DEFENCE

CHAPTER SIX
MANAGEMENT REFORMS
AND EFFICIENCIES

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PROGRESS OF FINANCIAL STATEMENTS REMEDIATION PLANS

Defence continues to progress a range of improvements to its financial management and business systems and processes, although more work is still required. Defence is currently working through 95 Australian National Audit Office audit qualifications.

Important initiatives under way include:

- implementation of 14 remediation strategies (see Table 6.1 for details);

- establishment of program offices in the Chief Finance Officer Group and the Defence Materiel Organisation to drive audit remediation strategies and to provide independent advice to the Secretary and the Financial Statements Project Board on achievement of remediation outcomes;

- rigorous monitoring of remediation strategies by the reconstituted Financial Statements Project Board, augmented by a representative from the Department of Finance and Administration and a private sector accounting specialist; and

- development of a financial controls framework that will standardise financial transactional and management processes across the portfolio to improve the integrity of Defence financial data, budgeting and financial statements.

Defence expects to resolve some audit findings in 2004-05, but enduring improvements may take some years.

Table 6.1: Financial Statements Remediation Strategies

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
G1: Financial Reporting Framework		
The Defence financial management system has been subject to many Australian National Audit Office findings over a period of years. The aim is to institute a robust and sustainable financial controls framework which meets fully the requirements of accrual accounting. Accountable officer: Chief Finance Officer	Develop and embed a comprehensive Defence Financial Controls Framework that includes: a. establishing the elements of the financial controls framework; b. assigning responsibility to Group Heads to implement the financial controls framework; c. implementing standardised processes and practices; and d. establishing business skilling and competency assessment.	**2004-05:** a. gain Financial Statements Project Board agreement to a proposed Work Breakdown Structure; and b. develop a fully costed project plan. **2005-06:** a. gain Financial Statements Project Board endorsement of the Project Plan and start implementation; and b. endorse remaining project deliverables.
G2: Improving the Australian National Audit Office Annual Audit Process		
Having clear agreement with the Australian National Audit Office on timelines, methodologies and expectations of deliverables from both parties is crucial to the finalisation of the annual financial statements. Accountable officer: Chief Finance Officer	Establish an accountable officer to manage audit activities between Defence and the Australian National Audit Office. Key tasks include: a. negotiating an engagement plan; b. agreeing to a consistent approach for terminology, quality and format of responses; and c. establishing procedures for quality assurance and clearing audit findings.	**2004-05:** a. gain agreement between Defence and the Australian National Audit Office on key issues; b. develop end of year audit process timetable; and c. gain the Australian National Audit Office clearance of fourteen audit findings finalised by Defence.

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
G3: Financial Management and Systems Training – Financial and Business Management A consistent theme in the Australian National Audit Office audit findings is the requirement for enhanced skills in the execution of financial management procedures and adherence to approved procedures in the use of Defence corporate information technology systems. The Australian National Audit Office makes some targeted recommendations with regard to enhanced training to address the lack of knowledge in accounting, financial and business management (ROMAN), transactor knowledge (PMKeyS), and the supply system (Standard Defence Supply System). These are complemented by a number of other observations about failures in the application of policy and procedures. Accountable officers: Chief Finance Officer and Director-General Defence Education and Training Development	Develop the following courses to improve officers' underpinning knowledge and skills: a. business capability workshops; b. accrual accounting; c. Diploma of Government (Financial Management); d. Graduate Certificate in Professional Management (Finance); and e. financial management processes for Senior Executive Service and Executive Level 1 and 2 officers.	**2004-05:** Conduct: a. business capability workshops; b. course evaluations; c. Senior Executive Service and Executive Level courses; and d. training and competency assessments. **2005-06:** a. implement training as prerequisite for systems access; and b. modularise training delivery.
S1: Stores Record Accuracy Defence 'self-qualified' stock quantities relating to general stores inventory and repairable items in 2003-04, following adverse stocktake results. The Australian National Audit Office noted material weaknesses in the internal controls over stocktaking, failure to accurately record and report physical asset quantities, and inadequate system controls to safeguard the accuracy of data. This resulted in a significant range of uncertainty around general stores inventory and repairable items balances. Accountable officer: Commander Joint Logistics	Remediate the general stores inventory and repairable items qualification by: a. conducting 100 per cent stocktakes at Joint Logistics Command warehouses; b. correcting errors in stores record quantities in the Standard Defence Supply System; and c. promulgating and ensuring compliance with stocktaking policy to improve stocktaking practices and reporting.	**2004-05:** a. implement compliance and assurance audit methodology; and b. complete 100 per cent stocktake of Defence National Storage and Distribution Centre (Moorebank). **2005-06:** a. complete 100 per cent stocktake of Joint Logistics Unit (Victoria); and b. finalise audit findings (subject to extent of additional work from S10 and S11).

