\$5.2m).
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#### 2.2A In-year Budget Estimate Variance

Estimate PBS \$m	Estimate PAES \$m	Estimate Final Plan \$m	Explanation of Material Movements
53.7	51.0	64.5	<b>Portfolio Budget Statement (PBS) to Portfolio Additional Estimates Statement (PAES):</b> Variation (\$2.7m) due to reprogramming of the prime contract during Additional Estimates Budget Update. <b>PAES to Final Plan:</b> Variation (\$13.5m) due to budget transfer of contingency, Budget Estimates Budget Update and foreign exchange fluctuations.
Variance \$m	(2.7)	13.5	Total Variance (\$m): 10.8
Variance %	(5.1)	26.5	Total Variance (%) 20.0

#### 2.2B In-year Budget/Expenditure Variance

Estimate Final Plan \$m	Actual \$m	Variance \$m	Variance Factor	Explanation
		(15.0)	Australian Industry	The variance of \$15.0m is mainly due to the prime contractor (Austral Ships Pty Ltd) delay in issuing the escalation invoices whilst commercial negotiations are underway and delays in execution of the infrastructure program. This is expected to be recovered in the FY 2023-24.
		-	Foreign Industry	
		-	Early Processes	
		-	Defence Processes	
		-	Foreign Government Negotiations/Payments	
		-	Cost Saving	
		-	Effort in Support of Operations	
		-	Additional Government Approvals	
64.5	49.5	(15.0)	<b>Total Variance</b>	
		(23.3)	<b>% Variance</b>	

#### 2.3A Details of Project Major Contracts – Price

Contractor	Signature Date	Price at		Type (Price Basis)	Form of Contract	Notes
		Signature \$m	30 Jun 23 \$m			
Austral Ships Pty Ltd	May 16	321.1	374.1	Firm or Fixed	Standard Defence Contract	1, 2
<b>Notes</b>						
1	Contract Value as at 30 June 2023 is based on actual expenditure to 30 June 2023 and remaining commitment at current exchange rates, and includes adjustments for indexation (where applicable).					
2	The price at 30 June 2023 includes the addition of Boat 22, which was added into the Austral Ships Pty Ltd contract 1 November 2022.					

#### 2.3B Details of Project Major Contracts – Contracted Quantities and Scope

Contractor	Contracted Quantities as at		Scope	Notes
	Signature	30 Jun 23		
Austral Ships Pty Ltd	19	22	PPB-R vessels, conversion training and associated support system products.	1
<b>Major equipment accepted and quantities to 30 Jun 23</b>				
<ul style="list-style-type: none"> <li>• Three GCPBs gifted to PNG.</li> <li>• One GCPB gifted to Tuvalu.</li> <li>• Two GCPBs gifted to Tonga.</li> <li>• One GCPB gifted to Samoa.</li> <li>• Two GCPBs gifted to Solomon Islands.</li> <li>• One GCPB gifted to Fiji.</li> <li>• One GCPB gifted to Palau.</li> <li>• One GCPB gifted to Kiribati.</li> <li>• One GCPB gifted to Vanuatu.</li> <li>• One GCPB gifted to FSM.</li> <li>• One GCPB gifted to Cook Islands.</li> </ul>				
<b>Notes</b>				
1	Two additional vessels were included into the scope of supply in April 2018 following acceptance in December 2017 by the Timor-Leste Government of the offer from the Australian Government to receive two boats. The vessel that was gifted to Samoa in August 2019 ran aground on a reef in August 2021 and its replacement was added to the project by contract change in November 2022.			

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## 2.4 Australian Industry Capability

Summary
The project has contracted Australian Industry Capability (AIC) targets based on opportunities to maximise competitive Australian industry involvement, where appropriate. Austal Ships Pty Ltd's AIC Plan identifies Local Industry Activities which are captured in support of their design, manufacturing, project management, engineering, integrated logistic support and training activities.
Note
AIC Plans for contracts worth more than \$20 million are published on Defence's website. Australian Industry Capability is excluded from the scope of the Auditor-General's Independent Assurance Report.

## Section 3 – Schedule Performance

## 3.1 Design Review Progress

Review	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
System Requirement Conduct	Mission System	Aug 16	N/A	Aug 16	0	-
	Support System	N/A	Nov 16	Nov 16	0	1
Preliminary Designs Conduct	Mission System	Oct 16	N/A	Oct 16	0	-
	Support System	N/A	May 17	May 17	0	1
Detailed Design Conduct	Mission System	Feb 17	N/A	Feb 17	0	-
	Support System	N/A	Nov 17	Nov 17	0	1
Notes						
1	A contract change was executed in November 2016 to introduce the conduct of Support System Requirement Review, Support System Preliminary Design Review and Support System Detailed Design Review.					

