

**DEFENCE**  
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# CAPABILITY DEVELOPMENT AND ACQUISITION REFORM

Implementation by Defence and the Defence Materiel Organisation (DMO) of the recommendations of the *Defence Procurement Review 2003* (the Kinnaird review) is about 80 per cent complete. The following work is scheduled to continue the implementation:

- in relation to the annual provision of information which allows the Government to assess the consequences of strategic decisions for Defence capability (Recommendation 1), mature processes are expected to be in place by December 2006;
- in relation to strengthening the two-pass process for considering new materiel capabilities (Recommendation 3), the new processes will continue to be embedded and improvements will be sought in the consistency of information provided to support decision-making. The refined capability development processes are set out in the recently published Defence Capability Development Manual 2006. The initiatives planned for 2006-07 include:
  - improving cost and schedule estimation. A coaching and support team within a centre of excellence has been established and they continue to develop improved training, tools and processes to help project teams develop the fundamental data under-pinning capability business cases,
  - integration of capability development activities will be supported by the development and publishing of Capability Roadmaps. A number of these are under development during 2006-07 and where appropriate, unclassified versions will be published,
  - evaluating the trial results of the Rapid Prototyping Development and Evaluation program. The program aims to improve networked operational capabilities by accelerating change through Defence and Industry collaboration to solve operational problems,
  - continuation of embedding of DMO personnel in the Capability Development Group to provide immediate and close support to capability developers, and
  - engaging industry through the Rapid Prototyping Development and Evaluation program, critical industry studies and the Capability Development Advisory Forum,
- the Defence Procurement Advisory Board (Recommendation 5) will continue until at least March 2007;
- the purchaser-provider arrangements which are at the heart of the more business-like relationship between Defence and DMO (Recommendation 6)

will be improved to ensure, in terms of acquisition of new capabilities, the timely development of agreements between the two agencies and, in terms of sustainment of existing capabilities, the development of more robust performance measures and reporting; and

- the effectiveness of the policy on military staffing within DMO is scheduled for review in 2006.

## **DEFENCE INFORMATION ENVIRONMENT REFORMS**

The Chief Information Officer Group manages the Defence information environment, ensuring proper coordination of all initiatives that contribute to, or depend on, the Defence information infrastructure. The Group is accountable for planning and delivering secure, dependable and integrated information infrastructure to support business and military operations.

The Group's structure incorporates the following elements:

- Information Capability Management Division, responsible for delivering the Defence information environment as a global end-to-end capability including the provision of satellite communications, electromagnetic spectrum and networks to support military operations. The head of the Division is the principal strategic adviser to the Chief of the Defence Force and Chief of Joint Operations on communications and information systems and the electromagnetic spectrum;
- Information Systems Division, responsible for the development of the major Defence networks and most enterprise applications that support Defence management processes. The Defence information architect provides support for all other information infrastructure development affecting Defence's major networks; and
- Business Management Branch, providing portfolio-level resource and contract management services for the Defence information environment, and provides governance and financial management services to the Group.

### **Initiatives for 2006-07**

During 2006-07, the Chief Information Officer Group will continue to reform and strengthen its relationship with industry. Technical controls are being improved to support simplification and optimisation of information infrastructure development and service delivery, to ensure best value-for-money from Defence's investment in its information environment. Strategic planning for the Defence information environment is being aligned with broader strategic planning and force development processes. Improvements in customer satisfaction are being pursued through closer alignment of information systems service delivery functions of the Chief Information Officer Group and Corporate Services and Infrastructure Group.

### **CONSOLIDATION OF THE GROUP**

The Chief Information Officer Group will continue to mature the structures and processes needed to realise the benefits of bringing together Defence's information management in to a single Group. In particular, the Group will:

- complete the integration of personnel and financial management systems, applications development and support resources transferred from the Defence Personnel Executive and Chief Finance Officer Groups;
- undertake a program of restructuring and business transformation of the Information Systems Division to provide the skills and capacity to meet Defence's demands for expansion of information systems capability;
- build on existing Group, portfolio and whole-of-government information technology workforce skilling and development programs; and
- implement the maturing group Quality Management System to continue to improve process clarity, efficiency and discipline, and ability to demonstrate process compliance.

## **DELIVERING BEST VALUE FROM DEFENCE INVESTMENT IN THE DEFENCE INFORMATION ENVIRONMENT**

The Chief Information Officer Group will further strengthen governance arrangements across Defence to ensure investment in the information environment accords with Defence plans and priorities, including:

- continuing a program of rationalisation of the number of applications in use in the Defence information environment;
- refining methods of routinely reporting on Defence information environment investment and expenditure; and
- continuing the upgrade of core enterprise resource planning applications while implementing enterprise business technology to support improved process integration and data quality.

## **ALIGNMENT OF DEFENCE AND DEFENCE INFORMATION ENVIRONMENT PLANS**

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

Specific initiatives for 2006-07 include:

- completing the initial set of Defence information environment strategic planning products, contributing to the revised Defence strategic planning framework, and maturing the Chief Information Officer Group interface to Defence's capability development process.
- improving the connection between Defence business, information and communications technologies planning through the Defence Enterprise

Systems Steering Group and Information Capability Investment Committee;  
and

- improving long-term planning processes to ensure that the future capacity expectations of the Defence information infrastructure will be met by the assigned resources.

## **IMPROVE CUSTOMER SATISFACTION**

The Chief Information Officer Group will continue to engage with Defence customers and stakeholders so that resource limitations are recognised and the work that the Group undertakes is delivered to agreed standards and within budget and schedule.

Specific initiatives for 2006-07 include:

- consolidating the arrangements for recently outsourced information technology support services;
- improving the clarity of technical controls applying across all agencies involved in management of Defence's information infrastructure;
- deliver active end-to-end measurement capability in terms of the customer experience of application availability, responsiveness and reliability; and
- develop formal processes and performance agreements with the Corporate Services and Infrastructure Group to ensure properly coordinated end-to-end delivery performance.

## **FINANCIAL REFORMS INCLUDING 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 2003-04 audit findings, and 46 Australian National Audit Office 2004-05 audit findings, some of which are under negotiation between Defence and the Australian National Audit Office.