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S2: General Stores Inventory Pricing and Accounting The 2003-04 Financial Statement had a limitation of scope qualification of approximately $2,026m with regard to uncertainty around the general stores inventory balance, of which $600m relates to uncertainty around general stores inventory pricing. At issue was Defence's inability to produce, in a timely manner, invoice and contract documentation to validate the prices in the Standard Defence Supply System. The concerns of the Australian National Audit Office also included the lack of accounting policy in place to ensure the correct treatment of general stores inventory. Inventory pricing issues will need to be assessed in light of the pending Australian Equivalent to International Financial Reporting Standards. The implementation of an even more onerous reporting requirement places greater long-term uncertainty across inventory pricing issues. Accountable officer: Chief Finance Officer, Defence Materiel Organisation	Remediate the general stores inventory pricing and accounting qualification by: a. developing a statistical model to validate legacy (pre-1997) priced items; b. implementing an exception reporting regime to provide quality assurance; c. establishing policies and procedures for inventory pricing controls on the Standard Defence Supply System; and d. establishing policy to ensure the correct treatment of general stores inventory.	**2004-05:** a. remediate audit issues relating to Provision for Obsolescence, Asset Purchase Accounts, Defence Materiel Organisation Clearing Accounts, Reclassification Corrections, and Standard Defence Supply System Version 4 Upgrade; b. ascertain the level of inventory pricing uncertainty to be quarantined; c. establish an exception reporting regime to provide quality assurance of in-year inventory prices; and d. establish financial accounting general stores inventory policy. **2005-06:** a. remediate the audit issue relating to Limitation of Scope – Inventory pricing carried forward to 1999-00; b. complete an option study for a single financial and asset management system; and c. review Australian Equivalent to International Financial Reporting Standards implementation to determine system and data retention impacts for multiple pricing records.

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES

S3: Supply Customer Accounts

A Supply Customer Account is a location indicator within the Standard Defence Supply System to track and manage assets and accountable inventory moving through the supply chain, predominantly outside a warehouse structure.

The 2003-04 financial statements had a limitation of scope qualification of $2,857m with regard to the uncertainty around the repairable items balance, of which Supply Customer Accounts are a subset ($1,000m). The Australian National Audit Office concerns rested with the controls and management of Supply Customer Accounts, including repairable items, and adherence to stocktake procedures.

Accountable officer: Chief Operating Officer, Defence Materiel Organisation

Remediate the Supply Customer Account element of the repairable item quantities qualification by:

a. allocating all Supply Customer Accounts an accountable owner;
b. ensuring all Supply Customer Account balances on the Standard Defence Supply System are correct; and
c. improving business processes and controls for Supply Customer Accounts.

Note: these include improvements to data creation, maintenance and reporting to ensure accurate quantity, ownership and location details are entered and maintained for all Supply Customer Accounts on the Standard Defence Supply System.

2004-05:

a. allocate an accountable owner to all Supply Customer Accounts;
b. start stocktaking of Supply Customer Accounts and record correct balances on Standard Defence Supply System for those stocktaked.

