



Australian Government

**Australian Government response to the
Joint Standing Committee on Foreign Affairs,
Defence and Trade
Review of the Defence Annual Report 2015-16**

August 2018

Recommendation 1

The Committee recommends that in future years, the Department of Defence make available to the Committee all documentation that demonstrates the breakdown of Portfolio Budget Statement outcomes to internal programs to enable the Parliament and other agencies to analyse Defence performance.

Government response

Agree.

Previously, Defence has reported the annual outcome for the Portfolio Budget Statement programs by cost summary for each program as part of the online version of the Defence Annual Report. Defence will ensure this level of reporting is included in the online version of future publications.

Together with the Portfolio Budget Statements, the Defence Corporate Plan provides the external strategic narrative about Defence investment in military capability and how it intends to meet and measure performance against government requirements.

In accordance with guidance from the Department of Finance, the Annual Performance Statements report to what extent Defence has fulfilled its purposes as articulated at the beginning of a reporting year in the Defence Corporate Plan. This includes reporting on non-financial performance criteria in both the Defence Corporate Plan and in the Portfolio Budget/Additional Estimates Statements. The Annual Performance Statements are made available in the Defence Annual Report.

The *Defence Annual Report 2016–17* includes the mapping of the Defence Purposes from the 2016–17 Defence Corporate Plan, and the outcomes and programs from the Portfolio Budget/Additional Estimates Statements 2016–17. The 2016–17 Annual Performance Statements also includes a narrative detailing the level of achievement against each of the performance criteria in the Portfolio Budget Statements.

Recommendation 2

The Committee recommends that future Department of Defence Annual Reports should clearly report performance against the Portfolio Budget Statement outcomes and detail the level of achievement against all program sub elements. If purposes are used for external communication, the linkages between Portfolio Budget Statement outcomes, departmental programs and the purposes should also be made clear.

Government response

Agree.

Section 39 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) introduced a requirement for entities to prepare annual performance statements for publication in the annual report. The annual performance statements report to what extent the entity has fulfilled their purpose(s) as outlined in their Corporate Plan. Section 39 of the PGPA Act superseded the requirement under section 63(2) of the *Public Service Act 1999* to report performance in relation to the deliverables and key performance indicators of the programs in the Portfolio Budget Statements, and the effectiveness in achieving the planned outcomes in the Portfolio Budget Statements.

The Annual Performance Statements were prepared in accordance with the PGPA Act for the first time in the *Defence Annual Report 2015–16*. The quality of the annual performance statements is improving as Defence achieves better alignment between the non-financial performance criteria in the Corporate Plan and the Portfolio Budget/Additional Estimates Statements.

The *Defence Annual Report 2016–17* includes the mapping of the Defence Purposes from the 2016–17 Defence Corporate Plan, and the outcomes and programs from the Portfolio Budget/Additional Estimates Statements 2016–17. The 2016–17 Annual Performance Statements also includes a narrative detailing the level of achievement against each of the performance criteria in the Portfolio Budget Statements.

Defence is continuing to improve the alignment between the non-financial performance information in the Portfolio Budget Statements and the Defence Corporate Plan to establish a clearer read about how Defence is fulfilling its purposes.

Recommendation 3

The Committee recommends that the Department of Defence develop a transparent reporting mechanism that demonstrates changes in effectiveness or efficiency resultant from the First Principles Review related change for consideration by the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade by 31 March 2018.

Government response

Agree.

Defence agrees in principle with Recommendation 3, but suggests that the timeframe be amended to 31 July 2018.

Defence notes that a number of improvements relating to efficiency and effectiveness have been gained by implementing the First Principles Review.

The Government has asked Defence to provide an update on First Principles Review implementation, including progress measuring and reporting on improvements in effectiveness and efficiency, in July 2018. Given the timing of work already underway to measure efficiency and effectiveness and the existing requirement to report to Government in July 2018, Defence suggests that it would also be appropriate to provide the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade with an update on measurement and reporting of effectiveness and efficiency improvements in July 2018.

Recommendation 4

The Committee recommends the Department of Defence consider leveraging private sector expertise during Investment Committee Gate Zero deliberations; where the addition of an industry expert may increase public confidence in approach to market decisions.

Government response

Agree.

Defence agrees with the intent of Recommendation 4. Defence will leverage private sector expertise in the development of Gate Zero proposals but does not propose industry representatives be invited into the Investment Committee as a part of the deliberative process. Defence intends to strike the right balance between early industry engagement and leveraging industry experience, whilst maintaining a competitive environment and protecting the Commonwealth's negotiating position.

Industry will be engaged at multiple points up to and including Gate Zero. Defence intends to leverage industry's expertise in a number of ways, including but not limited to:

- Ongoing engagement through the Australian Industry Capability Program and the Centre for Defence Industry Capability;
- Participation in Rapid Assessments, a Defence Innovation Hub service offering being developed to seek industry input and advice as part of a capability risk reduction and / or requirements definition activity;
- Engagement through the Defence Innovation framework, including the Defence Innovation Hub, the Next Generation Technology Fund, and the Special Notice mechanism where industry is invited to identify options to address capability challenges;
- Industry involvement in the Force Design process through the Defence Capability Assessment Program; and
- Industry engagement in the context of Defence's Smart Buyer workshops which inform the Investment Committee's consideration of Gate Zero proposals.

Recommendation 5

The Committee recommends that the Department of Defence work with the Defence Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to harmonise and streamline reporting matrices to the Parliament to allow for independent Parliamentary oversight.

