

## Audit Report No. 41 2010–11

# Maintenance of the Defence Estate

## Introduction<sup>1</sup>

4.1 The Defence estate is the largest land holding in Australia, with land, buildings and infrastructure being valued at \$20.2 billion. The estate consists of some 394 Commonwealth-owned properties, 72 of which are major bases.<sup>2</sup> In addition to bases, the estate includes training areas and ranges, research facilities and office accommodation to support the Australian Defence Force (ADF) capability.

## Condition of the estate and the reform agenda

4.2 Estimates indicate that the remaining useful life of Defence facilities has fallen from 22 years in 2001, to 17 years in 2009. The Defence Budget Audit (Pappas Report) highlighted the need for further change to the estate observing that it was an ageing, complex and costly historical legacy, in which investment for maintenance had been decreasing since the 1980s.<sup>3</sup>

4.3 While the Government did not accept a number of key recommendations from the Pappas Report, the Department of Defence (Defence) was asked

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1 The following information is taken from ANAO Audit Report No. 41 2010–11, *Maintenance of the Defence Estate*, pp. 11–14 and pp. 25–33.

2 Department of Defence, *Defence Annual Report 2009–10 Volume 1*, Canberra, pp. 227–228. Buildings and infrastructure are valued at \$15.7 billion.

3 Department of Defence, *2008 Audit of the Defence Budget*, Canberra, pp. 240–241.

to undertake further base consolidation work.<sup>4</sup> The Base Consolidation Review was to be completed by mid 2011 to develop proposed changes to the estate over a 25 to 30 year period. Consolidation options are being developed through the implementation of larger strategic plans and reform agendas such as the Defence White Paper 2009<sup>5</sup> and the subsequent Strategic Reform Program (SRP), announced in 2009.<sup>6</sup>

## Strategic Reform Program

4.4 The objective of the SRP is to reform Defence while delivering Defence savings of \$20 billion over ten years, to 2019. Under this program, there are eight savings and eight non-savings streams. While the Defence estate is designated as one of the non-saving streams, estate maintenance is classified as a saving stream. With these arrangements, Defence is expected to save \$500 million from the estate maintenance budget over the ten years – a \$50 million reduction per year of the estate from the estate maintenance budget.<sup>7</sup>

## Planning and delivery arrangements for estate maintenance

4.5 Within Defence, the Defence Support Group (DSG) is responsible for estate maintenance, including managing the strategic planning of the estate into the future.

4.6 In 2000, Defence fully outsourced estate maintenance by introducing the Comprehensive Maintenance Contracts. Since then, the original contracts have been replaced by the Comprehensive Maintenance Services (CMS) contracts. The main components of work undertaken through CMS contracts involve:

- reactive maintenance – unplanned maintenance on buildings, facilities and fixed plant and equipment;

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4 The Pappas Report recommended that Defence move to the smallest number of super-bases consistent with the strategic requirements and the 'raise, train, sustain' mission of the three Services over the next 20 to 30 years.

5 The White Paper noted the importance of environmental management as an aspect of sustainability of the Defence estate. Defence is required to identify, conserve and protect its heritage assets under the *Environmental Protection and Biodiversity Conservation Act 1999*.

6 ANAO Audit Report No. 41 2010-11, pp. 28-29.

7 ANAO Audit Report No. 41 2010-11, p. 12.

- planned general estate works – these are called Risk Managed Works,<sup>8</sup> which involve larger remediation works for buildings or facilities that must be planned and have an approved business case; and
- regular scheduled maintenance for fixed plant and equipment.<sup>9</sup>

4.7 These contracts are managed by DSG and are organised across DSG's previous 12 region structure.<sup>10</sup> In 2009–10, Defence made an estimated total of \$461.5 million in payments to CMS contractors.<sup>11</sup>

### Base Services contract

4.8 Defence is currently introducing a new type of contract, the Base Services contract. This contract was developed to cover the services of both the CMS contracts and the Garrison Support Services (GSS) contracts.