Important initiatives that have been established include the:

- progressive implementation of 16 remediation strategies;
- rigorous monitoring of remediation strategies by the Financial Statements Project Board, augmented by a representative from the Department of Finance and Administration and a private sector accounting specialist;
- establishment of program offices in the Chief Finance Officer Group and the DMO to drive audit remediation strategies and to provide independent advice to the Secretary and the Financial Statements Project Board on achievement of remediation outcomes; and
- development of a financial controls framework that will standardise financial transactional and management processes across the portfolio to improve the integrity of financial data, budgeting and financial statements.

Defence has resolved 38 of the 95 2003-04 audit findings and two of the 2004-05 audit findings in 2004-05, but enduring improvements may take some years.

Progress against the Financial Statements Remediation Plans is detailed in Table 6.1.

**Table 6.1: Status of Financial Statements Remediation Plans**

Remediation Plan	Activity	Major Outcomes
<p><b>G1: Financial Reporting Framework</b></p> <p>The Defence financial management system has been subject to many Australian National Audit Office findings over a period of years. The aim of this remediation activity is to provide a best practice financial management framework for Defence. For each of the key Balance Sheet elements the framework will comprise the key policies, processes, skilling requirements, risk assessments, controls identification and procedures against which ongoing conformance monitoring and performance assessment will be undertaken. An ongoing maintenance and monitoring regime will be instituted to ensure that the framework remains current into the future.</p> <p>Accountable officer: Chief Finance Officer</p>	<p>Document, prioritise and commence remediation of the known control deficiencies and issues identified by:</p> <ol style="list-style-type: none"> <li>management;</li> <li>internal audit; and</li> <li>external audit.</li> </ol> <p>Develop and implement financial management training tailored to the business needs of Defence.</p> <p>Implement a robust financial risk management regime in Defence.</p>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>identified gaps in existing policies, processes and procedures;</li> <li>financial training courses developed and introduced for: <ol style="list-style-type: none"> <li>Senior Leadership Group,</li> <li>senior officers,</li> <li>induction training, and</li> <li>Modernised Enterprise Systems training;</li> </ol> </li> <li>development of financial management modules aligned to Certificate and Diploma qualifications commenced; and</li> <li>e-learning module for financial delegations training developed.</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>identify and document the key financial controls required in each of the key Balance Sheet areas;</li> <li>develop a financial risk management system across Defence;</li> <li>delivery of financial management modules aligned to Certificate and Diploma qualifications;</li> <li>complete modernisation of Enterprise Systems training;</li> <li>expand financial management induction training; and</li> <li>remediate remaining financial reporting framework audit findings.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>G2: Improving the Australian National Audit Office Annual Audit Process</b></p> <p>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.</p> <p>Accountable officer: First Assistant Secretary Financial Services</p>	<p>Establish an accountable officer to manage audit activities between Defence and the Australian National Audit Office. Key tasks include:</p> <ul style="list-style-type: none"> <li>a. established Defence Audit Liaison Officers to facilitate the efficient and effective management of the audit;</li> <li>b. producing position papers on audit issues; and</li> <li>c. established comprehensive procedures for quality assurance and clearing audit findings.</li> </ul>	<p><b>Achieved in 2005-06:</b></p> <ul style="list-style-type: none"> <li>a. cleared 38 Australian National Audit Office findings from 2003-04 and earlier;</li> <li>b. commenced remediation of 2004-05 audit findings;</li> <li>c. cleared two 2004-05 audit findings; and</li> <li>d. developed further improvements in the relationship between Defence and the Australian National Audit Office.</li> </ul> <p><b>Planned for 2006-07:</b></p> <ul style="list-style-type: none"> <li>a. maintain a successful working relationship between Defence and the Australian National Audit Office; and</li> <li>b. this Plan is to be ongoing.</li> </ul>

Remediation Plan	Activity	Major Outcomes
<p><b>G3: Financial Management and Systems Training – Financial and Business Management</b></p> <p>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 Standard Defence Supply System (SDSS). These are complemented by a number of other observations about failures in the application of policy and procedures.</p> <p>Accountable officers: Chief Finance Officer and Director-General Defence Education and Training Development</p>	<p>Develop, conduct and deliver business capability workshops to improve officers' underpinning knowledge and skills:</p> <ol style="list-style-type: none"> <li>accrual accounting;</li> <li>Diploma of Government (Financial Management);</li> <li>Graduate Certificate in Professional Management (Finance); and</li> <li>financial management for Senior Executive Service and Executive Level 2 officers and ADF equivalents.</li> </ol>	<p><b>Achieved 2005-06:</b></p> <ol style="list-style-type: none"> <li>developed stronger links between training and systems access (PMKeyS Assessment Strategy 30 December 2005)</li> <li>modularised training delivery (PMKeyS training for both Civilian and ADF December 2005)</li> <li>established Key Performance Indicator and metrics for measuring and analysing training effectiveness. Initial ROMAN course evaluation completed October 2005. PMKeyS course evaluations commenced January 2006. These evaluations are the first components of a three year rolling evaluation program;</li> <li>financial management training introduced for Executive Level 2 officers and military equivalents; and</li> <li>implemented induction level financial courses.</li> </ol> <p><b>Planned for 2006-07</b></p> <ol style="list-style-type: none"> <li>develop stronger links between training and systems access. PMKeyS 'no assessment no access' policy to be introduced 1 July 2006; and</li> <li>modularise training delivery, ROMAN modularisation completed by December 2006.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S1: Stores Record Accuracy</b></p> <p>Defence 'self-qualified' stock quantities relating to general stores inventory and repairable items in 2003-04, and again in 2004-05 following adverse stocktake results.</p> <p>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.</p> <p>During the 2003-04 systems audit of the SDSS, the Australian National Audit Office indicated that the control and compliance mechanisms were not adequate and therefore do not provide assurance about the data in the system.</p>	<p>Remediate the general stores inventory and repairable items qualification by:</p> <ol style="list-style-type: none"> <li>correcting errors in stores record quantities in the SDSS;</li> <li>promulgating and ensuring compliance with stocktaking policy to improve stocktaking practices and reporting;</li> <li>implementation of stronger controls in SDSS; and</li> <li>establishing a sustainable compliance and assurance framework across Defence.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>completed 100 per cent stocktakes at major warehouse sites;</li> <li>enduring cyclic stocktake program in place across Defence;</li> <li>improved reporting to the Defence Audit Committee;</li> <li>requirements for enhanced stocktaking capability in SDSS identified;</li> <li>compliance and assurance framework across Defence agreed;</li> <li>increased accuracy around repairable items and general stores inventory; and</li> <li>progressively implemented stronger IT controls (SDSS IT Controls Framework).</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>implement agreed Compliance and Assurance framework across Defence;</li> <li>sustain and improve IT controls and process compliance;</li> <li>establish a Director General Logistics Assurance capability;</li> <li>achieve further improvements in accuracy;</li> <li>prepare Remediation Plan (S1) closure plan; and</li> <li>completion expected for June 2008.</li> </ol>