2005-06:

a. stocktake all Supply Customer Accounts and correct balances recorded on the Standard Defence Supply System; and
b. improve business processes and transition controls into standard corporate governance activities of all Groups.

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S4: Explosive Ordnance The 2003-04 financial statements had a limitation of scope qualification of $845m relating to uncertainty around Explosive Ordnance pricing. At issue was Defence's inability to produce, in a timely manner, invoice and contract documentation to validate the Explosive Ordnance inventory prices recorded in the Explosive Ordnance procurement management system, COMSARM. The qualification represented approximately 38 per cent of Explosive Ordnance inventory and relates to all items acquired before 1996 and items acquired as part of asset under construction contracts between 1997-2000. Accountable Officer: Head Electronic and Weapon Systems Division, Defence Materiel Organisation	Remediate the Explosive Ordnance inventory pricing qualification by: a. sourcing (where possible) original documentation to substantiate Explosive Ordnance inventory prices; b. developing tools to substantiate Explosive Ordnance inventory values when appropriate supporting documentation cannot be located to support prices; and c. improving Explosive Ordnance inventory pricing policies and procedures to address reconfigurable items, to value identical items and to establish the link between COMSARM and Defence's financial management system, ROMAN.	**2004-05:** a. remediate approximately $440m of the $845m Explosive Ordnance pricing qualification; and b. improve Explosive Ordnance inventory processing and reconciliation policies and procedures. **2005-06:** a. continue remediation of the remainder of the $845m Explosive Ordnance inventory pricing qualification; and b. complete implementation of Explosive Ordnance inventory processing and reconciliation policies and procedures to ensure Defence's ongoing ability to accurately price Explosive Ordnance inventory items.

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S5: Military Leave Records		
The 2002-03 financial statements had a limitation of scope for military leave provisions because insufficient supporting documentation was available for leave records and, where documentation was available, unacceptable error rates existed in the recording of leave transactions. These shortcomings were mainly attributed to inadequate controls and processes within the military personnel systems and the inability to locate source documentation.

The prior year limitation had resulted in a wide-ranging military leave remediation program but Defence did not expect to resolve the problems before 2005. Defence again 'self-qualified' the military leave provision in 2003-04.

Accountable officer: Head Defence Personnel Executive | Remediate the military leave provisions qualification by:

a. implementing a risk stratification and sampling methodology to quantify the risk to Defence accounts;
b. providing an accurate representation of the military leave liability by ensuring the integrity of military leave data captured and recorded in PMKeyS; and
c. applying quality assurance to business processes, record keeping strategies, reporting structures, relevant policy foundations, training initiatives and a controls framework. | **2004-05:**

a. obtain in-principle support from the Australian National Audit Office to the variable sampling methodology; and
b. complete the pilot phase of leave stratification, i.e. set 7 strata with 30 individuals in each and undertake variable sampling.

2005-06:

a. to be advised – as determined by outcomes from variable sampling. |
| **S6: Civilian Leave Records** | | |
| In 2003-04, the the Australian National Audit Office noted problems with civilian leave and payroll processing. The systems issues identified in the management of military leave provisions also affect civilian leave balances.

Accountable officer: First Assistant Secretary Personnel, Defence Personnel Executive | Remediate the civilian leave provisions qualification by:

a. implementing a risk stratification and sampling methodology to quantify the risk to Defence accounts;
b. providing an accurate representation of the civilian leave liability by ensuring the integrity of civilian leave data captured and recorded in PMKeyS; and
c. applying quality assurance to business processes, record keeping strategies, reporting structures, relevant policy foundations, training initiatives and a controls framework. | **2004-05:**

a. obtain in-principle support from the Australian National Audit Office to the variable sampling methodology; and
b. complete the pilot phase of leave stratification, i.e. set 7 strata with 30 individuals in each and undertake variable sampling.