4.9 In 2008, Base Services contracts were introduced in North Queensland and Tasmania. A pilot was introduced as part of the North Queensland Base Services contract to enable the prime contractor to utilise 'in-house' or contracted labour directly, for works of low value. With this feature, services are delivered under fixed fee arrangements, removing individual invoicing requirements for low value works.<sup>12</sup>

## The ANAO audit

### Audit objective and approach<sup>13</sup>

4.10 The objective of the audit was to examine the effectiveness of the management of maintenance of the Defence estate, taking particular account of the planning and delivery aspects.

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8 Risk Managed Works are used by Defence to prioritise and manage its planned general estate works.

9 ANAO Audit Report No. 41 2010–11, pp. 12–13.

10 DSG now has five regions across Australia, namely Central and Western Australia, Queensland, Northern New South Wales, Southern New South Wales, and Victoria-Tasmania. Given the new structure, the former 12 regions will be referred to as sub-regions within this report.

11 An additional \$20.1 million was spent in 2009–10 on airfield maintenance, managed centrally by DSG.

12 ANAO Audit Report No. 41 2010–11, pp. 12–13.

Services provided under the GSS contracts include, among others: grounds maintenance, access control, accommodation management, hospitality and catering and cafeteria services.

13 The following information is taken from Audit Report No. 41 2010–11, pp. 34–35.

- 4.11 In relation to the planning and delivery of estate maintenance, the audit examined: Defence's policies, procedures, processes and support tools; and services provided to Defence by private sector firms. Defence's contract management matters and systems used to maintain information related to estate maintenance were not a point of focus in the audit.
- 4.12 The Australian National Audit Office (ANAO) assessed whether Defence:
- has established a sound administrative and management framework to support estate maintenance (including roles and responsibilities, oversight, reporting, guidance and training); and
  - has applied appropriate processes, resources, performance measures and tools in the planning and delivery of estate maintenance.

### Overall audit conclusion<sup>14</sup>

- 4.13 The ANAO concluded that when considered as a separate function, Defence's management of estate maintenance had not been 'fully effective'. The audit outlined a number of changes considered integral to robust infrastructure maintenance approaches that Defence would benefit from having in place:
- authoritative, longer-term plans for the estate; and
  - condition assessments of estate facilities and infrastructure.
- 4.14 The ANAO recognised that maintaining the \$20.2 billion Defence estate is a 'major undertaking' and that Defence is faced with the ongoing challenge of providing 'sufficient funding' for estate maintenance. One of the features of Defence's environment is the need to accommodate competing funding demands – satisfying both the ADF's current needs alongside necessary developments to meet future needs.
- 4.15 Taking into account Defence's planning for its maintenance program, the ANAO observed that current funding for estate maintenance is 'insufficient to preserve existing assets'.
- 4.16 Regarding the delivery of estate maintenance services, the ANAO found Defence's performance mixed, noting Defence's advice of initiatives being pursued to improve delivery in the longer-term.

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14 The following information is taken from Audit Report No. 41 2010-11, pp 14-16.

## Planning

- 4.17 The ANAO described two fundamentals for the effective allocation of resources to estate maintenance:
- a long term plan for the composition of the estate; and
  - maintenance plans informed by reliable condition assessments of estate assets.<sup>15</sup>
- 4.18 The audit found that while Defence completed work to provide a longer-term plan for Defence base and training area requirements, current estate maintenance plans do not 'have the benefit of such longer-term plans for the estate'.<sup>16</sup> Additionally, the ANAO concluded that Defence's maintenance planning would benefit from including more robust information on the expected future usage of particular buildings and facilities.
- 4.19 The ANAO identified further specific improvements to estate maintenance planning through Defence's 'Risk Managed Works'. Priorities for Risk Managed Works are set through Infrastructure Appraisals, which categorise buildings and structures based on their contribution to Defence capability. The works identified are then prioritised using Defence's planning priority rankings.<sup>17</sup> The audit identified that the annual priority setting approach<sup>18</sup> for Risk Managed Works, coupled with the restricted level of funding for estate maintenance resulted in numerous Defence facilities not receiving sufficient maintenance work for their continued preservation.<sup>19</sup>
- 4.20 The ANAO identified that Defence's assessment and prioritisation process would be enhanced by:
- ...having condition assessments undertaken by technically qualified staff and by presenting that material to decision makers, along with information related to usage, contribution to Defence capability, and legislative requirements. In addition, estate maintenance plans would be improved by being consistently

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15 ANAO Audit Report No. 41 2010-11, p. 14.