Accountable officer: Commander Joint Logistics

Remediation Plan	Activity	Major Outcomes
<p><b>S2: General Stores Inventory Pricing and Accounting</b></p> <p>The 2003-04 Financial Statements had a limitation of scope qualification of approximately \$2,026m with regard to uncertainty around the general stores inventory balance. The reported uncertainty was reduced to \$1.294 billion in 2004-05 as a result of increases to the provision for obsolescence.</p> <p>At issue was Defence's inability to produce, in a timely manner, invoice and contract documentation to validate the recorded prices in the SDSS. 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.</p> <p>Inventory pricing issues have been assessed in light of the Australian Equivalent to International Financial Reporting Standards. The implementation of an even more onerous reporting requirement places greater long-term uncertainty across resolution of inventory pricing issues.</p> <p>Accountable officer: Chief Finance Officer, Defence Materiel Organisation</p>	<p>Remediate the general stores inventory pricing and accounting qualification by:</p> <ol style="list-style-type: none"> <li>developing a statistical model to validate legacy (pre-1997) priced items;</li> <li>implementing an exception reporting regime to provide quality assurance;</li> <li>establishing policies and procedures for inventory pricing controls on the SDSS; and</li> <li>establishing policy to ensure the correct treatment of general stores inventory.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>completed major price stratification task. Results identified a range of legacy pricing issues whereby adequate confidence levels were not achieved across certain prices. The stratification work also determined that reliable pricing surrogates were not available to validate or error correct existing legacy prices. Further options were canvassed but were deemed highly resource intensive with no assurance as to an auditable outcome being achieved;</li> <li>completed review of Australian Equivalent to International Financial Reporting Standards (AEIFRS) to determine system and data retention impacts for multiple pricing records. Clarification of the standard was sought from the Australian Accounting Standards Board (AASB);</li> <li>commenced development of the financial framework requirements for inclusion in a replacement logistics system;</li> <li>action is in hand with respect to system controls within the SDSS to improve internal controls over new price information; and</li> <li>refined the detective and management reporting regime that had been introduced to provide a basis for quality assurance reviews of in-year inventory prices.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<b>S2: General Stores Inventory Pricing and Accounting (continued)</b>		<p data-bbox="1191 344 1405 364"><b>Planned for 2006-07:</b></p> <ul style="list-style-type: none"> <li data-bbox="1191 373 1698 768">a. the overarching objectives and go forward activity for S2 is under review, to confirm a number of fundamental aspects for inventory accounting including:               <ul style="list-style-type: none"> <li data-bbox="1233 475 1629 522">i. confirmation of what items classify as inventory;</li> <li data-bbox="1233 525 1629 572">ii. agree how AEIFRS accounting will be implemented;</li> <li data-bbox="1233 575 1686 595">iii. complete the inventory controls framework;</li> <li data-bbox="1233 598 1698 669">iv. introduce an AEIFRS compliant replacement logistics system beyond 2006-07; and</li> <li data-bbox="1233 672 1698 768">v. continue to monitor and improve business process compliance and system control programs, including pricing aspects, as part of normal ongoing business processes.</li> </ul> </li> </ul>