2005-06:

a. to be advised – as determined by outcomes from variable sampling. |

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S7: Executive Remuneration		
The Executive Remuneration Note (containing information pertaining to civilian and military leave provisions) is 'material-by-nature', as required by the Finance Minister's Orders, and could not be reliably certified because of the limitation of scope within the Australian National Audit Office 2002-03 audit report regarding military leave provisions.	Remediate the Executive Remuneration Note qualification by:	**2004-05:**
	a. completing the 2004-05 Senior Executive Service and military equivalents leave audit; and	a. start review of leave for Senior Executive Service and military equivalents; and
		b. start implementation of revised Executive Remuneration Note management system.
	b. implementing a new system for reporting Executive Remuneration that includes applying quality assurance to business processes, record keeping strategies, reporting structures, relevant policy foundations and training initiatives, and a controls framework.	**2005-06:**
A separate limitation of scope was applied to the Executive Remuneration Note in respect of any accrual effects arising from the military leave balances. During the 2003-04 period, Defence focused on improving the accuracy of leave records for the Senior Executive Service and military equivalents by reviewing source documentation. As a significant amount of supporting documentation remained outstanding, the note was again qualified for the same reason as in 2002-03.		a. finalise audit finding; and
		b. finalise implementation of revised Executive Remuneration Note management system.
	Note: the leave audit for executive leave is under way and is programmed for completion early in 2005-06. The Executive Remuneration Note audit qualification may continue if the starting balances of both military and civilian leave provisions are not accepted as accurate.	
Accountable officer: First Assistant Secretary Personnel, Defence Personnel Executive		

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES

S8: Property Valuations

The Australian National Audit Office issued a 'limitation of scope' for Land, Buildings and Infrastructure and Other Plant and Equipment as significant flaws were identified in associated project management, reporting practices and management review functions. The requirements to be met by the Australian Valuation Office were not fully and adequately documented and Defence was considered to have misinterpreted the results of revaluations and incorrectly applied depreciation. A particular consequence has been the misapplication of remaining useful life data provided by the independent valuer. This affected both the valuation adopted by Defence and the reported depreciation expense. Accountable officer: Deputy Secretary Corporate Services	Remediate the Land, Buildings and Infrastructure and Other Plant and Equipment qualification by: a. revising the Australian Valuation Office engagement letter to clarify valuation policy, procedures and outcomes; b. contracting the Australian Valuation Office to revalue all Land, Buildings and Infrastructure and Other Plant and Equipment assets to fair value in accordance with policy guidance; c. undertaking quality assurance on Australian Valuation Office site reports to ensure completeness; d. entering revaluation data into the financial system (ROMAN) and completing revised depreciation calculations; and e. engaging a valuation contractor for the next 3 year cycle, i.e. 2005-06 to 2007-08.	**2004-05:** a. complete all Land, Buildings and Infrastructure valuations by 30 June 2005; b. complete Other Plant and Equipment valuations by 30 June 2005; c. undertake quality assurance of valuation data and progressively load the data into the financial system (ROMAN); and d. engage the valuation contractor for the next three year cycle, ie 2005-06 to 2007-08, and issue letter of engagement detailing data requirements. **2005-06:** a. complete the loading of valuation data into the financial system (ROMAN); and b. complete the depreciation calculations.

S9: Preventing the Escalation of Category A and B Findings

The 2003-04 Financial Statement Audit Closing Audit Report identified 95 findings that required resolution. The 67 audit findings not allocated to a General or Specific Remediation Plan were grouped under Remediation Plan S9 to ensure each finding is remediated. Any audit findings that are not resolved could escalate from Categories B and C to the most serious category, Category A. Defence has recognised the clear need to improve the outcome, focus and management of the implementation of solutions to Australian National Audit Office findings. Accountable officer: Chief Finance Officer	Prevent the escalation of Category A and B findings by: a. assigning responsibility across Defence for remediation of each of the 67 audit findings not already allocated to a Remediation Plan; b. establishing a project-based management system for tracking and managing resolution of these Australian National Audit Office audit findings; and c. undertaking progressive and final quality assurance of the remediation outcomes.	**2004-05:** a. master task list completed; and b. 14 audit findings completed and forwarded to Australian National Audit Office. **2005-06:** a. finalise 52 audit findings. **2006-07:** a. finalise one audit finding.

