

Submission to the JSCFADT Inquiry into the 2016-17 Defence Annual Report

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ASPI welcomes the opportunity to make a submission to the Committee's inquiry into the 2016-17 Defence Annual Report.

ASPI's assessment is that the annual report continues the overall trend we have seen in Defence's reporting towards reduced transparency and hence accountability. We will highlight some relevant examples structured by the inquiry's terms of reference.

Preparedness and Operations

The annual report assesses that Defence met the performance measure of 'Operational outcomes meet the requirements of Government policy.' However the only information in the 244-page document on the operations the ADF has conducted is in the Chief of the Defence Force's 2-page review and a paragraph on page 32.

Even though a core reason for having a Defence organisation is to successfully conduct military operations when required by Government, in the annual report Defence provides no reporting of what its operations have actually achieved either on the ground or to further the government's Strategic Defence Objectives. The Chief of the Defence Force does make statements on operations at Senate estimates hearing. However it would be useful for the annual report (or some other publication) to provide an explicit account of those achievements.

Such reporting could cover Defence's important contribution to the defeat of Daesh in Iraq (and the 2017-18 report should cover its contribution to the defeat of extremists in the siege of Marawi in the Philippines). On the other hand, the cost of operations in Afghanistan now totals over \$8.3 billion with no near prospect of a stable Afghanistan in sight, so it would be useful for the Australian public to be given an account of what has been achieved and the way forward.

We would note that previous annual reports have provided substantially more information on operations.

Corporate and Military Enablers

Between the PBS and Defence corporate plan there are 61 performance measures that the annual report assesses. Overall 50 were assessed as Achieved and 11 as Partially Achieved.

If there is a 'hot spot' of partial achievement in the 2016-17 annual report, it is centred on Defence's management and use of corporate information to support decision making and also on its development of information systems. The following intended results/performance measure/targets were only partially achieved:

- Assured data is available to support the design of good performance measures
- Appropriate risk appetite is actively exercised based on all available information
- Managers across Defence have a view of performance with their work areas that is based on true information, enabling them to make more robust decisions

- All performance information is supported by a reliable and validated data source.
- Business outcomes are improved as part of broader Defence reform
- Defence develops organisation capability that ensures it can achieve Government directed outcomes.
- ICT services meet requirements
- Effective development of next-generation ICT services

The Defence Integrated Investment Program includes over \$10 billion worth of ICT projects. Unfortunately between the PBS, ANAO's Major Projects Report, and the Defence Annual Report there is no reporting on Defence's ICT projects. It is impossible therefore to determine how the remediation of Defence's ICT system is progressing and whether Defence has the ability to support the platforms now entering service that rely on ICT enablers.

Status of the Implementation of Strategic Reform Programs

The most important reform program is the First Principles Review. The annual report assesses the implementation of the FPR was Partially Achieved.

We note, however, that the FPR concluded that to support better decision making in Defence, improvements were necessary to enterprise planning, information management and performance monitoring as well the information systems they are supported by (see in particular FPR Recommendations 1 and 3 and their sub-recommendations). Our previous point noted that the annual report also assessed that delivery of information and decision support systems is only Partially Achieved. Therefore it is difficult to see how the fully intent of the FPR can be met without those systems and business processes being remediated.

Capability Development and Major Projects

Project approvals

The annual report does not provide a complete list of major projects that were approved during the year. On 13 December 2017 Minister Pyne stated that "in 2016-17 we issued 74 defence capability-related project approvals." The 2016-17 annual report is consistent with this, reporting that 'a total of 74 capability-related submissions were agreed by Government against an initial plan of 62 as outlined in the 2016 Defence White Paper. These approvals comprised 15 first pass approvals, 31 second pass approvals, 15 other types of IIP project approvals, and 13 capability-related submissions.' (page 33)

But the annual report does not state what they were. The annual report has two separate lists of project approvals achieved—one lists 11, the other lists 15, and three appear on both, making a total of 23—far short of the 74. What were the other ones? Defence does not produce any complete list of approved projects with their scope, budget and schedule.

Previous reports have provided complete lists, although this started to reduce several years ago.

Reporting against the PBS' Top 30 projects

The PBS contains a list of the Top 30 acquisition projects (materiel only, not ICT or facilities) providing a brief status report, goals for the year, and predicted cash spend. The annual report does not report whether the projects met their planned goals and spend or any impacts of not achieving them.

We would note that previous reports have provided accounts of how major projects are tracking including their annual spend.

Reporting against PBS financial tables

The annual report does not report against key PBS financial tables such as Table 1: Total Defence Resourcing, Table 5: Capital Investment Program, and Table 6: Capability Sustainment Program.

Therefore it is not possible to determine whether Defence is achieving its planned capital spend (which is essential to deliver the White Paper's future force) or whether planned sustainment budgets are viable (which is essential to maintain the current force).

To increase readability, comprehension and accountability, the annual report could report financial achievement using the same format as the PBS.

We would be very happy to discuss these recommendations further with the Committee.