## 3.2 Contractor Test and Evaluation Progress

Test and Evaluation	Major System/Platform Variant	Original Planned	Current Contracted	Achieved/Forecast	Variance (Months)	Notes
Harbour Acceptance Trials (HAT) Complete	PPB-R Boat 1	Jul 18	N/A	Oct 18	3	1
	PPB-R Boat 2-5	Aug 19	N/A	Sep 19	1	-
	PPB-R Boat 6-9	Aug 20	N/A	Aug 20	0	-
	PPB-R Boat 10-13	Aug 21	N/A	Aug 21	0	-
	PPB-R Boat 14-18	Oct 22	N/A	Nov 23	13	7
	PPB-R Boat 19-21	Jul 23	N/A	Apr 24	9	7
	PPB-R Boat 22	Jul 24	N/A	Jul 24	0	-
Acceptance	PPB-R Boat 1	Oct 18	N/A	Nov 18	1	1, 2, 3
	PPB-R Boat 2-5	Nov 19	N/A	Nov 19	0	3
	PPB-R Boat 6-9	Nov 20	N/A	Jun 21	7	4
	PPB-R Boat 10-13	Oct 21	N/A	Oct 21	0	3
	PPB-R Boat 14-18	Dec 22	Nov 23	Nov 23	11	5
	PPB-R Boat 19-21	Oct 23	Jul 24	Jul 24	9	5
	PPB-R Boat 22	Sep 24	N/A	Sep 24	0	6
Notes						
1	The variance of three months is primarily due to equipment supply chain delays and first-of-class issues with set-to-work activities.					
2	Testing of Vessel 1 includes operation-like test activities in advance of acceptance of Vessel 1.					
3	Acceptance marks the successful completion of all tests and crew conversion training. The CoA accepts the vessel from the contractor and then gifts the vessel to the receiving nation.					
4	The variance of seven months is due to COVID-19 pandemic travel restrictions restricting the crew for Vessel 8 travelling to Australia to undertake conversion training and receive their vessel.					
5	The variance of Vessels 16 to 21 is due to a latent defect on the engine exhaust silencer for which a replacement design silencer has now been accepted, and due to the addition of safety equipment with a long lead time of approximately seven months to delivery.					
6	The delivery date of Vessel 22 was constrained by the lead time for critical equipment delivery and was not impacted by the issues that caused the delays to Vessels 16 to 21.					
7	HAT are not a contracted milestone however the variation in contract milestones outlined in Note 5 has had an indirect impact on verification activities.					

## 3.3 Progress Toward Materiel Release and Operational Capability Milestones

Item	Original Planned	Achieved/Forecast	Variance (Months)	Notes
Initial Materiel Release (IMR)	Oct 18	Nov 18	1	1, 2
Initial Operational Capability (IOC)	Oct 18	Nov 18	1	3

Final Materiel Release (FMR)	Nov 23	Sep 24	10	1, 2, 4
Final Operational Capability (FOC)	Sep 23	Sep 24	12	4
<b>Notes</b>				
1	IMR and FMR dates were not scheduled at Combined Pass Government Approval.			
2	IMR and FMR were achieved at acceptance of vessels by the CoA and handover to program partner nation.			
3	IOC was achieved at acceptance of the first vessel and handover into operational service. This occurred simultaneously with IMR. The variance of one month is a result of delayed commencement of Sea Acceptance Trials and HAT for the first vessel, leading to a delay to delivery.			
4	The new forecast date for FMR and FOC is the contracted delivery date of Vessel 22 and the date that the boat is expected to be delivered into service.			
<b>Schedule Status at 30 June 2023</b>				
<p>The Gantt chart displays the project schedule from April 2016 to December 2024. Key milestones are marked: Approval (Apr-16), IMR (Nov-18), IOC (Dec-18), FMR (Sep-23), and FOC (Sep-24). The chart shows that IMR and IOC were achieved in late 2018. FMR and FOC were originally planned for late 2023 but have been forecast to occur in late 2024. The chart uses a color-coded system: green for achieved milestones, yellow for forecast milestones, and red for milestones that are not yet achieved or forecast.</p>				

<b>Note</b>
Forecast dates in Section 3 are excluded from the scope of the Auditor-General's Independent Assurance Report.

### Section 4 – Materiel Capability/Scope Delivery Performance

#### 4.1 Measures of Materiel Capability/Scope Delivery Performance

<b>Traffic Light Diagram: Percentage Breakdown of Materiel Capability/Scope Delivery Performance</b>	
	<p><b>Green:</b> The project expects to meet the current capability requirements as expressed in the Materiel Acquisition Agreement. Temporary repairs have resulted in the lifting of operational limitations that were reported in the previous year. A permanent solution will be incorporated on all remaining vessels prior to delivery. Additional modifications will be retrofitted to vessels currently in service prior to the closure of the project, ensuring all vessels in the fleet will achieve a permanent solution to the issue.</p>
	<p><b>Amber:</b> N/A</p>
	<p><b>Red:</b> N/A</p>
<b>Note</b>	
This Traffic Light Diagram represents Defence's expected capability delivery. Capability assessments and forecast dates are excluded from the scope of the Auditor-General's Independent Assurance Report.	