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S10: Stock Holding Controls		
Items first found are items of either asset or inventory that do not have a corresponding Defence register record on any Defence register. Where a check of stock holdings shows that the Defence register record varies from the physical quantity, an investigation into the discrepancy will be required and the outcome may be an adjustment to the Defence Register record, and/or a corresponding financial adjustment.	Improve stock holding controls by: a. preventing or reducing the instance of items first found and write-offs; and b. accounting for and monitoring those instances first found and write-offs considered legitimate or expected.	**2004-05:** a. project schedule under development. **2005-06:** a. to be advised.
While it is accepted that the normal stock adjustment process will require a certain level of adjustment activity, current levels of adjustment are considered too high and indicate poor adherence to currently approved business processes. Accountable officer: Chief Operating Officer, Defence Materiel Organisation	Note: The remediation activities will focus on preventing errant transactions on the Standard Defence Supply System through improvements in policy, procedure, system process, and the introduction of investigative reporting to measure compliance.	

REMEDIATION PLAN	ACTIVITY	MAJOR OUTCOMES
S11: Standard Defence Supply System Items Not-in-Catalogue Defence is investigating the extent to which items may have been incorrectly accounted for in the Statement of Financial Position. This may occur when an item is purchased via the ROMAN financial system and then not recorded and managed on the Standard Defence Supply System. Such items are managed and tracked locally with no central visibility. It may lead to the incorrect recording and treatment of an item's value. Accountable officer: Chief Operating Officer, Defence Materiel Organisation	Address the potential Not-in-Catalogue issues as they may affect the financial statements by: a. addressing policy issues to better support an effective purchasing process; b. developing improved processes in conjunction with units, the Supply Chain Systems Program Office, the National Codification Bureau and the Directorate of Logistics and Processes; c. undertaking systems-based investigations, coupled with targeted site visits, to determine the value breakdown of Items Not-in-Catalogue; d. agreeing a methodology to transition Not-in-Catalogue items into the Standard Defence Supply System and the standard financial management regime, including development of a value proposition for the management of legacy items; e. coordinating Group activity to identify and transition Not-in-Catalogue items at Defence locations across Australia; and f. developing an ongoing compliance monitoring and reporting regime.	**2004-05:** a. define and promulgate items that will be subject to codification and assigned a NATO Stock Number (i.e. procurement routing rules); b. clarify catalogue and codification policy and procedures; c. undertake systems investigation and data mining to obtain a value breakdown and establish a materiality index; d. undertake and complete investigative site visits to verify value breakdown; and e. finalise ADF Logistics Manager roles and responsibilities, including resourcing issues and the process for ADF Logistics Manager assignment. **2005-06:** a. to be advised – outcomes not available until 2004-05 activities completed and project schedule finalised.

DEFENCE INFORMATION ENVIRONMENT

Chief Information Officer Group manages the Defence information environment for Defence, either through its own resources or through governance of initiatives that contribute to, or depend on, the Defence information environment. The Group was formed in December 2004, following the amalgamation of the Office of the Chief Information Officer and the Information Systems Division of the Corporate Services and Infrastructure Group, and will continue to consolidate in 2005-06.

The Group's structure incorporates:

*   Information Capability Management Division which is responsible for Defence information environment capability planning and program management, managing the major Defence networks, and providing network support to military operations. The head of the Division is the principal strategic adviser to the Chief of the Defence Force on information systems support to military operations;

*   Information Systems Division which is responsible for the development of the major defence networks and many of the enterprise applications that support Defence management processes; and

*   Business Management Branch which provides business support services to the Group.

Initiatives for 2005-06

During 2005-06, the Chief Information Officer Group will be working to complete the integration of the new group, extract best value from Defence investment in the Defence information environment, ensure alignment between Defence and the Defence information environment plans, and improve customer satisfaction.