Remediation Plan	Activity	Major Outcomes
<p><b>S3: Supply Customer Accounts</b></p> <p>A supply customer account is a location indicator within the SDSS used to track and manage assets and accountable inventory moving through the supply chain, predominantly outside a warehouse structure.</p> <p>The 2003-04 financial statements had a limitation of scope qualification with regard to the uncertainty around the repairable items balance, of which supply customer accounts are a subset of \$2.857 billion which was reduced to \$2.722 billion in 2004-05. The Australian National Audit Office concerns rested with the controls and management of supply customer accounts, including repairable items, and adherence to stocktake procedures.</p> <p>Accountable officer: Commander Joint Logistics</p>	<p>Remediate the supply customer account element of the repairable item quantities qualification by:</p> <ol style="list-style-type: none"> <li>a. allocating all supply customer accounts an accountable owner;</li> <li>b. ensuring all supply customer account balances on the SDSS are correct; and</li> <li>c. improving business processes and controls for supply customer accounts.</li> </ol> <p>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 SDSS.</p>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. accountable owners identified for all supply customer accounts;</li> <li>b. stocktakes completed;</li> <li>c. enduring cyclic stocktake program in place across Defence. Revised the repair vendor supply customer accounts arrangements to improve management and control between repair vendors and system program offices;</li> <li>d. increased controls and compliance around Supply Customer Accounts; and</li> <li>e. established an agreed process for verification of items in Supply Customer Accounts held by contractors.</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>a. close the Remediation Plan S3;</li> <li>b. achieve Australian National Audit Office agreement to Closure package; and</li> <li>c. sustain improved business process, IT controls and compliance around Supply Customer Accounts.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S4: Explosive Ordnance</b></p> <p>The 2003-04 financial statements had a limitation of scope qualification of \$845m relating to uncertainty around Explosive Ordnance pricing, which was reduced in 2004-05 to \$309m. 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, Computer System Armaments (COMSARM). However for 2004-05, \$147m of the \$309m qualification is under negotiation with the Australian National Audit Office as documentation was available.</p> <p>The remainder of the qualification predominantly relates to direct purchase items and items acquired as part of asset under construction contracts between 1982-2000.</p> <p>Accountable Officer: Head Electronic and Weapon Systems Division, Defence Materiel Organisation</p>	<p>Remediate the Explosive Ordnance inventory pricing qualification by:</p> <ol style="list-style-type: none"> <li>a. sourcing (where possible) original documentation to substantiate Explosive Ordnance inventory prices;</li> <li>b. developing tools to substantiate Explosive Ordnance inventory values when appropriate supporting documentation cannot be located to support prices; and</li> <li>c. improving and integrating Explosive Ordnance inventory accounting and systems management processes. These changes are designed to confirm the accuracy of asset values and enable adherence to financial management standards.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. continued remediation of the remainder of the \$309m Explosive Ordnance inventory pricing qualification;</li> <li>b. upgraded and conducted validation of the COMSARM Explosive Ordnance management system Graphical User Interface;</li> <li>c. commenced development of policy and methodologies related to the new Explosive Ordnance provision for obsolescence qualification;</li> <li>d. produced audit closure packages for nine of the remaining twelve findings including all outstanding COMSARM system findings; and</li> <li>e. commenced development of methodologies and implementation strategies to ensure COMSARM system compliance with AEIFRS.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<b>S4: Explosive Ordnance (continued)</b>		<p data-bbox="1191 341 1397 361"><b>Planned for 2006-07</b></p> <ul style="list-style-type: none"> <li data-bbox="1191 373 1658 467">a. continue remediation action on Explosive Ordnance unsupported pricing, provision for obsolescence and assets under construction audit findings;</li> <li data-bbox="1191 479 1696 573">b. CFO Defence to take up the appropriate accounting treatment of the balance of the price unsupported Explosive Ordnance assets with the Australian National Audit Office; and</li> <li data-bbox="1191 585 1595 653">c. continue the improvement in Explosive Ordnance inventory processing and reconciliation policies and procedures.</li> </ul> <p data-bbox="1191 665 1696 857">Note: The target date for completing Remediation Plan S4 is uncertain as the audit findings relating to Explosive Ordnance price uncertainty and provision for obsolescence is likely to remain open for the foreseeable future. Development of the integrated management and accounting process to address Explosive Ordnance asset under construction issues is likely to take several years.</p>

Remediation Plan	Activity	Major Outcomes
<p data-bbox="198 444 483 465"><b>S5: Military Leave Records</b></p> <p data-bbox="198 475 687 619">The 2003-04 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.</p> <p data-bbox="198 630 630 700">Military long service leave was unqualified in 2004-05. Defence 'self qualified' all other components of military leave for 2004-05.</p> <p data-bbox="198 740 643 786">Accountable officer: Head Defence Personnel Executive</p>	<p data-bbox="715 475 1130 495">Substantiate the military leave balances by:</p> <ul style="list-style-type: none"> <li data-bbox="715 506 1106 552">a. relying on controls where possible to validate balances; and</li> <li data-bbox="715 563 1153 655">b. undertaking substantive testing involving sampling of individual leave balances and analysis of long term personnel and leave balance trends.</li> </ul>	<p data-bbox="1191 475 1405 495"><b>Achieved in 2005-06:</b></p> <ul style="list-style-type: none"> <li data-bbox="1191 506 1686 552">a. provided a basis on which Defence can obtain unqualified leave balances financial statements.</li> </ul> <p data-bbox="1191 563 1405 583"><b>Planned for 2006-07:</b></p> <ul style="list-style-type: none"> <li data-bbox="1191 594 1667 686">a. continue implementation of Defence military leave remediation plans which will be refined through outcomes from sampling and controls review; and</li> <li data-bbox="1191 697 1587 716">b. have fully unqualified leave balances.</li> </ul>

Remediation Plan	Activity	Major Outcomes
<p><b>S6: Civilian Leave Records</b></p> <p>The 2003-04 financial statements had a limitation of scope for civilian 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. Defence 'self qualified' civilian annual and long service leave for 2004-05.</p> <p>Accountable Officer: Head Defence Personnel Executive</p>	<p>Substantiate the civilian leave balances by:</p> <ol style="list-style-type: none"> <li>a. relying on controls where possible to validate balances; and</li> <li>b. undertaking substantive testing involving sampling of individual leave balances and analysis of long term personnel and leave balance trends.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. provided a basis on which Defence can obtain unqualified leave balances financial statements.</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>a. continue implementation of Defence civilian leave remediation plans which will be refined through outcomes from sampling and controls review; and</li> <li>b. have fully unqualified leave balances.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S7: Executive Remuneration</b></p> <p>The Executive Remuneration Note, containing information pertaining to civilian and military leave provisions, could not be reliably certified because of the concerns over military and civilian leave provisions.</p> <p>Defence continues to focus on improving the accuracy of leave records for the Senior Executive Service and military equivalents by reviewing source documentation. Due to concerns with supporting documentation and unacceptable error rates in overall leave records for both military and civilians, Defence self-qualified the Executive Remuneration Note for 2004-05.</p> <p>Accountable officer: Head Defence Personnel Executive</p>	<p>Remediate the Executive Remuneration Note qualification by:</p> <ol style="list-style-type: none"> <li>a. conducting a 100 per cent audit of all Senior Executive Service and military equivalents leave records for 2005-06; and</li> <li>b. continuing to implement reporting for 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.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. completed a 100 per cent audit of all Senior Executive Service and military equivalents leave records for 2005-06.</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>a. finalise audit finding.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S8: Property Valuations</b></p> <p>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.</p> <p>For 2004-05 uncertainty existed in relation to the measurement of certain assets with a reported book value of \$103m, reduced from \$1.228 billion in 2003-04.</p> <p>Accountable officer: Deputy Secretary Corporate Services</p>	<p>Remediate the land, buildings and infrastructure and other plant and equipment qualification by:</p> <ol style="list-style-type: none"> <li>revising the Australian Valuation Office engagement letter to clarify valuation policy, procedures and outcomes;</li> <li>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;</li> <li>undertaking quality assurance on Australian Valuation Office site reports to ensure completeness;</li> <li>entering revaluation data into the financial system (ROMAN) and completing revised depreciation calculations;</li> <li>engaging a valuation contractor for the next three year cycle, i.e. 2005-06 to 2007-08; and</li> <li>fully documenting the revaluation process in Corporate Services Asset Management and Accounting Manual.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>completed the depreciation calculations;</li> <li>completed other plant and equipment valuations for Chief Information Officer and undertake quality assurance of valuation data and load the data into the financial system (ROMAN);</li> <li>finalised tender evaluation and engaged valuation contractor for the next three year cycle (ie 2005-06 to 2007-08); and</li> <li>planned completion for June 2006.</li> </ol> <p><b>Planned for 2006-07</b></p> <ol style="list-style-type: none"> <li>continue revaluation program in accordance with Defence Instructions.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S9: Preventing the Escalation of Category A and B Findings</b></p>	<p>Prevent the escalation of Category B and C findings by:</p> <ol style="list-style-type: none"> <li>a. assigning responsibility across Defence for remediation of audit findings not already allocated to a remediation plan;</li> <li>b. establishing a project-based management system for tracking and managing resolution of these Australian National Audit Office audit findings;</li> <li>c. undertaking progressive and final quality assurance of the remediation outcomes; and</li> <li>d. reporting to the Financial Statements Project Board and Defence Audit Committee on detailed progress.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. 39 audit findings completed and forwarded to Australian National Audit Office for clearance.</li> </ol> <p><b>Planned for 2006-07:</b></p> <ol style="list-style-type: none"> <li>a. finalise remediation of the remaining 2003-04 audit findings;</li> <li>b. finalise remediation of the remaining 2004-05 audit findings;</li> <li>c. implement strategy for remediating 2005-06 audit findings; and</li> <li>d. continue to actively review and remediate audit issues as they arise.</li> </ol>
<p>The 2003-04 Financial Statement Closing Audit Report identified 95 findings that required resolution. The 57 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.</p> <p>The audit findings from 2004-05 Financial Statement Audit Report are under consideration by Defence and the position on the findings is being determined.</p>		
<p>Accountable officer: First Assistant Secretary Financial Services</p>		

