

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

**Inquiry into Defence Sustainment
Public Hearing Friday, 31 March 2017
Canberra**

Agency: Australian National Audit Office

Topic: Transparency of Sustainment Reporting

Question on Notice: Written

Date set by the committee for the return of answer: Monday, 1 May 2017

Number of pages: 2

General Comments

The ANAO is currently undertaking a performance audit into Defence's Management of Materiel Sustainment. The audit objective is to assess whether Defence has a fit for purpose framework for managing the sustainment of specialist military equipment. As part of this audit the ANAO will consider Defence's performance framework to support the management and external scrutiny of materiel sustainment.

This audit is expected to table in June 2017 and will provide additional detailed material relating to the questions on notice. The responses below are provided in this context.

Questions 1 and 2:

1) Does the ANAO believe that their [Defence's] sustainment reporting achieves a 'clear read' between what is planned and what is achieved—a key principle of the Commonwealth Performance Framework established under the Public Governance, Performance and Accountability Act 2013?

2) Are there any ways to increase the public disclosure of project level and aggregate information on sustainment outcomes, noting the national security considerations of sustainment activity?

Answer:

Defence's 2015-16 public reporting of sustainment activity included expenditure information and other descriptive material, including for the 'Top 30' sustainment products.

The ANAO will consider, in the context of the audit discussed above:

- whether this sustainment reporting achieves a 'clear read' between Defence's public planning documents—the Portfolio Budget Statements and Portfolio Additional Estimates Statements—and the Annual Report; and
- the reconciliation of information provided in and between these documents.

The quality of public reporting is improved where there is a 'clear read' between reporting documents and where information is reconciled. The ANAO would expect to

receive information from Defence, in its response to the draft audit report, whether applying this approach to current reporting on the Top 30 sustainment products might give rise to security concerns.

In its February 2017 submission to the Committee's inquiry into Defence sustainment expenditure, Defence indicated (at paragraph 25) that a recent review by the Defence Intelligence Organisation determined that the current public reporting regime is 'safe' and that proposals for new reporting requirements would need to consider whether information could be aggregated to disclose classified information on capability readiness and availability.

Question 3

Many sustainment activities or capacity problems have hopefully been resolved by the time annual reports are published, does this mean that disclosure of historic performance could be increased without posing national security concerns?

Answer:

Given the long duration of sustainment activities and many capability remediation/upgrade activities, it may not always be the case that issues are resolved between the release of Defence's Portfolio Budget Statements and the related annual report. Less significant issues may be resolved, while more significant issues may take longer to resolve and hence not be able to be disclosed for national security reasons.

Defence would need to consider and advise on the security implications of publishing historical information on sustainment activities.

Question 4

Given the size of sustainment expenditure, please comment on the reasons for and against pulling sustainment information into one separately published document to enhance its transparency.

Answer:

The consolidation of sustainment information would improve its accessibility and the level of transparency, whether it is published as a separate document or as part of an existing one.

The costs associated with increasing the transparency and depth of information beyond that currently published would depend on the type and availability of the information sought.

As noted in the answer to questions 1 and 2, Defence has advised that proposals for new reporting requirements would need to consider whether published information could be aggregated to disclose classified information on capability readiness and availability.