16 ANAO Audit Report No. 41 2010-11, p. 18 and pp. 64-65.

17 For more details on the priority rankings to determine buildings' contribution to Defence capability and how priority works are then determined, see Audit Report No. 41 2010-11, pp. 84-87.

18 This approach is heavily focused on maintaining significant Defence operational capabilities. For example, occupational health and safety works are given highest priority, while asset preservation receives third priority.

19 ANAO Audit Report No. 41 2010-11, p. 18.

informed by condition assessments of engineering services...at bases.<sup>20</sup>

### Heritage issues

- 4.21 Heritage issues were raised as a point of concern in the audit, as the ANAO found that Defence was unaware of the exact number of buildings affected by heritage legislation. The audit highlighted that these issues add complexity to and impact on Defence's longer term approach to estate maintenance. The ANAO outlined the merit of Defence putting in place an 'approved way forward for heritage sites' to assist Defence in determining funding levels consistent with the future use of the estate.<sup>21</sup>

### Funding

- 4.22 Funding issues were also raised by the ANAO in its examination of Defence's maintenance planning. Based on Defence's data, the ANAO highlighted a funding shortfall of approximately \$500 million (over 2011-14) to effectively maintain the existing estate.<sup>22</sup>
- 4.23 The ANAO concluded that having a 'longer-term plan for the estate and an approved way ahead for heritage sites' would assist Defence to determine a level of funding for estate maintenance which is 'consistent with its approved future use'.<sup>23</sup>

### Delivery<sup>24</sup>

- 4.24 The ANAO found Defence's performance in delivering estate maintenance under existing CMS contracts was mixed. The ANAO examined four of the 12 sub-regions and identified that:
- two were performing acceptably; and
  - two were not performing acceptably, particularly in the delivery of the Risk Managed Works program.
- 4.25 In light of these findings, the audit stated that it was timely for Defence to re-examine the arrangements in-place to deliver estate maintenance services. The ANAO identified that Defence's work in this area should:

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20 ANAO Audit Report No. 41 2010-11, p. 15.

21 ANAO Audit Report No. 41 2010-11, pp. 17-18.

22 ANAO Audit Report No. 41 2010-11, p. 15.

23 ANAO Audit Report No. 41 2010-11, p. 65.

24 The following information is taken from ANAO Audit Report No. 41 2010-11, pp 15-16.

...include a focus on the outputs Defence requires and identifying improvements in maintenance delivery arrangements to provide better value for money.<sup>25</sup>

- 4.26 The ANAO also advised Defence to implement a 'formal change management approach' to effectively introduce its revised delivery and contractual arrangements.

## ANAO recommendations<sup>26</sup>

- 4.27 The ANAO made two recommendations aimed at improving Defence's management of the maintenance for its estate.

Table 4.1 ANAO recommendations, Audit Report No. 41 2010–11

1.	<p>To improve planning for estate maintenance, the ANAO recommends that Defence:</p> <ul style="list-style-type: none"> <li>(a) bases its estate maintenance planning on technical assessments of the condition of facilities and their usage, as well as continuing to take into account contribution to Defence capability and legislative requirements;</li> <li>(b) undertakes periodic assessments of the condition of engineering services at bases and ranges and proposes any necessary maintenance or alternative remedial action; and</li> <li>(c) having regard to up-to-date data on the condition and usage of its buildings and infrastructure, as well as its overall priorities, reassesses the level of funding allocated to maintain the estate in an economic manner.</li> </ul> <p><b>Defence response:</b> <i>Agree.</i></p>
2.	<p>To improve the delivery of maintenance services, the ANAO recommends that the approach to estate maintenance delivery be reviewed to focus on the outputs that Defence requires, and that Defence:</p> <ul style="list-style-type: none"> <li>(a) undertakes work to develop an improved contracting model for the delivery of estate maintenance, including Risk Managed Works, for the next round of contracts;</li> <li>(b) considers building on its initiatives to have prime contractors undertake low cost general estate works themselves, and separating Risk Managed Works between those best undertaken by the prime contractors and those best delivered as mid level capital works; and</li> <li>(c) develops a change management plan to support the implementation of revised delivery and contracting arrangements.</li> </ul> <p><b>Defence response:</b> <i>Agree.</i></p>