Integration of the Group

As a newly-formed entity, the Chief Information Officer Group will continue to mature the structures and processes needed to realise the benefits of the consolidation. In particular the Group will:

*   complete the transfer of responsibility and resources for development of personnel and financial management systems software from the Defence Personnel Executive and Chief Finance Officer Groups; and

*   introduce a portfolio-wide information technology workforce skilling and development program.

Extracting Best Value from Defence Investment in the Defence Information Environment

The Chief Information Officer Group is to implement more robust governance arrangements across the portfolio to ensure investment in the Defence information environment accords with Defence plans and priorities, including:

- rationalising the number of applications in use in the Defence information environment;

- implementing a robust method of routinely reporting on Defence information environment investment and expenditure; and

- enhancing, as a high priority, enterprise application integration to improve the quality of business intelligence that can be extracted from Defence systems.

Alignment of Defence and Defence Information Environment plans

The Defence information environment supports the business needs of Groups across Defence and therefore its plans must be linked to those of the business owners.

Specific initiatives for 2005-06 include:

- creating and populating a Defence information environment strategic planning framework;

- implementing an integrated Defence information environment risk management system; and

- establishing the necessary architectures and management processes to guide the development of the Defence information environment.

Improve Customer Satisfaction

Defence customers and stakeholders need to be engaged professionally so that resource limitations are recognised and the work that the Chief Information Officer Group undertakes is delivered to agreed standards and within budget and schedule. Specific initiatives for 2005-06 include:

- establishing best practice project management processes in consultation with the Defence Materiel Organisation;

- improving measurement and delivery of customer service levels in terms of application availability, responsiveness and reliability; and

- introducing innovative systems to reduce response times to customer queries and requests.

DELIVERING INTERNAL SERVICES

Corporate Services and Infrastructure Group delivers services to support the working and living environments of Defence personnel. With representatives at every Defence site around the country, Corporate Services and Infrastructure Group provides essential services and support to more than 90,000 personnel.

The Group comprises three divisions and a Corporate Management Branch.

- National Operations Division provides conventional corporate support, manages major contracts for the provision of facilities maintenance and garrison support and manages the agreements with the Defence Housing Authority.

- Infrastructure Division is responsible for the development of the Defence estate, including major and medium capital facilities construction projects and property disposals, and policy for environment and heritage issues.

- Defence Legal is responsible for the provision of legal advice and other legal services to the ADF, the Minister and Defence.

- Corporate Management Branch is responsible for a range of financial and personnel management activities, as well as corporate governance and corporate communications.

Initiatives for 2005-06

Over the past two decades, Defence reforms have focused on making support services more efficient and transferring the subsequent savings to 'sharp end' combat and combat-related functions. These efficiencies have been achieved by market-testing and outsourcing a wide range of services, and by centralising and standardising those that can be delivered internally.

The Corporate Services and Infrastructure Group's initiatives for 2005-06 are consistent with these much longer term features of Defence reform while managing and maintaining the Defence estate and developing the capability of the organisation's workforce. Specific initiatives during 2005-06 include progressing a range of business improvement projects and strengthening organisational links with Corporate Services and Infrastructure Group's customers.

Management of Defence Infrastructure

Corporate Services and Infrastructure Group is responsible for developing and managing the Defence estate, which comprises approximately three million hectares of land plus buildings and facilities valued at $14 billion (as at 30 June 2004).

The Group will continue to strengthen its management of Defence infrastructure by:

- more effectively prioritising expenditure on the upkeep of the Defence estate;

- upgrading training ranges to ensure a safe, sustainable and technologically advanced capability to support ADF preparedness requirements;

- investigating innovative ways of funding major infrastructure assets, such as private–public partnerships; and

- disposing of surplus Defence property assets.

Environmental and Estate Sustainability

Defence is committed to protecting and conserving the environment. Defence considers that valuing natural and cultural heritage and managing our natural resources is essential to supporting Defence capability. Corporate Services and Infrastructure Group will continue to contribute toward meeting these commitments by integrating the Defence Environmental Management System with other Defence business processes.