Remediation Plan	Activity	Major Outcomes
<p><b>S10: Stock Holding Controls</b></p> <p>Items first found are items of either asset or inventory that do not have a corresponding 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.</p> <p>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.</p> <p>Accountable officer: Chief Operating Officer, Defence Materiel Organisation</p>	<p>Improve stock holding controls by:</p> <ol style="list-style-type: none"> <li>a. preventing or reducing the instance of items first found and write-offs; and</li> <li>b. accounting for and monitoring those instances first found and write-offs considered legitimate or expected.</li> </ol> <p>Note: The remediation activities will focus on preventing errant transactions on the SDSS through improvements in policy, procedure and system process, and the introduction of investigative reporting to measure compliance.</p>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. completed all S10 remediation activities;</li> <li>b. revised and promulgated supply chain policy and procedures relating to lost or damaged items and item tracking;</li> <li>c. strengthened segregation of duties and other controls relating to stock adjustments;</li> <li>d. enhanced controls, monitoring and reporting relating to item tracking, repairable items and receipting discrepancies; and</li> <li>e. closed out the Remediation Plan as internal controls are effective.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S11: SDSS Items Not-in-Catalogue</b></p> <p>Defence is investigating the extent to which items may have been incorrectly accounted for in the Balance Sheet. This may occur when an item is purchased via the ROMAN financial system or through the Defence Purchasing Card (DPC) and then not recorded and managed on the SDSS. Such items are managed and tracked locally with no central visibility. This may lead to the incorrect recording and treatment of an item's value.</p> <p>Accountable officer: Chief Operating Officer, Defence Materiel Organisation</p>	<p>Address the potential Not-in-Catalogue issues as they may affect the financial statements by putting in place measures to prevent and remediate Not-In-Catalogue items. The activities include:</p> <ol style="list-style-type: none"> <li>a. clarifying and simplifying policy directives to better support effective item identification, purchasing and management process, and driving revised processes and procedures to the future incidence of Not-In-Catalogue;</li> <li>b. developing a 'self remediation' methodology for use by units across Defence to ensure financial reconciliation of Not-In-Catalogue items and to transition them into the SDSS. The self-remediation methodology incorporates remediation processes, tools and SDSS functionality enhancements;</li> <li>c. developing and implementing an enhanced compliance monitoring and reporting regime to assist with adherence to new policy and process pertaining to appropriate item identification in SDSS; and</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <p>Prevention of Not-In-Catalogue:</p> <ol style="list-style-type: none"> <li>a. published new and revised policies supporting S11;</li> <li>b. developed processes and procedures to support updated policies, including the process for assignment of ADF logistics managers;</li> <li>c. trained users in prevention and remediation processes and remediation tools; and</li> <li>d. developed and implemented a compliance monitoring framework to support the appropriate level of item identification in SDSS and to tie in with the SDSS compliance monitoring framework.</li> </ol> <p>Remediation of existing Not-In-Catalogue:</p> <ol style="list-style-type: none"> <li>a. identification of the magnitude of Not-In-Catalogue across Defence to enable groups to establish their Not-In-Catalogue remediation priorities;</li> <li>b. developed and implemented a Not-In-Catalogue remediation methodology for use across all sites;</li> <li>c. developed remediation tools to assist Units to conduct their Not-In-Catalogue remediation; and</li> <li>d. established a progress reporting regime.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<b>S11: SDSS Items Not-in-Catalogue (continued)</b>	<ul style="list-style-type: none"> <li>d. establishing a change management structure to introduce the changes to processes and procedures across Defence, which includes coordination of training, compliance monitoring and communications.</li> </ul>	<p><b>Planned for 2006-07:</b></p> <ul style="list-style-type: none"> <li>a. financial reconciliation of Not-In-Catalogue;</li> <li>b. significant progress in bringing all Not-In-Catalogue into the logistics management system;</li> <li>c. continuing communications, training of users, reporting and compliance monitoring, to seek to prevent any new Not-In-Catalogue; and close out Remediation Plan as internal controls are effective.</li> </ul>