Government response

Disagree.

The Department of Finance has issued guidance to Commonwealth entities on how to meet the obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the PGPA Rule 2014 to provide a transparent approach to reporting on performance to Parliament.

In accordance with the Department of Finance's Resource Management Guides, Defence prepares a corporate plan and annual performance statements in the annual report.

Recommendation 6

The Committee recommends that the Department of Defence improve:

- 6.1 the consistency between the Defence Portfolio Budget Statements and the Defence Annual Report;
- 6.2 the reporting of Departmental expenditure on major projects in real as opposed to out-turn dollars; and
- 6.3 the reporting on the cost and status of Australian Defence Force capability.

Government response

Recommendation 6.1: Agree. The 2015–16 Annual Performance Statements, published in the *Defence Annual Report 2015–16* are the first statements produced by Commonwealth entities under the PGPA Act. The 2016–17 Annual Performance Statements in the *Defence Annual Report 2016–17* demonstrated greater alignment between the outcomes in the Portfolio Budget Statements 2016–17 and the purposes in the 2016–17 Defence Corporate Plan. This enhanced the narrative of Defence's non-financial performance for the reporting period.

The *Defence Annual Report 2016–17* also improved the transparency of reporting on planned expenditure set out in the Portfolio Budget Statements. This reporting will continue to mature in future reporting periods.

Recommendation 6.2: Disagree. Government approvals are required and obtained on an out-turned basis. To allow effective performance reporting, budget estimates are reported on the current price basis against actual expenditure.

Recommendation 6.3: Disagree. The Defence Annual Report does disclose results and performance in relation to the Defence Workforce (2015-16 Defence Annual Report Chapter 7). Additionally the online version of the 2015-16 Defence Annual Report includes comparable information published within the Portfolio Budget Statements and the Portfolio Additional Estimates Statements on Acquisition, Sustainment and Facilities and Infrastructure.

Improvement in performance reporting must take into account that the level of aggregation and disambiguation required to make the report suitable for publication at the Unclassified level may compromise the meaning of the information, to the point that it becomes potentially misleading.

The Australian Defence Force Headquarters Governance and Coordination will work with line areas conducting performance reporting to improve the quality of performance reporting provided, within the constraints of the Australian Government Protective Security Policy Framework.

Recommendation 7

The Committee recommends that the Department of Defence investigate opportunities to partner with industry to advance research and innovation on space capabilities.

Government response

Agree.

Defence is already working with industry to develop innovative space related capabilities, including through the Defence Innovation Hub and the Centre for Defence Industry Capability.

Recommendation 8

The Committee recommends that the Department of Defence review the Plan Suakin scope and objective; its implementation timeframe and resourcing to ensure that this signature program is and continues to meet all of the Department's personnel capability needs.

Government response

Agree.

Since the Defence Annual Report 2015–16 was tabled the Services have implemented all but one component of the Australian Defence Force (ADF) Total Workforce Model, designed and developed by Project Suakin. A robust evaluation plan has been put in place to monitor the benefits envisaged by implementing the Total Workforce Model. Suakin as a project will close four years earlier than envisaged.

Navy, Army and Air Force are now able to apply a range of innovative service arrangements that enable them to provide Defence capability through a flexible, contemporary and sustainable workforce. The Total Workforce Model provides individual ADF members with access to service arrangements that allows them to better balance their personal and military commitments. This enhances Defence's position as an employer of choice and improves its prospects of attracting and retaining key ADF personnel.

Recommendation 9

The Committee recommends that the Department of Defence urgently review security clearance processes, resourcing and timeframe to ensure all organisations that require the Australian Government Security Vetting Agency to complete vetting and subsequent re-assessment of clearances are being serviced in a timely manner.

Government response

Disagree.

The Australian Government Security Vetting Agency (AGSVA) completed a review in 2016 and commenced a reform and renewal program which has significantly improved performance in the following 2 years.

AGSVA continues to work closely with stakeholders to identify further reforms and improvements in business processes to develop a sustainable whole of government capability to meet higher clearance demand into the future.

Recommendation 10

The Committee recommends that the Department of Veterans' Affairs investigate options for an independent authority to review all unsuccessful Veterans' Review Board determinations in consultation with the affected veteran or their delegate to alleviate the stress and burden of making their own case to appeal.

Government response

Agree in part.

The Department of Veterans' Affairs has committed to undertaking an Advocacy Service Models Scoping Study in response to this recommendation and to the following two recommendations of the Senate Committee on Foreign Affairs, Defence and Trade report: *The Constant Battle: Suicide by Veterans*:

Recommendation 23:

The Australian Government establish a Bureau of Veterans' Advocates to represent veterans, commission legal representation where required, train advocates for veterans and be responsible for advocate insurance issues.

and

Recommendation 24:

The Australian Government establish an independent review to assess whether further support mechanisms for veterans appearing before the Veterans' Review Board are required:

Among other things, the Scoping Study will examine:

- current challenges and barriers in accessing entitlements and services, and the impact this has on veterans' wellbeing;
- needs of different veteran cohorts for professionalised advocacy support and the potential benefits to each cohort;
- different models for professionalised advocacy both within Australia and overseas to determine the most suitable model;
- governance and quality frameworks available to deliver professionalised advocacy and service models; and
- roles and responsibilities of traditional, new and emerging stakeholders within the veteran community and articulating the value and contribution of those roles and responsibilities in professionalising veterans' advocacy.