25 Audit Report No. 41 2010–11, p. 16.

26 ANAO Audit Report No. 41 2010–11, pp. 21–22.

## The Committee's review

4.28 The Joint Committee of Public Accounts and Audit (JCPAA) held a public hearing on Wednesday 21 September 2011, with the following witnesses:

- Australian National Audit Office; and
- Department of Defence.

4.29 The Committee took evidence in the following areas:

- the implementation of ANAO recommendations:
  - ⇒ Defence's planning for estate maintenance, including its Infrastructure Appraisal process and condition assessments of engineering services; and
  - ⇒ Defence's delivery of estate maintenance, including the contracting model to deliver estate maintenance.
- the Strategic Reform Program – savings and non-savings streams; and
- systems support – the Garrison and Estate Management System, including its importance in supporting the new harmonised health and safety requirements.<sup>27</sup>

4.30 The Committee was interested in Defence's strategy and timeline to implement the ANAO's recommendations and in particular, how the implementation of the recommendations fit within the wider Defence estate strategy – Force 2030.

## Implementation of ANAO recommendations

4.31 The ANAO made two recommendations to Defence aimed to improve the Department's planning of estate maintenance and its delivery of maintenance services.

4.32 Defence agreed with the ANAO's recommendations and are working on an 'approach and a process' for implementation. Defence advised the Committee that it will 'embed' its activities to execute the ANAO's recommendations into 'the governance for the Defence estate'. Defence informed the Committee that the broader estate strategy is close to being

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27 These requirements are part of the *Model Work Health and Safety Act*, which is discussed in more detail as part of this section.



finalised and that it draws on material already available, such as the White Paper, which identifies five principles linked to basing of Defence.<sup>28</sup>

- 4.33 Mr Simon Lewis, Deputy Secretary Defence Support informed the Committee of his position as chair of the Defence Estate Performance and Investment Committee. Mr Lewis outlined that the committee's deliberations on the condition of the estate:

...will draw on these recommendations very specifically to help make choices about how we allocate scarce dollars.<sup>29</sup>

- 4.34 Defence advised that while it had a 'widely dispersed and ageing estate', the Department is also investing heavily to review parts of the estate (with over \$1 billion invested in its capital program). Defence identified the challenge of consolidating the estate with new investment facilities sitting alongside aged facilities and recognised the need for an overarching management program.<sup>30</sup>

- 4.35 Following these comments, the Committee suggested that in an 'environment of rationalisation' a difficult part of Defence's decision-making must be 'political management and expectation management at a community level'. The Committee asked Defence how it would engage with these complicated issues.

- 4.36 Defence replied that while undoubtedly it is a challenge to re-shape the defence forces, noting the impact of 'local politics', they have been scoping options for a rationalised estate footprint. This work on estate consolidation is being fed into processes for the Defence Force Posture Review.<sup>31</sup>

### Defence's planning for estate maintenance

- 4.37 The ANAO assessed that Defence's approach to estate maintenance planning was not 'fully effective' and recommended that Defence improve its planning for estate maintenance through a series of activities, including:

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28 Mr Simon Lewis, Deputy Secretary, Defence Support, Department of Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 2-3.

29 *Committee Hansard*, Canberra, 21 September 2011, p. 3.

30 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 3.

31 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 3.

