

Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

21 July 2017

Re: Inquiry into the 2015-16 Defence Major Projects Report
Integrity of the CASG and the application of DI(G)PERS 25-6

Dear Committee

This supplementary submission is presented as a consequence of information included in my [1.1 Supplementary to Submission](#) Page 13.

It also takes supporting information from CASG as of 30 June 2016 from my [1.2 Supplementary to Submission](#)

The issue of "Conflicts of interest and declarations of interests" was completely revisited by the Inspector-General Defence and signed off on the 29th March 2011.

The scope of the Defence Instruction is that it is to apply "to all Defence personnel and External Service Providers where compliance is a term of their engagement with Defence"

From my Supplementary to Submission 1.2, CASG employed:

1. 30th June 2016 CASG employed 6260 service providers
2. 30th June 2016 CASG employed 4028 APS personnel
3. 30th June 2016 CASG employed 1546 uniformed Defence personnel

I recently put in a Defence FOI with regards the application and monitoring of DI(G) PERS 25-6 within Defence in general and yesterday I received the reply.

The reply is attached as a PDF and reproduced as Annex A.

From the above CASG figures, I would be looking to at least 8000 declarations by service providers, 1000 declarations from APS personnel and some 500 declarations from uniformed Defence personnel.

A rough total of 9,500 declarations.

According to Defence, there is no requirement for a central registry for declarations.

The management of those that are kept and managed at a local program level can be open to inappropriate influence by the Command structure.

When is a Colonel (looking at his own prospects for promotion) going to question the personal and financial affairs of a senior command officer(s)?

From past questions asked of Defence by, and answers given in the Senate Estimates process, I refer to the:

[Additional Estimates Hearing - 26 February 2014](#) (PDF Page 62 of 283)

Question on Notice No.34 - Defence Policing and Security Management

"a. The Defence Policing and Security Management System (DPSMS) is a corporate application used by multiple business units within Defence, each of which is responsible for identifying and rectifying the data quality errors for the users within their units."

Refer Annex B for the full question

From my question 5 (Refer Annex A), I was given the following,

5a. How often have the Declarations of Interest been audited since 2011?

While there is no internal audit undertaken, the Australian National Audit Office conduct an annual audit of the Declarations of Interests.

Given Defence's response I would refer you to Annex C.

Here, from Page 10 of 17 from my first Supplementary Submission is a list of the 'Audit Reports and Management Directed tasks: FY 2015-16'

I will be responding to Defence's FOI on DI(G) PERS 25-6 by asking for copies of the following documents.

Audit Reports

- Fleet Marine Services Contract (Given the previous ['Fat Leonard'](#) connection)
- Management of Intellectual Property across Defence
- Management of Post Separation Employment and Conflict of Interest Declarations
- Performance of contract management across Defence

- PGPA Act Framework Implementation and Compliance
- Review of the Defence Logistics Transformation Program - ICT Aspects

Management Directed Tasks

- Review of Procurement Management Process
- Review of the Garrison and Estate Management System Project
- Contracted Services Arrangements in CASG System Program
- Potential Conflict of Interest

I am realistic enough to believe that my chances via Defence FOI to obtain un-redacted copies will be limited, but by making the Secretariat of the JCPAA aware of their existence, they surely would have a better chance of requesting the documents, at least now that they know that the documents exist.

It is of note that no discrepancies in the declarations were found in the last six years.

If no discrepancies have been found, then it goes to a presumption of innocence that *no* criminal or administrative action has been undertaken.

Unfortunately, for me, as someone who has followed this topic for more than twenty years, there is a lack of credibility to what Defence is reporting to the Parliament.

The benchmark for this credibility is provided in the Budget Estimates of 2014.

Firstly, Prime Minister and Cabinet, [170](#) and secondly Finance in [F147](#).

Hoping that is additional information is of use.

Yours sincerely,

Michael Wunderlich

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Annex A: Administrative reply to Defence FOI on DI(G) PERS 25-6 Conflict of Interest and Declarations of Interest

1. Is there a central registry that conforms with DI(G) 25-6, Conflicts of Interest and Declarations of Interests?

Defence's conflict of interest policy does not require central registration of declared conflicts of interest. Declarations of conflict of interest are reported and managed at the Commander and Manager level (a one star military rank or Australian Public Service SES Band 1 level).

The Director Senior Officer Management is responsible for retaining records relating to the annual Declarations of Interest process. The Director is generally a military COL rank or equivalent.

2. If so, who holds the position of Registrar and what equivalent rank is that person?

As per response to Q1.

3. If not a central Registry how are the Declarations of Interest collated?

See response to Q1.

I note that the sponsor of this Defence Instruction was the then Inspector-General Defence. I also know from previous inquiries that the IG Defence was the 'owner' of the DPSMS System.