Remediation Plan	Activity	Major Outcomes
<p><b>S12: Provisions for Contaminated or Potentially Contaminated Land, Buildings and Infrastructure</b></p> <p>Defence is required to include a provision for land decontamination in the financial statements. The Australian National Audit Office was unable to verify the adequacy of current procedures nor the accuracy/valuation and completeness of the reported provisions for land decontamination. Implementation of the Remediation Plan is dependant upon the Australian National Audit Office accepting expert third party recommendations on the methodology proposed to estimate decontamination costs.</p> <p>Accountable officer: Deputy Secretary Corporate Services</p>	<p>Remediate the provision for the land decontamination qualification by:</p> <ol style="list-style-type: none"> <li>ensuring accounting policies reflect current reporting requirements;</li> <li>ensuring that sufficient and appropriate policies, procedures and practices are formalised and implemented for the identification of contaminated land, valuation of required decontamination and review of procedures undertaken and assessments made; and</li> <li>obtaining a clear understanding from the Australian Valuation Office regarding matters included in valuation assessments.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>assessment of outcomes of Australian Capital Territory /Southern New South Wales pilot study;</li> <li>summarised costs and created provisions in the financial statements for Australian Capital Territory /Southern New South Wales Defence owned and operated sites;</li> <li>developed final Remediation Plan including implementation timetable;</li> <li>assessments of legal and/or constructive obligations across the Contaminated Sites Register completed; and</li> <li>site assessments for costings commenced.</li> </ol> <p><b>Planned for 2006-07</b></p> <ol style="list-style-type: none"> <li>summarise costs and create provisions in the financial statements for Australian Capital Territory /Southern New South Wales leased properties.</li> </ol> <p><b>Beyond 2006-07</b></p> <ol style="list-style-type: none"> <li>continue Remediation Plan until entire Defence estate has been assessed. This is planned for completion in 2009-10.</li> </ol>

Remediation Plan	Activity	Major Outcomes
<p><b>S13: Commitments and Accounting for Leases</b></p> <p>In 2003-04, the Australian National Audit Office reported a Category A finding on the identification and recording of leases and commitments. Issues included the recognition criteria applied to reported commitments and completeness, accuracy and classification of recorded leases. In 2004-05, the Australian National Audit Office also recommended improvements in the quality assurance process for preparing the Schedule of Commitments.</p> <p>Accountable officer: Chief Finance Officer</p>	<p>Remediate the audit finding issued for Commitments and Accounting for Leases carried forward from 2002-03 by:</p> <ol style="list-style-type: none"> <li>a. ensuring that the Schedule of Commitments accurately reports Commitments in line with accounting standards;</li> <li>b. ensuring that Defence quality assurance processes are fully documented and that the Schedule of Commitments can be mapped to that quality assurance process; and</li> <li>c. establishing a lease register that identifies cash flows, revenues, expenses, liabilities, receivables and commitments.</li> </ol>	<p><b>Achieved in 2005-06:</b></p> <ol style="list-style-type: none"> <li>a. improvement in completeness and accuracy of lease register;</li> <li>b. remediation plan updated to reflect 2004-05 Australian National Audit Office audit findings with a greater focus on quality assurance; and</li> <li>c. improved accuracy of the Schedule of Commitments.</li> </ol> <p><b>Planned for 2006-07</b></p> <ol style="list-style-type: none"> <li>a. complete remediation of 2003-04 and 2004-05 findings for leases.</li> </ol>

## **DELIVERING INTERNAL SERVICES**

The 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 people.

The Group comprises three divisions and a Corporate Management Branch:

- National Operations Division provides a range of base, administrative, personnel and other corporate services to Defence, 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, property disposals, and environment and heritage policy;
- Defence Legal Division is responsible for the provision of legal advice and other legal services to the Minister, ADF, and Defence; and
- Corporate Management Branch is responsible for a range of Group financial and personnel management activities, as well as corporate governance and corporate communication for the Group.

### **Initiatives for 2006-07**

Over the past two decades, Defence reforms have focused on achieving greater efficiency in the provision of support services and transferring the 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 need to be delivered internally.

The Corporate Services and Infrastructure Group's initiatives for 2006-07 continue this approach as well as managing and maintaining the Defence estate and developing the capability of the organisation's workforce. Specific initiatives during 2006-07 include progressing a range of business improvement projects and strengthening organisational links with Corporate Services and Infrastructure Group's customers.

### **MANAGEMENT OF DEFENCE INFRASTRUCTURE**

The 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 around \$15.6 billion (as at 30 June 2005).

During 2006-07, the Group will continue to strengthen its management of Defence infrastructure by:

- upgrading training ranges to ensure a safe, sustainable and technologically advanced capability to support ADF preparedness requirements;
- prioritising the Major Capital Facilities program to better support ADF capability requirements;
- routinely considering options for delivering Major Capital Facilities through public-private partnerships;
- disposing of surplus Defence properties; and
- consolidating units into fewer, larger, functionally aligned and sustainable multi-user bases, clustered with industry to maximise the effectiveness of support to the ADF, and in areas which provide better employment and educational opportunities for families.

## **ENVIRONMENTAL AND ESTATE SUSTAINABILITY**

Defence is committed to implementing environmental best practice, the principles of sustainable development and natural resource conservation. The Corporate Services and Infrastructure Group will continue to contribute toward meeting Defence's environment and heritage commitments by integrating environmental best practice into Defence activities, operations, products and services through the Defence Environmental Management System.

Major initiatives during 2006-07 include:

- progressing the implementation of the *Defence Environmental Strategic Plan 2006-2009* as a key element of the Defence Environmental Management System;
- continuing to progress 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 and an audit of their implementation to ascertain their level of use and effectiveness,
  - the commencement of the second phase of the 10-year program of heritage assessments, 'Recognising Our Heritage' and updating the Defence heritage register,
  - the continued implementation of the 'Discover Defence Heritage' (formerly 'Opening the Doors') initiative, and
  - the development and promulgation of the Defence Heritage Toolkit;

- continuing to implement Defence’s contamination management and pollution prevention strategies to address its legacy of contaminated sites, including an ongoing program to assess contamination and undertake remediation work;
- considering environmental impacts through the conduct of environmental impact assessments for Defence capabilities, facilities projects and training exercises;
- reviewing and refining national policies for bushfire management, overabundant species management and developing a soil conservation policy;
- finalising the development of the Defence Water Management Strategy and Waste Minimisation Strategy;
- developing and implementing a sustainability management framework to define, measure, monitor and report on the sustainability of Defence bases, training areas and ranges; and
- progressing the development of strategic approaches to environmental management issues with the Department of the Environment and Heritage.