The Force Posture Review was announced on 22 June 2011 by the Minister for Defence Stephen Smith. The Review is to assess whether the Australian Defence Force is 'correctly geographically positioned to meet Australia's current and future strategic challenges'. For more information see Department of Defence website <<http://www.defence.gov.au/oscdf/adf-posture-review/>>

- using technical assessments of facilities' condition and usage to form the basis of estate maintenance planning;
- undertaking assessments of the condition of engineering services at bases and ranges and proposing any necessary maintenance or alternative remedial action; and<sup>32</sup>
- using up-to-date data on the condition of the estate, to 'reassess the level of funding allocated to maintain the estate in an economic manner'.<sup>33</sup>

4.38 The Committee asked what steps Defence had taken to implement the ANAO's recommendation and how this work was associated with Defence's broader reform activities.

#### Infrastructure Appraisal process

4.39 Defence outlined that it was investing in more work to gain a better 'understanding of the current standard of infrastructure' across the estate. Specifically, the Department was conducting a review of its Infrastructure Appraisal process which aims to provide more robust information to decision makers by enhancing the 'quality and consistency' of the appraisal process. The review will specifically consider the suitability of specialist advice to improve the 'collection and assessment of information on the condition, utilisation and contribution to defence capability'.<sup>34</sup>

4.40 The Committee was interested in the timeframes for the review as well as the number of proposed tender rounds, and Defence's plans following the completion of the assessments.

4.41 Defence advised that the review was expected to be completed by June 2012.<sup>35</sup> Further, the Department confirmed that the first round of tenders was in the market and that the target for procuring a provider and putting in place the necessary contracts was mid-to-late November.<sup>36</sup>

4.42 Regarding the tender round, Defence outlined that in the first instance their approach focused on obtaining a national project manager with the technical expertise to provide:

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32 ANAO Audit Report No. 41 2010-11, p. 66.

33 ANAO Audit Report No. 41 2010-11, p. 21.

34 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 1-2.

35 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

36 Mr Mark Jenkin, Head Defence Support Operations Division, Department of Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

- expert advice on the process for which the appraisal should be undertaken; and
  - guidance on how best to use the information gathered and to develop an 'ongoing program of activity'.<sup>37</sup>
- 4.43 Defence advised that once contracts for these services were in place, due to the size of the program the Department may consider appointing others to assist. Defence indicated that these engagements may occur through a 'hierarchy of contracting arrangements'.<sup>38</sup> The Department advised that these decisions depend on the outcome of the first tender round.

#### Assessments of engineering services

- 4.44 In Defence's discussions regarding its procurement of expert advisers, the Department raised that it was also undertaking detailed assessments of engineering services at a range of bases. While Defence highlighted that this was a progressive program (with all key bases to be assessed by 2015), it informed the Committee that it had commenced a project to conduct 'baseline assessments of the condition of engineering services' provided at seven key bases.<sup>39</sup>
- 4.45 The Committee surmised that in essence Defence was driving its response to the ANAO's recommendation through 'contracting out to qualified specialist staff'. Defence responded that specialist advice was identified as a priority need, particularly in the context of the Department's limited internal resources.<sup>40</sup>

#### Funding for estate maintenance

- 4.46 Defence, in its opening statement acknowledged that additional funding may be needed to maintain the estate in line with required standards. However, the Department noted that funding for estate maintenance was to be considered alongside other priorities and that Defence allocates funding on an 'opportunity basis'. Defence pointed to the development of the Defence estate strategy, which will provide the 'strategic direction for use and management of the estate'.<sup>41</sup>

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37 Mr Jenkin, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

38 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 4.

39 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

40 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1 and p. 4.

41 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

## Defence's delivery of estate maintenance services

4.47 The ANAO's examination of maintenance services delivered under the CMS contracts revealed mixed performance.<sup>42</sup> The audit identified the key weakness in the two sub-regions with unsatisfactory performance was the 'contractors' inability to deliver the full Risk Managed Works program'.<sup>43</sup>

4.48 With the current CMS contracts due to expire at the end of 2011, the ANAO recommended that Defence review its approach to estate maintenance delivery to 'focus on the outputs that Defence requires'. Building on this, the ANAO recommended Defence:

- put in place an improved contracting model to deliver estate maintenance, including Risk Managed Works;
- considers expanding initiatives for low cost general estate works being undertaken by 'prime contractors';
- ensure more tailored delivery arrangements for Risk Managed Works;
- develop a change management plan to support its revised delivery arrangements.<sup>44</sup>

