

Defence Portfolio

INQUIRY QUESTION

(Question No.2)

The Committee asked the Department of Defence the following question, upon notice, on 9 December 2022:

Mr Hill: This is more at the pointy end of saying that we have got a contracted requirement and yet a significant proportion in the context of a security environment, 12% is a significant proportion, of required contractors are not DISP members. Do you have the current estimate?

Mr West: We would have to take on notice.

The Department of Defence provides the following answer to the Committee's question:

Defence does not have a central register of all contracts and is therefore unable to determine how many contracts are held by non-Defence Industry Security Program (DISP) members.

Defence Contract Managers are required to consider security as part of the contracting process and ensure any contract contains appropriate security provisions, which may include DISP membership. DISP membership is mandatory where a contractor is working on classified information or assets; stores or transports weapons or explosives; or provides security services.

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INQUIRY QUESTION

(Question No. 3)

The Committee asked the Department of Defence the following question, upon notice, on 9 December 2022:

Hill: if you can take on notice and give us any audit data for 2019, 2020, 2021 and 2022 to how many contracts you have identified at each point in time, should have had DISP membership but don't, didn't or don't, and what dates those contracts were entered into? That would be very helpful and the second question, I noted you stated intention to close that gap, at what point do you think the gap will be closed and you will have a reliable source of data as to which contracts do have DISP embedded in them?

Fawcett: Can I just put in another clarification in that, when you're preparing that question, or your response to that question on notice from Mister Hill, that you identify expressly the various classification levels at which the percentage of contracts that don't have DISP. So Mr Hill quoted 12 per cent of industry had been contracted to work on contracts of secret or above without DISP membership so what about the other levels? If you could just clarify that in your ...

Neumann: that would be very helpful and secret or above obviously includes top secret so if you could give us information about that

Fawcett: we want a break down at each level

The Department of Defence provides the following answer to the Committee's question:

Please refer to the answer for Question No. 2.

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INQUIRY QUESTION

(Question No.4)

The Committee asked the Department of Defence the following question, upon notice, on 9 December 2022:

Chair: Page 63 found that defence had not identified any application of contractual penalties for non-compliance to DISP membership, in your submission you stated that you have established an escalation pathway for noncompliance. Can you clarify for us what level does contractual penalties is applied in your escalation pathway and any instances since 2019 where you have imposed any contractual penalties for noncompliance? If you can just take on notice and give us the details

The Department of Defence provides the following answer to the Committee's question:

Contractual penalties are applied by contract managers in relation to specific contractual failures or breaches, and are not part of the Defence Industry Security Program (DISP) escalation pathway.

If a DISP member demonstrates persistent disregard for DISP requirements, or fails to undertake agreed corrective actions, Defence has options including downgrading, suspending or terminating DISP membership.

When DISP membership is downgraded, suspended or terminated, the entity may be prevented from continuing Defence work, or entering into new contracts. Consequently, contractual penalties may apply.

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INQUIRY QUESTION

(Question No. 5)

Mr Julian Hill MP asked the Department of Defence the following question, upon notice, on 9 December 2022:

Chair: I think I was actually curious about, say, the last four or five years of engagement from the audit committee on the DISP. I've got a healthy and growing interest in what audit committees actually do, because they don't seem to pick up much of the stuff the Audit Office does, so there's a bit of a theme here. So perhaps you could take that on notice.

The Department of Defence provides the following answer to the member's question:

The Defence Audit and Risk Committee provides robust independent advice to the Secretary and Chief of the Defence Force. Consistent with Section 17 of the *Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)*, the functions of the Committee include reviewing the appropriateness of Defence's financial reporting, performance reporting, system of risk oversight and management, and system of internal control. As required by the *PGPA Rule*, the majority of members are external to Defence, including the Chair and Deputy Chair.

The Defence Audit and Risk Committee received advice on the Auditor-General's Report No. 4 2021-22 *Performance audit: Defence's contract administration – Defence Industry Security Program* following its tabling in September 2021. The Committee has received regular advice throughout 2022 on Defence's progress in implementing the recommendations.