## BUSINESS IMPROVEMENT

The 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. Outcomes for 2006-07 against key projects are outlined in Table 6.2.

**Table 6.2: Corporate Services and Infrastructure Group Business Improvement Program Outcomes for 2006-07**

Project Name	Project Description	Key Outcomes 2006-07
<b>Travel Improvement Project</b>	This project is responsible for the development and implementation of the Defence Travel Model to provide a single, simple to use, end to end solution for official business travel.	<ul style="list-style-type: none"> <li>• Finalisation of Phase 1 (business travel) implementation</li> </ul>
<b>Purchasing and Payment of Accounts – Phase 3 Invoicing Scanning and Imaging System</b>	This project is responsible for improving the payment process and introducing technology enhancements through centralisation of the accounts payable function and application of data imaging technology to processing.	<ul style="list-style-type: none"> <li>• Finalisation of the transition of all accounts processing to the accounts processing centres</li> </ul>

Project Name	Project Description	Key Outcomes 2006-07
<p><b>Civilian Personnel Administration Centre (CPAC)</b></p> <p><b>Military Personnel Administration Centre (MPAC)</b></p>	<p>This project is responsible for the analysis and rationalisation of civilian personnel administration centres (currently done by CPACs in Sydney and Melbourne). The end state will relocate all civilian personnel administration processing to the business centre at RAAF Base Williamtown.</p> <p>This project is responsible for the analysis and rationalisation of all processing of military personnel administration centres (MPAC, Overseas Administration Centre &amp; Defence Force Pay Accounting Centre). The end state will relocate all military personnel administration processing to the business centre at RAAF Base Williamtown.</p>	<ul style="list-style-type: none"> <li>• Coordination of the business centre acquisition</li> <li>• Development of future processes and structures</li> <li>• Analysis and review of CPAC/MPAC workflows</li> <li>• Implementation of a training regime in current centres</li> <li>• Interim consolidation of MPACs and some services (Navy leave processing and Reserve pay)</li> </ul>
<p><b>Records Improvement Project</b></p>	<p>This project is responsible for ensuring effective record management within Defence.</p>	<ul style="list-style-type: none"> <li>• Development of a digitisation strategy for agreed Service/Health records</li> <li>• Introduction of a Service Level Agreement between Defence and the Department of Veterans Affairs</li> <li>• Development and implementation of consistent practices across all repositories</li> </ul>
<p><b>Mail &amp; Freight Improvement Project</b></p>	<p>This project is responsible for the implementation and management of a range of reforms to Corporate Services and Infrastructure Group management and provision of mail and freight services.</p>	<ul style="list-style-type: none"> <li>• National contract for courier services signed and implemented</li> <li>• Agreed product description and service levels</li> <li>• Ongoing customer education in cost effective use of mail system</li> </ul>
<p><b>Regional Information and Communication Technology Market Testing</b></p>	<p>This project is responsible for the market testing of all information and communication technology service delivery and identifying business improvement opportunities.</p>	<ul style="list-style-type: none"> <li>• Finalisation of the tender evaluation process</li> <li>• Identification of a preferred tenderer</li> <li>• Commencement of contract negotiations</li> </ul>

## STRATEGIC PLANNING

The 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 continuing to strengthen ties with Capability Development Group, the DMO and relevant committees.

The Corporate Services and Infrastructure Group will continue to make improvements to processes to deliver capital works to support capability and meet Government priorities. Key matters include ensuring there is appropriate funding allocated to capital works and integrating facilities planning with specialist military equipment planning. Improvement to Corporate Services and Infrastructure Group planning mechanisms will also be a focus in 2006-07, with an emphasis on improving strategic guidance to capital works program managers and regional managers through national office and regional planning networks.

## **CUSTOMER ENGAGEMENT**

Corporate Services and Infrastructure Group engages regularly with other Defence Groups and Services to ensure support provided achieves the best effect. Relationships will continue to be strengthened with the Navy, Army, Air Force, Defence Science and Technology Organisation, DMO and other Defence Groups through regular business partnering forums and ongoing engagement at the working level. An ongoing focus will be to link the delivery of Corporate Services and Infrastructure Group product lines to military capability.

Customer engagement will also continue to be strengthened through the implementation of a robust performance reporting system through which Corporate Services and Infrastructure Group customers can rate the effectiveness of service delivery and any related impacts on capability. This will further improve the Group's understanding of, and our ability to respond to, customers' requirements.

## **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.

Products and services totalling over \$2 billion are expected to be delivered under contract in 2006-07. Table 6.3 shows the majority of estimated expenditure on products and services expected to be delivered under contracts in 2006-07.

**Table 6.3: Estimated Expenditure on Products and Services Contracts Managed by Corporate Services and Infrastructure Group 2006-07**

Service	Value \$m
Infrastructure investment including training range upgrades	568
Information technology and telecommunication services and products	12
Garrison support	364
Housing and relocations services	527
Facilities operations	348
Travel services	156
Property services	116
Utilities	121
<b>Total</b>	<b>2,212</b>

## Maintenance of the Defence Estate

The Defence estate is unique in its diversity. It includes airfields, ports, broad acre 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 the estate. In recent years, funding of around \$230m per annum has been provided for routine facilities maintenance including:

- maintenance of fixed plant and equipment;
- repair of faults and breakdowns;
- environmental management programs and works;
- planned maintenance and minor capital facilities projects;
- fees for comprehensive maintenance service contractors; and
- related activities.

In the 2004-05 Budget, Defence redirected \$100m from within its budget and the Government announced an additional \$300m over three years from 2005-06 in recognition of the importance of facilities maintenance. This supplementary funding, bringing the annual baseline for estate upkeep to \$333m, has enabled more effective maintenance for facilities supporting key capabilities.