#### 4.2 Constitution of Materiel Release and Operational Capability Milestones

Item	Explanation	Achievement
Initial Materiel Release (IMR)	First vessel and associated support system technical documentation, initial spares and logistics documentation delivered and accepted by the CoA. IMR was achieved on 30 November 2018.	Achieved
Initial Operational Capability (IOC)	First vessel accepted into the Pacific Island Country operational service. IOC was achieved on 30 November 2018.	Achieved
Final Materiel Release (FMR)	Last vessel delivered, completed delivery of all remaining Acquisition Project Support deliverables and accepted by the CoA including completion of transition tasks in accordance with the PPB-R Transition Plan. FMR is expected to be achieved in September 2024.	Not yet Achieved
Final Operational Capability (FOC)	All vessels accepted into their Program Partner Country operational service. FOC is expected to be achieved in September 2024.	Not yet Achieved

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## Section 5 – Major Risks and Issues

### 5.1 Major Project Risks

Identified Risks (risk identified by standard project risk management processes)		
Ref#	Description	Remedial Action
1	There is a risk that project deliverables will be affected by the COVID-19 pandemic leading to an impact on project scope, schedule and cost.	This risk was retired as any residual impact of COVID-19 has been absorbed within general threats to deliverables as outlined below in Identified Risk Ref #2.
2	There is a risk that Ship acceptance will be affected by Austal Ships Pty Ltd unable to meet production schedule milestones leading to an impact on cost, schedule, and reputation.	Oversight and updates in relation to workforce availability, progress and supply chain issues. Contract is based on Australian Standard for Defence Contract template and includes suitable mechanisms to drive contract schedule.
3	There is a risk that key project milestones delivery will be affected by a lack of availability of suitably qualified, experienced and authorised project and stakeholder personnel, leading to an impact on cost, schedule and technical performance.	The project is continuing to monitor resource levels and sourcing additional resources by accessing merit pools and bulk rounds with contracted support used if suitable Australian Public Service resources cannot be found to fill the required roles.
Emergent Risks (risk not previously identified but has emerged during 2022–23)		
Ref#	Description	Remedial Action
1	There is a risk that acceptance of the vessels for less experienced crews may be affected with a delay to commencement or of the inability to complete familiarisation training, leading to an impact on capability outcomes, cost, schedule, reputation and health & safety.	The PMSP contracted training organisation is delivering mariner skills targeted at specific training needs. PMSP understands the crew mariner skill prerequisites and is working with impacted nations on solutions to create opportunities for crews to gain practical experience via sea time in their nominated roles.

### 5.2 Major Project Issues

Emergent Issues (has emerged during 2022–23)		
Ref#	Description	Remedial Action
1	Detection of low level hazardous gas on board vessels indicates the controls for preventing the escape of gases from the black and grey water tanks may not be fully effective.	Engineering enhancements have been developed and rolled out across vessels in service and after their successful testing will now be applied to vessels now under construction. The issue will remain open until further evidence demonstrates whether the engineering changes are successful.
2	Delivery and acceptance of vessels has been affected by delays in the delivery and safety equipment leading to an impact to schedule, reputation, capability, cost and scope.	SEA3036 Phase 1 has worked closely with the contractor to support the development of the engineering solution and minimize delays. This issue is now being retired and residual risk will be managed by Identified Risk Ref #2.

Note
Major risks and issues in Section 5 are excluded from the scope of the Auditor-General's Independent Assurance Report.

## Section 6 – Lessons Learned

### 6.1 Key Lessons Learned

Description	Categories of Systemic Lessons
The project is in the process of implementing a lessons approach that achieves compliance with Defence instruction and CASG Lessons policy. The project has captured four lessons related to Schedule Management, Contracts Management and Requirements Management. Three project lessons are provided below (note this does not include all project lessons):	The project has not categorised any of its lessons information as a whole-of-Defence Lesson Learned.
Lesson Type – Lessons identified. Allocate schedule allowance to enable ramp-up and learning of Defence requirements for Contractors inexperienced with Defence contracting templates.	Schedule Management
Lesson Type – Insights. Use of review teams for assurance on Contract Development when tailoring Defence contracting templates.	Requirements Management
Lesson Type – Lessons identified. Work with Contractor to ensure the broader implications of key milestone delay and quality issues are understood and encourage early advice on delay.	Schedule Management

## Section 7 – Project Structure

### 7.1 Project Structure as at 30 June 2023

Unit	Name
Division	Patrol Boats & Specialist Ships Division
Branch	Specialist Ships Acquisition Branch