Major initiatives during 2005-06 include:

- progressing the implementation of the Defence Heritage Strategy and ongoing development of the Defence Heritage Management System, including the development of heritage management plans for Defence sites as required under the *Environment Protection and Biodiversity Conservation Act 1999),* maintenance of the Defence heritage register, development and implementation of Defence's 'Opening the Doors' policy and the development and promulgation of the Heritage Toolkit;

- continuing to develop and implement national policy initiatives for improving natural resource management in Defence, including water and waste minimisation and recycling, pollution prevention, and the management of feral animals, weeds and bushfire;

- implementing Defence's contamination management strategy to address its legacy of contaminated sites, including developing a contaminated sites register, conducting contamination investigations, and developing practical remediation methods that can be applied to our contaminated sites across the country;

- improving the sustainability of Defence training areas by implementing a sustainability management framework, underpinned by an environmental monitoring and reporting program;

- developing a strategic environmental assessment for major exercises under the *Environment Protection and Biodiversity Conservation Act 1999*, in partnership with the Department of the Environment and Heritage to address environmental requirements covered under the Act, to streamline

the process for future major exercises, to provide certainty and flexibility when planning exercises, and to ensure best practice environmental management; and

• incorporating environmental awareness training into Defence training and education to ensure Defence personnel understand their obligations in meeting the Government's and the Australian community's expectations with regard to sustainable environmental management.

Business Improvement

Corporate Services and Infrastructure Group will continue to implement business improvement initiatives aimed at taking best advantage of current and emerging technology, improving management arrangements and reducing personnel and overhead costs. Major initiatives during 2005-06 include:

• the ongoing introduction of more efficient travel administration, personnel administration and accounts processing;

• reviewing current arrangements for ADF hospitality and catering, ADF member relocations, and mail and freight services;

• market-testing of information technology support services in the regions; and

• identifying and eliminating duplication of services between Corporate Services and Infrastructure Group and the other Defence Groups in areas such as the provision of stores, rations and fuel distribution.

Strategic Planning and Customer Engagement

Corporate Services and Infrastructure Group will continue to improve its strategic planning capability and establish more robust links within the broader Defence planning domain. This will be achieved by strengthening ties with Capability Development Group, the Defence Materiel Organisation and relevant committees.

Improvement to strategic planning is also supported by the Group's existing business partnering forums with the Navy, Army, Air Force, Defence Personnel Executive and the Defence Science and Technology Organisation. Similar forums will be established with the Defence Materiel Organisation, the Chief Information Officer Group and other Defence Groups. These forums, together with ongoing engagement at the working level, will bolster the Group's customer engagement by improving our understanding and responsiveness to customer requirements.

Corporate Services and Infrastructure Group will also continue to make improvements to processes to deliver corporate services through regional areas to support capability by:

• determining whether new infrastructure requirements meet the Government's policy and have appropriate funding allocated;

- ensuring early advice of personnel arriving to train or exercise;

- integrating specialist military equipment and facilities planning; and

- providing better estimates of through-life support operating costs.

Industry Engagement

A large proportion of the products and services for which Corporate Services and Infrastructure Group is responsible are delivered by industry. The Group places high importance on managing relationships with industry in an open and transparent way. During 2005–06, it is anticipated that major contracts will be tendered in various regions for the following areas:

- garrison support services and comprehensive maintenance services;

- electricity and other utilities;

- information technology support services; and

- property leases.

Products and services totaling almost $2 billion are expected to be delivered under contract in 2005-06. These contracts include the delivery of products and services in the areas shown below.

Table 6.2: Estimated Expenditure on Products and Services Contracts Managed by Corporate Services and Infrastructure Group

Service	Value $m
Infrastructure investment including training range upgrades	436
Information technology and telecommunication services and products[1]	22
Garrison support	331
Housing and relocations services [2]	491
Facilities operations	330
Travel services	156
Property services	114
Utilities	101
Total	**1,981**

Notes

1. This amount has previously included expenditure on contracts by Information Systems Division. The division has moved from Corporate Services and Infrastructure Group to the Chief Information Officer Group.

