



Senator the Hon Robert Hill
Leader of the Government in the Senate
Minister for Defence



Mr Bob Charles
Chairman
Joint Committee of Public Accounts and Audit
R1-108 Parliament House
CANBERRA ACT 2600

15 APR 2002

Dear Mr Charles

I am responding to report number 385 of Joint Committee of Public Accounts and Audit (JCPAA), in particular to the recommendation the Committee made in response to the Australian National Audit Office (ANAO) report No. 22 Fraud Control in Defence.

The JCPAA recommended (No.3) that:

“The Department of Defence immediately implement the Australian National Audit Office recommendation that it develop a fraud intelligence capability to ensure better management of public funds and increase its ability to detect fraudulent activity in Defence.”

Since the issue of the JCPAA report, Defence has been surveying other Commonwealth non-policing agencies with a view to examining fraud intelligence models that could be used in Defence. I am advised it has been unable to locate any such models.

Defence has also communicated with the ANAO concerning what exactly is comprehended by the term fraud intelligence. It is clear from its reply that the term has been used in a general way and comprehends, for example, a systemic capacity to identify fraudulent activity and areas of risk, use of analytical techniques and audit tests and refinement of fraud risk assessment.

In this regard, I understand Defence has taken two significant initiatives since the ANAO audit was completed. It has adopted a revised approach to fraud risk assessment based on risk management standard AS/NZ 4360 of 1999 and all Groups in Defence have undertaken a fraud risk assessment using this new approach. This is the approach that was advocated in the ANAO report.

MARGOT



Senator the Hon Robert Hill
Leader of the Government in the Senate
Minister for Defence



Mr Bob Charles MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

15 APR 2002

Dear Mr Charles

Report 385 was the outcome of the review by the Joint Committee of Public Accounts and Audit of the Auditor-General's audit reports tabled in the second and third quarters of 2000-2001. One of the audit reports selected for review was Audit Report 26 into Defence Estate Facilities Operations (now Defence Infrastructure). Although the Committee heard evidence that Defence had made significant progress since the audit, it considered that there were still deficiencies and made two recommendations. The Defence response and progress towards achieving the recommendations is provided as follows:

RECOMMENDATION 4 - The Committee recommends that the Defence Estate Organisation facilitate the consolidation of Regional Estate Centre activities fully onto Defence Estate Management System.

Since the 2000 ANAO audit report was released, progress with consolidation of regional data onto the Defence Estate Management System (DEMS) is summarised as follows:

- Number of concurrent users has increased by 50% (156,000 user hours to 234,000 hours per annum) from December 2000 to February 2002.
- DEMS is the primary processing tool for processing of Regional Works with a 35% increase in Work Requests processed through the system from December 2000 to February 2002.
- Invoice report from DEMS ensures that only work (regional Facilities Operations (FACOPS)) carried out on the estate can be invoiced by contractors, thereby tracking expenditure details.
- Corporate Services and Infrastructure Group Finance Officers are using the new integrated DEMS/ROMAN data to manage the financial aspects of the regional works program.

- Management of the regional work program is now carried out through DEMS with both Infrastructure Division (ID) and contractor staff accessing and maintaining the same information. The number of projects managed under DEMS has risen from 2,000 to 10,000.
- 2,100 project documents are now stored against DEMS for use by regional project staff and contractors in the tendering and delivery of projects.
- Regional FACOPS bidding and budgeting for the annual works program is now being carried out through DEMS.
- DEMS is now the single source of Property/Site/Structure/Equipment information for management of the estate from a regional works perspective.

The following Defence agencies, external to ID, have started using DEMS in the last 12 months as an authoritative data source:

- Pinnacle Project for Information System Division – maintaining single property/structure numbering system.
- Contract Management Information System application for Service Delivery Division – use of DEMS property register.
- Army Headquarters for Army operated facilities.
- Army and Navy facilities and training for Unit location information.
- Australian Navy Patrol Boat group for Navy operated sites.
- E-Defence Corporate Directory for a single Property/Site/Structure authoritative data source.
- Joint Systems Support Agency assets database for a single property/structure authoritative data source.
- Defence Public Affairs for an accurate property register.

RECOMMENDATION 5 - The Committee recommends that Defence review its performance indicators for Defence Estate Organisation staff so that staff are encouraged to develop essential management and financial skills.

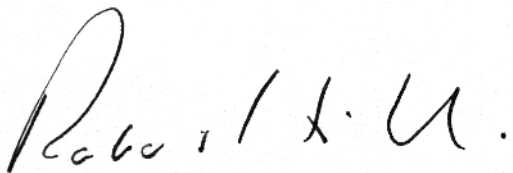
Since the 2000 ANAO audit report was released, progress with encouraging staff to develop essential management and financial skills is summarised as follows:

- Survey conducted of ID staff to ascertain the number of staff involved in the procurement process.
- Of the 192 survey responses received, 171 (89%) identified that they were involved in procurement activities.
- Of the survey respondents, 81 (47%) identified that they were involved in complex procurement with 20% acknowledging that they had been formally trained.
- Many personnel have undertaken a variety of procurement training courses, however, these were not considered by the survey respondents to meet or enhance the required Defence procurement skills.
- A revised Simple Procurement Competency course, to suit ID requirements, has been proposed to ensure that procurement staff will meet the minimum future skill and competency requirements.

- ID has undertaken to conduct a skills audit of the Capital Infrastructure Branch and the South Queensland and Victorian regional staff with the objective of ascertaining future skill needs. The Capital Infrastructure Branch is to be targeted as the highest priority and the two nominated regional offices are undergoing reorganisation.
- A skills audit and job profiling will be undertaken for the whole organisation. The consultancy acquisition process has commenced and the project is to be completed within three months.
- Staff development is to be enhanced through a targeting of the graduate recruitment program for new employees starting with the next intake cycle.

While progress has been made towards achieving the recommendations, specifically in relation to consolidation of the estate register and development of DEMS, development of staff management and financial skills to the required level will be a long term project.

Yours sincerely

A handwritten signature in black ink, appearing to read "Robert Hill". The signature is written in a cursive style with a large initial 'R'.

Robert Hill