4. Was a DPSMS 'silo' used by the IG Defence, and since 2015, the Assistant Secretary Fraud Control (ASFC)?

It is not clear in what context the applicant is referring to DPSMS. Defence assumes that the applicant is seeking a response that relates to recording of conflicts of interest and/or declarations of interest in DPSMS. If this is correct, the applicant should confirm this in writing.

5a. How often have the Declarations of Interest been audited since 2011?

While there is no internal audit undertaken, the Australian National Audit Office conduct an annual audit of the Declarations of Interests.

5b. Who (by position) is appointed to be the internal auditor?

See response to Q.5a.

5c. How many discrepancies have been found either in Calendar Years 2011 – 2016

? Nil recorded.

5d. Or in fiscal years 2011-12 through to 2016-17

? Nil recorded

6. How does this internal audit compare to the reporting actions by responsible Management as referred to in para.53?

Defence assumes that the applicant is referring to paragraph 53 of DI(G) PERS 25-6: *Conflicts of interest and declarations of interest*. If this is correct, the applicant should confirm this in writing.

If this is correct, it is not clear in what context the applicant would like Defence to comment. An audit framework and a reporting framework would appear to be two different processes. It is not clear, by what metrics the applicant would like Defence to compare the two processes.

7. In summary, who does the fact checking and quality assurance, and do they issue a Certificate of Compliance?

See response to Q5(a).

8. In summary, what administrative/criminal action has been undertaken, based on discovery in the years 2011 through 30 June 2017?

It is not clear in what context the applicant would like Defence to answer this question. Defence assumes that the applicant is referring to administrative/criminal action with respect to conflict or interest or declarations of interest. If this is correct, the applicant should confirm this in writing.

Annex B:

Additional Estimates Hearing – 26 February 2014

Question On Notice No. 34 – Defence Policing and Security Management

Senator Xenophon provided in writing:

In response to Q45 (Supplementary Budget Estimates – November 2013) regarding the Defence Policing and Security Management System you responded that "The data in DPSMS is not considered by Defence to be unreliable."

(a) Given the response to Q46, who has responsibility for identifying the data quality errors on the part of the user? Here I make reference to correspondence attached to FOI 056/11/12. This potentially can also be challenged by the still unpublished contents of DLA Piper Vol 2, given the quantum of victims that came forward.

(b) With regard to your response to Q45 (2) I refer you to Service Police Statement 5MPA/06/2007, the complainants mentioned in the Cultural Review, and the Provost Marshal's response to what was revealed by FOI/ 056/11/12. Is the Department doing a review of the contents of this file and publishing the results of that review?

Response:

(a) The Defence Policing and Security Management System (DPSMS) is a corporate application used by multiple business units within Defence, each of which is responsible for identifying and rectifying the data quality errors for the users within their units. The business units are:

- (i) Defence Security Authority;
- (ii) Australian Defence Force Investigative Service;
- (iii) The Army, Navy and Air Force Service Police;
- (iv) Inspector General – Defence;
- (v) Directorate of Conduct, Performance and Probation;
- (vi) The Intelligence security areas;
- (vii) Cryptographic Controlling Agency;
- (viii) Chief Information Officer Group Network Support Agency;
- (ix) Joint Logistics Security;
- (x) Defence Science and Technology Organisation Security; and
- (xi) Sexual Misconduct Prevention and Response Office

(b) The contents of FOI/056/11/12 are not under review.

Annex C:

1. AUDIT REPORTS AND MANAGEMENT DIRECTED TASKS: FY 2015-16
<u>Audit Reports</u>
Controls Testing - Round 1 - 2015-16
Controls Testing - Round 3 - 2014-15
Defence International Engagement Activities
Disposal Management in Defence
Establishment of the Fuel Services Branch
Fleet Marine Services Contract
Infrastructure Projects
Joint Health Command: Administrative Operation of Garrison Health Services
Management of Intellectual Property across Defence
Management of Military Support Items
Management of Post Separation Employment and Conflict of Interest Declarations
Pacific Patrol Maritime Security Program
Performance of contract management across Defence
Performance of SeMPRO
PGPA Act Framework Implementation and Compliance
Progress on the Implementation of the Wraith Review
Review of the Defence Logistics Transformation Program - ICT Aspects
<u>Management Directed Tasks</u>
Assistance to IG - Regimental Trust Fund and Public Money
Audit of the Directorate of Defence Counsel Services
Contract and Project Management of Sentinel
End User Computing Gate 3 Readiness Review
Financial Audit of Training Ship (TS) Canberra - Australian Navy Cadets
Project SENTINEL Phase 2
Review of Mandatory SES Training
Review of Procurement Compliance at RAAF Security and Fire School
Review of Procurement Management Processes
Review of the Garrison and Estate Management System Project
Technical Risk Assessment (TRA) on the Next Generation Desktop (NGD) Project
Contracted Services Arrangements in Capability Acquisition and Sustainment Group System Program
Potential Conflict of Interest