



Australian Government

Department of Defence

ANNUAL REPORT 2004-05

DEFENDING AUSTRALIA AND ITS NATIONAL INTERESTS

Guide to the Report

The format and content of this annual report reflects the requirements developed by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit in June 2005 under subsections 63(2) and 70(2) of the *Public Service Act 1999*.

The *Defence Annual Report 2004-05* addresses the Department of Defence and the Australian Defence Force (ADF), which are collectively referred to as 'Defence'. The Department of Veterans' Affairs and the Defence Housing Authority, which are parts of the Defence Portfolio, have separate annual reports. The Australian Strategic Policy Institute, funded substantially by Defence, is a Government-owned company incorporated under the *Corporations Act 2001* and has a separate annual report.

Annual reports and portfolio budget and additional estimates statements are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio budget statements set out performance targets for departmental outputs. Portfolio additional estimates may contain revised targets and annual reports describe achievement against those targets.

In addition, Defence's annual reports are designed to link performance during the year under review with performance forecasts contained in the portfolio budget statements for the following year.

Style Conventions

The following notation may be used:

-	nil
n/a	not applicable (unless otherwise specified)
\$m	\$ million

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand or million. Discrepancies in tables between totals and sums of components are due to rounding.

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Australian Government
Department of Defence

Senator the Hon Robert Hill
Minister for Defence
Parliament House

04 NOV 2005

Dear Minister

We hereby present the annual report of the Department of Defence for the year ended 30 June 2005. This report has been prepared in accordance with Section 63 of the *Public Service Act 1999*.

Subsection 63(1) of the Act requires that our report to you be tabled in the Parliament.

The report summarises the performance of Defence for 2004-05, and includes other mandatory information required by legislation.

In accordance with Section 45 of the *Financial Management and Accountability Act 1997* and pursuant to Regulation 19 of that Act, we are satisfied that Defence has prepared appropriate fraud risk assessments and fraud control plans, and has in place appropriate fraud prevention, detection, investigation and reporting procedures and processes that meet the specific needs of Defence and comply with the Commonwealth Fraud Control Guidelines 2002.

Yours sincerely

Handwritten signature of R C Smith in black ink.

R C Smith AO, PSM
Secretary
Department of Defence

Handwritten signature of A G Houston in black ink.

A G Houston AO, AFC
Air Chief Marshal
Chief of the Defence Force



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Corrections to the Defence Annual Report

Cumulative Expenditure on Major and Medium Capital Facilities Projects

The cumulative expenditure figures for major and medium capital facilities projects as at 30 June 2004 were erroneously reported in the *Portfolio Additional Estimates Statements 2004-05* (pp. 33-4 and 41-4) and the *Defence Annual Report 2003-04* (pp. 241-2 and 250-53).

Major Capital Facilities Projects¹

	Cumulative Expenditure to 30 June 2004 \$m	Correct figure \$m
Richmond - RAAF Richmond Reinvestment	0.685	1.627

Medium Capital Facilities Projects²

	Cumulative Expenditure to 30 June 2004 \$'000	Correct figure \$'000
Holsworthy – Interim Special Forces Works	3,100	1,682
Townsville - Combat Training Centre (Live Simulation Range Storage and Maintenance Facility)	-	16
Bathurst Island – Tactical Air Defence Radar System	14	261
Katherine - RAAF Tindal - Vehicle Shelters	465	758
Darwin - Vehicle Shelters	850	558

Continued Commitment to High Priority People Initiatives

Table 5.20 - *High Priority People Initiatives* of the *Defence Annual Report 2003-04* incorrectly reported the variation between the total funding allocated and actual expenditure as \$3.122m. The correct figure was \$7.742m.

Advertising and Market Research

The correct amount paid to Worthington Di Marzio for Market Research in 2003-04 by the Public Affairs and Corporate Communication organisation was \$76,900. This figure was incorrectly reported on p. 474 of the *Defence Annual Report 2003-04* as \$38,450.

The columns in the following tables were incorrectly designated with the monetary value of \$'000. The correct designation was \$.

- Table 7.22 - *Total Advertising and Market Research Expenditure by Type of Agency* (p. 472)
- Table 7.23 - *Total Advertising and Market Research Expenditure by Group* (p. 472)

¹ Corrected figures marked in footnote 4 of Table 2.3 – *Approved Major Capital Facilities Projects by State and Federal Electorate* (p. 73).

² Corrected figure marked in footnote 4 of Table 2.5 – *Approved Medium Capital Facilities by State and Federal Electorate* (p. 81).

- Table 7.24 - *Particulars of Payments by Group for Advertising and Market Research* (pp. 473-477)

Consultancies

The number of consultancies reported in Table 7.20 - *Use of Consultancies by Defence Group* (p. 450 of the *Defence Annual Report 2003-04*) reported an incorrect number and total expenditure of consultancies used by Defence Materiel Organisation in 2003-04. The correct number was 107 contracts valued at \$3,932,722.

The following entries were erroneously omitted from previous annual reports due to incorrect coding of payments:

Name	Purpose	Total Amount Paid \$	Justification ⁽¹⁾
2002-03			
Intelligence and Security			
Value Creation Group	Development of a customer engagement and survey strategy	4,544	1
2001-02			
Intelligence and Security			
Value Creation Group	Development of a customer engagement and survey strategy	100,380	1
Strategy			
Value Creation Group	Development of a policy evaluation model	22,000	1
2000-01			
Corporate Service and Infrastructure			
Value Creation Group	Senior workshop facilitation for executive and the planning and design of regional workshops	73,091	1
Strategy			
Value Creation Group	Development of a policy evaluation model	32,361	1

Note

1. Justification 1 refers to specialised skills or services required not available within Defence.

Therefore, the total expenditure by Defence on consultants in:

- 2000-01 was \$6,072,021;
- 2001-02 was \$7,693,455; and
- 2002-03 was \$14,705,418.