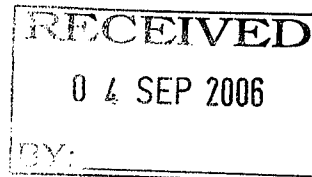




MINISTER FOR DEFENCE
THE HON DR BRENDAN NELSON MP



Mr Tony Smith MP
Chairman
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

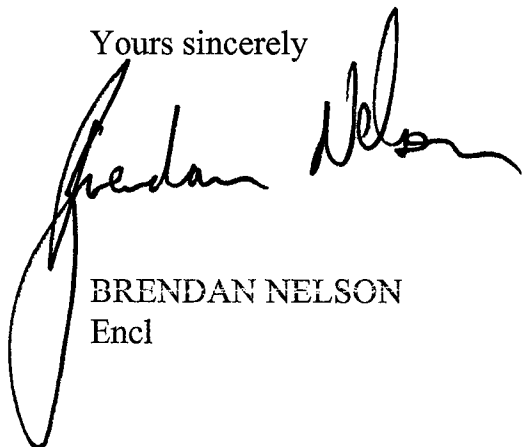
25 AUG 2006

Dear ~~Mr~~ ^{Tony} Smith

On 31 March 2004 the Joint Committee of Public Accounts and Audit released Report 398. This report focused on three Auditor-General reports, including the Auditor-General's Audit Report No. 51 (2002-2003) Defence Housing and Relocations.

My predecessor, Senator the Hon Robert Hill, provided an interim response to recommendations 2 and 3 of Report 398 on 23 November 2004. I enclose my final response to recommendations 2 and 3.

Yours sincerely



BRENDAN NELSON
Encl

**RESPONSE TO THE JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT No. 398 - REVIEW OF AUDITOR-GENERAL'S REPORTS, 2002 – 2003,
FOURTH QUARTER**

General comments

The Joint Committee of Public Accounts and Audit (JCPAA) report No 398 provided two recommendations in relation to the Australian National Audit Office (ANAO) report into Defence Housing and Relocations (Audit Report No51, 2002 –2003).

Response to the Recommendations

Recommendation 2: Para 3.52

'Section 12(1) of the Defence Housing Authority Act, 1987 be amended to remove the provision that the Defence Housing Authority include three members of the Australian Defence Force.

The Services Agreement for Housing and Related Requirements be amended to allow for a formal consultative process, possibly including the Defence Domiciliary Group, to enable the Department of Defence to advise Defence Housing Authority of Australian Defence Force housing requirements'.

The Government has considered the outcomes of the Inter-Departmental Committee (IDC) *Review into the Future Governance Arrangements of the Defence Housing Authority* which proposed changes to DHA's governance and legislative framework. The Government subsequently introduced a Bill to Parliament on 30 March 2006 proposing changes to the *Defence Housing Authority Act 1987*, which includes changes to the size and composition of the DHA Board, and the establishment of a formal advisory committee. The Act has been amended but the substantive provisions of the amending legislation do not take effect until a date set by proclamation. The Government is yet to make a decision on a proclamation date.

The Government has agreed that a board be established comprising:

- a Chairman;
- a nominee of the Chief of the Defence Force who is either a serving or retired member of the Australian Defence Force, approved by the Minister for Defence;
- a nominee of the Secretary of the Department of Defence who is either a serving or retired Australian Public Service Officer with a background in Defence, approved by the Minister for Defence;
- a nominee of the Department of Finance and Administration, approved by the Minister for Finance and Administration;
- the Managing Director of DHA; and
- four commercial directors appointed by the shareholder Ministers.

The Government has also agreed that an Advisory Committee be established to represent stakeholder interests to the Board. The committee is to include the National Convenor of Defence Families Australia and representatives from DHA, the Royal Australian Navy, the Australian Army and the Royal Australian Air Force. The committee is to be chaired by the DHA board member nominated by either the Chief of the Defence Force or the Secretary of Defence.

Recommendation 3: Para 3.79

'The Department of Defence report within six months to the Joint Committee of Public Accounts and Audit on its progress towards addressing the outstanding issues listed in paragraph 4.6 of the Australian National Audit office Audit Report No. 51, 2002-2003, Defence Housing and Relocation Services.'

All outstanding issues listed in paragraph 4.6 of ANAO Report No 51 have been actioned:

Housing Management Instructions

Housing Management Instructions were developed and introduced in August 2005. The Housing Management Instructions were updated in June 2006 to align with the revised Services Agreement.

Continuous Improvement Program

DHA has provided Defence with an extract from its Corporate Plan that relates to continuous improvement including performance targets and Key Performance Indicators (KPIs). Defence has reviewed this issue further as part of the review of the Services Agreement and an agreed framework has been established.

Heritage Conservation Plan

DHA provided Defence with its Heritage Conservation Plan in June 2003.

Key Performance Indicators

KPIs for housing services have been agreed and implemented in August 2005. These have been further reviewed as part of a comprehensive review of the Services Agreement between Defence and DHA and amended KPIs were introduced when the revised Services Agreement was signed on 30 June 2006.

Property Register

DHA is providing Defence an updated Property Register every week.

Review of Deemed Effective Markets

Defence carried out a review of the market segmentation arrangements used to determine the fees and charges paid to DHA in 2004. DHA did not agree to the recommendations of this review. The matter was considered further during the review of the Services Agreement. The results of this consideration have been jointly agreed and implemented in the revised Services Agreement.

Brendan Nelson
Minister for Defence