4.49 Defence informed the Committee that in response to the ANAO's recommendation, the Department had completed the first stage of its contracting model review.<sup>45</sup> The Department outlined that Stage 1 involved:

...a review of the current contractual arrangements against industry-leading practice and consultation with current and prospective industry providers to inform the development of options that best represents defence requirements and be industry aligned.<sup>46</sup>

4.50 Stage 1 culminated at the Defence and industry conference on 28 June 2011, with three proposed 'bundling options' presented for the delivery of maintenance services. Defence advised the next stage was to evaluate each option, pick the preferred option and develop an appropriate approach. The Department also highlighted that to help with

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42 The ANAO examined delivery of estate maintenance in four of Defence's former 12 regions. DSG now has five larger regions.

43 ANAO Audit Report No. 41 2010-11, p. 19.

44 ANAO Audit Report No. 41 2010-11, pp. 19-20 & p. 22.

45 This encompasses a review of maintenance services currently delivered through CMS, GSS and Base Services contracts.

46 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1.

the decision making process, it was consulting with industry to develop the most suitable option for Defence to deliver maintenance services over the next three to five years. This includes better alignment with industry and developing its approach to market in 2012.<sup>47</sup>

## Strategic Reform Program

- 4.51 The ANAO noted the tension between the saving and non-saving stream classifications for the Defence estate under the SRP. Within the program, the Defence estate is designated as a non-savings stream, while estate maintenance is classified as a savings stream. Within this context, the impact of the SRP on the estate's longevity was 'unclear' to the ANAO, particularly as savings of \$500 million in estate maintenance were to be achieved over a ten year period.<sup>48</sup>
- 4.52 The Committee asked Defence to explain the rationale behind the savings and non-savings categories for the estate and estate maintenance. Defence responded by expressing that while estate consolidation would lead to long-term savings, there are 'significant timing issues' regarding savings in this area. Mr Lewis acknowledged that while the program preceded his time at Defence, he understood that the architects of the program recognised the upside of pursuing consolidation. However, it was also noted that it would not be a stream 'likely to achieve any significant savings' within the SRP's timeframe (closing in 2020).
- 4.53 Defence highlighted that in the short term more investment is needed to manage the transition to a consolidated estate. Defence pointed to the funds needed to create and dispose of facilities, particularly as sites that are to be closed are likely to need 'significant remediation'. Considerable site remediation is common within the Defence estate space and Defence cited the current case at Maribyrnong, along with others in the past.<sup>49</sup>

## Systems support—Garrison and Estate Management System

- 4.54 As outlined in the ANAO's report, there are shortcomings in the Defence Estate Management System (DEMS) currently used by staff to plan and deliver estate maintenance. The ANAO cited that Defence considered there were underlying weaknesses in the system regarding 'data quality and reliability'. Further, regular users of DEMS interviewed by the ANAO

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47 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 1 and p. 4.

48 ANAO Audit Report No. 41 2010–11, pp. 28–29.

49 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, pp. 3–4.

commented on system deficiencies such as its slow operating pace and raised concerns regarding the 'quality and integrity of data stored' in the system.<sup>50</sup>

- 4.55 During the audit the ANAO became aware that Defence was developing a replacement system the Garrison and Estate Management System (GEMS), expected to be completed in early 2013. The Department informed the ANAO that the new system would rectify some of the current issues and recognised the need to cleanse existing data to improve data quality prior to transfer into GEMS.<sup>51</sup>
- 4.56 The Committee asked Defence how its broader activities to improve planning for estate maintenance fit with the move to GEMS.<sup>52</sup> Defence explained that GEMS is the new IT system planned to support the management of the estate and would provide:
- greater functionality than at present, including better integration with Defence's internal systems; and
  - better management information to assist in the decisions to be made regarding the operation of the estate.<sup>53</sup>
- 4.57 The Department highlighted that this system would provide better access to 'real-time data' to enable enhanced management of the estate. Defence noted that this was particularly important in the context of the 'harmonised legislation' [*Model Work Health and Safety Act*]<sup>54</sup> to be implemented on 1 January 2012.<sup>55</sup>
- 4.58 As outlined in the audit report, Defence's prioritisation of maintenance works is focused on 'maintaining significant Defence operational capabilities'. Each item of proposed work is also prioritised, with the highest priority given to works that would result in a breach of the *Occupational Health and Safety Act 1991* if not completed within the year.<sup>56</sup>

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50 Audit Report No. 41 2010-11, p. 42.