Additional allocations to meet requirements for asbestos remediation works, living-in accommodation refurbishment, the maintenance of newly constructed facilities, the maintenance of Government facilities provided to the Defence Integrated Distribution System contractor and the capital element of

maintenance projects, bring the total 2006-07 Facilities Operations budget to \$381.8m.

Works delivered in the Facilities Operations program 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 the environmental sustainability of the estate and the continued provision of safe working and living environments; and
- maintaining wharves and other maritime structures.

Table 6.4 shows the programming of the Facilities Operations budget for 2006-07.

**Table 6.4: Forecast Facilities Operations Program by Work Type for 2006-07**

Work Type	2006-07 \$m
Maintaining air fields	25.7
Asbestos remediation	20.8
Infrastructure works <sup>(1)</sup>	29.7
Bulk fuel installations	5.9
Environmental and heritage works	24.7
Training areas and facilities	11.7
Working accommodation <sup>(2)</sup>	49.9
Living in accommodation	11.3
Maritime structures	4.5
Reactive maintenance	65.7
Contractual commitments <sup>(3)</sup>	132.0
<b>Total</b>	<b>381.8</b>

**Notes**

1. Infrastructure works includes the maintenance of supporting infrastructure, such as roads, water supply, drains and sewerage, and electrical reticulation.
2. Working accommodation includes facilities such as office accommodation, Reserve and Cadet depots, workshops, warehousing and aircraft hangars.
3. Contractual commitments include scheduled maintenance, specialist planning advice, project management and commitments for the maintenance of shared facilities.

## **OTHER MANAGEMENT REFORMS**

### **Review of Defence Health Services**

A review was commissioned in late 2003 to evaluate the capability of the Defence Health Services to meet the Defence need for health services in the short to medium-term.

The review, conducted by Major General Stevens, AO (Retired), was completed in early 2004. As recommended by the review, Defence has established a Defence Health Services Division, comprising the Health Services Branch and Strategic Health Policy and Plans Branch. A further recommendation has seen the establishment of the Defence Health Services Review Committee to consider strategic health service issues.

Specific health service initiatives planned for 2006-07 include:

- improving the recruitment, retention and management of ADF health service personnel;
- reviewing the readiness requirements and system of health assessments for ADF personnel;
- implementing the ADF Rehabilitation Program;
- consolidating the ADF Mental Health Strategy, including the following programs:
  - Alcohol, Tobacco and Other Drugs,
  - Suicide Prevention, and
  - Critical Incident and Mental Health Support; and
- reviewing the current deployable health force structure against strategic requirements.

Defence is also examining the current and future costs of health care to the ADF. One of the objectives is to provide a model and methodology that can be used to review and cost future alternative health care standards and methods of delivery. The results of the review into current health care costs are expected to be considered by the Chiefs of Service Committee in the second half of 2006.

### **Education and Training**

#### **REVIEW OF ADF JOINT EDUCATION AND TRAINING**

In order to provide the capabilities Defence needs to undertake complex and networked military operations, Defence has recognised the need to achieve greater synergies between single Service and joint education and training.

Defence plans to conduct a review of ADF joint education and training, commencing in the second half of 2006. It is anticipated that the findings of the review will be presented to the Chiefs of Service Committee in early 2007.

## **FINANCIAL MANAGEMENT AND BUSINESS TRAINING**

As part of its broad reform agenda of addressing financial management deficiencies, Defence is producing training that meets its business needs today and into the future. Priority is on building job-ready Defence people while providing opportunities to them to prepare themselves for future roles and to develop their professional skills. The training will also provide a pathway for non professional staff to pursue a career in financial management and gain recognised qualifications through alignment with Vocational Technical Education competency standards.

Key initiatives during 2006-07 will be the:

- continuous updating of ROMAN (financial information system) training, in particular the development and deployment of skills testing user certification;
- delivery of Certificate IV and Diploma-level financial management courses designed to meet national competency standards as well as Defence's business needs;
- greater use of e-learning, web-based help functions and direct on-line linkages to policy, procedures, guidelines and manuals;
- use of more adult/learner-centred style with an emphasis on scenario driven exercise activity that more closely matches the working environment;
- provision of development opportunities for finance professionals through better linkages with professional associations;
- development of clear career development 'pathways' to allow managers and staff to meet immediate skilling needs as well as plan for their future in Defence; and
- continuation of Senior Leadership Group and Senior Officer equivalent training in financial management.

## **DEFENCE AUSTRALIAN PUBLIC SERVICE LEARNING AND DEVELOPMENT STRATEGY**

Defence provides a wide range of business, administrative, and specialist technical training and development for its APS personnel. To improve the efficiency, cohesion and alignment of this training with departmental priorities,

Defence is actively pursuing the development of an integrated APS learning and development strategy, which will provide:

- a statement of responsibilities, principles and organisational commitment;
- common competencies that Defence expects of all its APS personnel, structured in a through-career learning and development map;
- direction, guidance and resources to enable APS personnel to identify their own learning and development requirements;
- more integrated and accessible training and development programs to support through-career learning requirements;
- improved recording of job position skill requirements, and training completed by employees, for better visibility of the capability of the APS workforce; and
- direction on the evaluation and reporting of APS workforce capability.

A draft of the strategy, including a common competency framework and through-career learning and development map, is expected to be completed by the end of 2006. Where necessary, additional integrated training and development programs will be developed and implemented from mid-2006, and continued throughout 2007. Enhanced recording and reporting arrangements will be implemented by mid-2007.

## PORTFOLIO EVALUATIONS

Portfolio evaluations endorsed by the Defence Audit Committee and submitted for endorsement to the Defence Committee for calendar year 2006 are:

- ADF safety systems;
- the effectiveness of Defence record keeping; and
- contract management outside of the DMO.

Following a review of priorities, the foreshadowed topic 'the effectiveness of national health support' was replaced in the 2006 schedule by contract management outside of the DMO.

Portfolio evaluations agreed in principle by the Defence Audit Committee and submitted to the Defence Committee for agreement in principle for calendar year 2007 are:

- the policy, practice, relationship and effectiveness of the Reserves;
- the effectiveness of Defence's approach to occupational health and safety;  
and
- the effectiveness of national health support.

Results from portfolio evaluations completed in 2006-07 will be included in the Defence annual report.