



Australian Government

**Australian Government response to the Joint Standing Committee on
Foreign Affairs, Defence and Trade report:**

**The Defence Industry Security Program
Review of Auditor-General Report 4 of 2021-22**

NOVEMBER 2023

Recommendation 1

The Committee recommends the Department of Defence provide written advice to the Committee within six months of the tabling of this report detailing the implementation of the Customer Relationship Management (CRM) system, how it assists with knowledge management and engagement with DISP entities, and its ability to recall accurate, auditable, and accessible data on DISP entities.

Response

The Government **accepts** this recommendation.

A new DISP records management system that is compliant with Defence's records management policy is in development.

The system has been co-designed with Defence Industry stakeholders and will deliver enhancements to the user experience for both Industry entities and Defence membership processing teams, and support ongoing assurance and audit requirements.

The project expects to deliver an Initial Operating Capability (IOC) in Nov 2023.

The system capability will support the full end-to-end application and assurance process for DISP. Development of the system will replace current manual processes to apply for membership.

Recommendation 2

The Committee recommends the Department of Defence listen more carefully to industry concerns raised via this inquiry regarding the quality of DISP security training including for APS staff and embed a structured, transparent mechanism to ensure industry feedback directly informs continuous improvement to ensure training meets industry's reasonable expectations.

Response

The Government **accepts** this recommendation.

In 2022, the Department of Defence updated the Defence Security Principles Framework to make security training mandatory for industry Chief Security Officers. This training was already mandatory for industry Security Officers. Following feedback on this training from industry the Department of Defence has commenced development of a modernised, modular training course that can be adapted for the needs of industry Chief Security Officers and Security Officers. This course is in development and is currently planned to be ready to pilot with industry early in 2024. Industry feedback on the pilot will be used to ensure the training addresses industry expectations. Following launch, Defence will use feedback mechanisms built into the course delivery to undertake continuous improvement of the training.

Defence has also established the DISP Chief Security Officer Advisory Group to provide a mechanism for industry to provide feedback on DISP issues, including training.

Recommendation 3

The Committee recommends the Department of Defence implement systems which regulate and audit DISP compliance, and:

- Within six months of this report being tabled in Parliament, outline in writing to the Committee how all six recommendations of the ANAO in Auditor-General Report No. 4 of 2021-22 have been fully implemented, and any actions which remain outstanding.
- Within twelve months of this report being tabled in Parliament, report back in writing to the Committee on its progress in further improving DISP related compliance and audit systems and provide reliable data estimates of:
 - o the number of contracts that require DISP membership and the classification levels required
 - o the number of contracts which did not, but were identified as requiring DISP membership, the classification levels required, the dates the contracts were entered into, and any action taken to address these
 - o the number of contract managers that manage contracts with mandatory DISP membership
 - o the number of these contract managers who have received training in managing contracts with DISP memberships and how many contract managers lack required training
 - o what ongoing mechanism is in place to ensure staff receive the required training in the future
 - o how Recommendation 2 of this report has been implemented
 - o how the new CRM system is working
 - o audit results of an appropriately sized statistically reliable sample of contracts to demonstrate assurance that those requiring DISP clauses have them included
 - o the number of contracts that triggered a non-compliance escalation pathway, and the actions taken, or penalties imposed, and
 - o advice at that time as to the Department's future approach to DISP audit and assurance.

Response

The Government **accepts** this recommendation.

The Department of Defence has completed all of the the six recommendations from the ANAO audit with formal closure by the Defence Audit and Risk Committee. The Department of Defence will write to the Committee within six months of the report to outline how the recommendations have been implemented.

Defence will also provide written advice to the Committee within twelve months on progress in improving DISP related compliance and audit systems, with reliable data estimates.

The Department of Defence is already assessing enhancements to the *My Procurements* contracting tool to support Defence officials in determining if the scope and security risks associated with a procurement requires a successful tenderer to hold a DISP membership. *My Procurements* will also be reviewed to ensure clear guidance is provided to support Defence officials in incorporating appropriate DISP conditions in a resulting contract.