51 ANAO Audit Report No. 41 2010-11, pp. 42-43.

52 For a more detailed listing of the objectives of GEMS see ANAO Audit Report No. 41 2010-11, p. 83.

53 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

54 The objective of the *Model Work Health and Safety Act* is to provide for a nationally consistent framework for work health and safety across all jurisdictions. The Commonwealth along with the states and territories are required to enact laws that reflect the model health work and safety laws. For more information on the *Model Work Health and Safety Act*, see Safe Work Australia's website  
<<http://safeworkaustralia.gov.au/Legislation/ModelWHSAct/Pages/ModelWHSAct.aspx>>

55 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

56 ANAO Audit Report No. 41 2010-11, p. 18 and p. 87.

Further, the audit identified that adequate information relating to a number of elements including:

...satisfaction of OH&S requirements is required by decision makers when considering the level and distribution of resources for estate maintenance.<sup>57</sup>

## Occupational health and safety requirements

4.59 In response to the linkages draw by Defence, the Committee inquired how the Department was going to align its mid-June Defence estate strategy with the newly introduced health and safety arrangements. The Department told the Committee that it took the safety of its employees 'very seriously' and pointed out that managing risk and safety is already part of their daily business in their hundreds of locations and tens of thousands of buildings.<sup>58</sup>

4.60 Defence acknowledged though, that the new legislation created further motivations for the Department to make improvements, noting that:

The improvements that we are talking about are a multi-year challenge for us. We have to deal with safety in the workplace today and also deal with improving our systems, organisational arrangements and governance over a period of time.<sup>59</sup>

## Committee comment

4.61 The Committee is conscious of the contribution of the defence estate and the maintenance of its facilities to the wider defence force capability. Adequate funding, effective planning, robust management systems and high performing delivery of maintenance services are important to ensure the estate is maintained to required standards.

4.62 In considering the ANAO's report and evidence provided, the Committee remains concerned by the ANAO's findings of shortcomings in Defence's planning and delivery of maintenance services, and issues raised regarding funding shortfalls.

4.63 The Committee strongly supports the ANAO's recommendations and views the implementation of these recommendations by Defence as

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57 ANAO Audit Report No. 41 2010-11, p. 18.

58 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

59 Mr Lewis, Defence, *Committee Hansard*, Canberra, 21 September 2011, p. 5.

essential in order to drive improvements in Defence's planning and delivery of estate maintenance, as well as to help curtail further decline of the estate's useful life.

- 4.64 The Committee recognises the reform programs and reviews Defence is presently conducting. The Committee also acknowledges the Department's efforts to incorporate the implementation of the ANAO's recommendations within the development and execution of a wider Defence estate strategy. The Committee sees the development of a Defence estate strategy as an essential tool to provide better strategic direction for the overall management of the estate, including maintenance planning and delivery.
- 4.65 While Defence advised of a number of major reviews and new activities to support the implementation of the ANAO's recommendations, the Committee notes these were still in the early stages. In light of this, the JCPAA wishes to see the timely completion of these activities and the subsequent full implementation of the ANAO's recommendations. The Committee therefore expects Defence to report back to demonstrate this has been achieved.

### **Recommendation 3**

**Due to concerns raised by the Joint Committee of Public Accounts and Audit in regard to implementation timelines, the Committee recommends that following the tabling of this report, the Department of Defence provide updates on the implementation of the ANAO's recommendations as follows:**

- **an interim report within six months; and**
- **a full report within 12 months.**

**The reports to the Committee should address each recommendation and demonstrate how the outcomes of the reform, and review activities underway, have contributed to the implementation of the ANAO's recommendations.**