2. This amount has previously included only expenditure by Corporate Services and Infrastructure Group. It now includes relevant expenditure from all Defence Groups (representing an increase in this table of approximately $130m).

Maintenance of the Defence Estate

The Defence estate is unique in its diversity. It includes airfields, ports, broadacre training areas and firing ranges, storage and workshop facilities (including munitions storage), research laboratories, equipment maintenance facilities, office buildings, educational facilities, residential accommodation and recreational facilities. Many of these structures can be found on a single base or establishment.

The Estate Upkeep–Facilities Operations component of the Defence budget provides for the ongoing maintenance of this estate. In recent years, the component was funded at around $230m per annum, providing for routine types of facilities maintenance including:

- maintenance of fixed plant and equipment;

- repair of faults and breakdowns;

- environmental management programs and works;

- minor capital facilities projects (costing under $250,000);

- fees for comprehensive maintenance contractors; and

- related activities.

In the 2004-05 Budget, the Government provided an additional $300m over three years from 2005-06 in recognition of the importance of facilities maintenance and Defence redirected $100m from within its existing budget for 2004-05. This supplementary funding, bringing the annual baseline for estate upkeep to about $330m, will enable Defence to ensure that facilities supporting key capabilities are appropriately maintained by funding many hundreds of separate projects, including those identified through a risk-assessment process.

Works will include:

- maintaining Defence airfields;

- removing dangerous asbestos;

- upgrading and maintaining Defence fuel farms and bulk fuel storage facilities;

- improving the condition of Cadet facilities;

- ensuring that power supplies to critical Defence facilities can be maintained in emergencies;

- improving security and upgrading counter-terrorist training facilities;

- maintaining Defence training areas;

- ensuring that the estate remains environmentally sustainable in the longer term, for the continued provision of safe working and living environments; and

- maintaining wharves and other maritime structures.

The table below shows the programming of the facilities operations budget for 2005-06 (noting the budget is significantly over-programmed to provide for program flexibility).

Table 6.3: Forecast Facilities Operations Program by Work Type for 2005-06

Work Type	2005-06 $m
Maintaining air fields	46.0
Asbestos remediation[2]	7.6
Capability support[3]	15.3
Critical power	7.1
Environmental	20.4
Occupational health and safety[4]	15.1
Training areas and facilities	10.3
Working accommodation[5]	40.2
Contractual and other existing commitments	90.6
Outstanding commitment from 2003-04	143.1
Other[6]	11.2
Total	**406.9**[1]

Notes

1. This total includes significant overprogramming to provide for program flexibility.
2. Provides for a program of ongoing inspections and removal of asbestos from Defence facilities.
3. Includes the maintenance of supporting infrastructure, such as roads, water supply, drains and sewerage, and electrical reticulation.
4. Works necessary to rectify facilities defects that pose an occupational health and safety risk.
5. Working accommodation includes facilities such as office accommodation, Reserve and cadet depots, workshops, warehousing and aircraft hangars.
6. This includes bulk fuel installations, counter-terrorism and security, cadet facilities and ports and wharves.

PORTFOLIO EVALUATIONS

Portfolio evaluations endorsed by the Defence Audit Committee and the Defence Committee for calendar year 2005 are:

- Defence civilian training and development;

- the injury prevention program; and

- the technical regulatory system.

Following a portfolio review of priorities the foreshadowed topic, the effectiveness of personnel policy and development, was replaced in the 2005 schedule by Defence civilian training and development.

Portfolio evaluations agreed in principle by the Defence Audit Committee and the Defence Committee for calendar year 2006 are:

- ADF safety systems;

- the effectiveness of Defence record keeping; and

- the effectiveness of national health support.

Results from portfolio evaluations completed in 2005-06 will be included in the Defence annual report.