

UNCLASSIFIED



Australian Government
Department of Defence

Mr Brendan Sargeant
Acting Secretary

Air Chief Marshal Mark Binskin, AC
Chief of the Defence Force

SEC/OUT/2014/335
CDF/OUT/2014/1287

Dr Andrew Southcott MP
Chair
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Dr Southcott

We write to you in response to the Joint Committee for Public Accounts and Audit – Report 443: *Review of Auditor-General's Reports Nos. 23 and 25 (2012-13) and 32 (2012-13) to 9 (2013-14)*.

The report contains four recommendations which relate to matters that are the responsibility of the Department of Defence. In accordance with the guidance from the Department of Finance and Deregulation, we can advise you that we consider all four recommendations can be categorized as 'administrative' rather than 'policy' in nature.

We enclose an executive minute in response to the recommendations which has been agreed by the Minister for Defence.

Should you require further information on this matter, my point of contact is Mr Damien Chifley, Acting Assistant Secretary Ministerial and Information Management Branch, who can be contacted on (02) 6266 4080 or via email at Damien.chifley@defence.gov.au.

Yours sincerely

Handwritten signature of Brendan Sargeant.

Brendan Sargeant
Acting Secretary

Handwritten signature of M. D. Binskin, AC.

M. D. BINSKIN, AC
Air Chief Marshal
Chief of the Defence Force

6 December 2014

9 December 2014

Enclosures:

1. EXECUTIVE MINUTE



Australian Government

Department of Defence

**Mr Brendan Sargeant
Secretary**

**Air Chief Marshal Mark Binskin, AC
Chief of the Defence Force**

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No. 443

***Review of Auditor-General's Reports Nos. 23 and 25 (2012-13) and 32 (2012-13) to 9
(2013-14)***

Response to the recommendations

Recommendation No. 1 paragraph 2.37

The Committee recommends that:

- *the Department of Defence investigate options for an improved database system for the monitoring and reporting of internal and external audit recommendations; and*
- *adequate resources are allocated to an improved database system to ensure a higher level of assurance to senior levels of the department and the Minister.*

Supported

The Department of Defence is currently examining the feasibility of replacing the extant audit recommendation database with a number of existing corporate communication platforms. Focussed effort will continue to be applied with the Defence Chief Information Officer Group to broker an efficient and effective information systems solution.

Recommendation No. 2 paragraph 4.75

The Committee recommends that the Department of Defence consider a staffing model for Capability Development Group that ensures:

- *a reduced level of staff turnover;*
- *that both uniformed and civilian personnel are able to acquire career progression through the acquisition of capability development skills and experience; and*
- *a suitably qualified civilian head of Capability Development Group is considered for appointment when the role is next available.*

Supported with qualification

In considering its staffing model, Capability Development Group (CDG) has initiated a number of initiatives to reduce staff turnover and improve the definition of, and to build up, the skills base of CDG staff. These initiatives include the following:

- Consideration of the optimum mix of military, civilian, and contractor personnel with specialist skills to be engaged from industry where necessary.
- CDG is managing improvements to project and capability development management skills through professionalisation and skilling programs including the following:
 - A masters degree in capability management provided by the Capability Technology Management Centre (CTMC) at the Australian Defence Force Academy. CTMC runs 12-month courses that prepare military and Defence civilian staff for CDG duties.
 - A certificate in project management, which consists of four intensive courses to be provided by the University of NSW (and as a precursor to a part-time masters degree in project management).
 - CDG's skilling program, which provides a regular offering of training sessions to ensure staff can improve their capability development skills as they progress their capability development tasks.
 - Assessment of CDG staff experience will be strengthened through access to the Australian Institute of Project Management project management certification and membership.
 - The development of arrangements to obtain, through recognition of prior learning, a Diploma in Project Management – Capability Development through the Australian Qualification Framework.

While a dedicated ADF career stream for capability development is not considered viable given the small number of staff involved across each of the three Services, around 38 per cent of CDG military personnel have had more than one posting in CDG. Depending on the Service, these personnel will effectively be career streaming into capability development when they are not in operational postings. Further, for CDG's project managers, Defence has developed a specific Capability Development occupation profile, which now details the training, experience and skill sets for each APS/ADF classification/rank level.

The decision to appoint a civilian or military head for CDG is based upon considerations of who has the appropriate skill and experience to lead the Group. Additional factors including the mix of civilian and military heads across the Department of Defence, and necessary career development opportunities, will also be factors. In July 2014, Defence announced the appointment of Major General John Caligari, on promotion to Lieutenant General, as the next Chief Capability Development Group. Major General Caligari assumed his appointment, on promotion, on 3 October 2014.

Recommendation No. 3 paragraph 4.76

The Committee recommends that the Department of Defence require 'whole of life' costing be included in initial project approval at the project requirements phase of the capability development process.

Supported

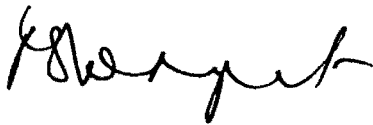
As described in ANAO Audit Report No 6 2013-14 paragraph 7.40, Defence provides details on Future Personnel and Operating Costs, Current Personnel and Operating Costs and Net Personnel and Operating Costs in all its project approval submissions. Since this audit report, Defence submissions for First and Second Pass approval now address whole of life costs in the Recommendations. The capability development (for First Pass only) and acquisition cost estimates are presented, as well as the Future Personnel and Operating Cost estimate. The total of the capital costs (capability development and acquisition) and the future personnel and operating costs comprise the whole of life costs. The Current Personnel and Operating Costs are also provided to inform the Government of the offset available and the Net Personnel and Operating Cost estimates are addressed to advise the Government of Defence's additional funding requirements from the Defence Capability Plan. The financial attachments to the submissions also address the whole of life costs in a Life Cycle Cost (LCC) paragraph and table.

Recommendation No. 4 paragraph 4.77

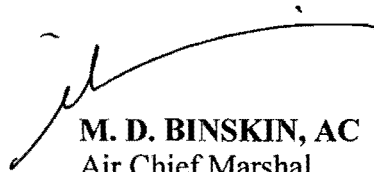
The Committee recommends that the Department of Defence institute a gate review before a project is entered onto the Defence Capability Plan.

Supported with qualification

Consistent with the intent of this recommendation Defence is reviewing the entry criteria for Defence Capability Plan projects, and a more comprehensive project outline to Government is being investigated. Achieving this outcome may not require the implementation of a gate review process for projects being entered into the Defence Capability Plan.



Mr Brendan Sargeant
Acting Secretary



M. D. BINSKIN, AC
Air Chief Marshal
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5 December 2014

9 December 2014