

## PROGRAM FOURTEEN: FINANCE AND INSPECTOR-GENERAL

### OBJECTIVES

The objectives of the Program are:

- a. to provide resource management, financial and accounting policies and services to achieve the proper and most cost-effective use of Defence resources;
- b. to develop a resource planning and budgeting program which accords with Government strategic and resource policies and priorities and which maximises Defence outputs;
- c. to develop Portfolio performance evaluation and reporting so that they are more informative, accurate, comprehensive and strategic in focus;
- d. to provide effective, timely and responsive support to Ministers, Cabinet and Parliament;
- e. to oversee the implementation of the Commercial Support Program;
- f. to improve the skills of Defence staff in the areas of ethics, performance improvement and market testing, security practices and the conduct of evaluations; and
- g. to assess, manage and thwart security threats to the Defence organisation.

### DESCRIPTION

The Finance and Inspector-General Program develops policy on, and provides corporate services in, financial resource management, administration and accounting for Defence; independent program evaluation and management audit fraud control and investigation; physical, personnel, computing and project security; ministerial support and parliamentary liaison; and oversight of the Commercial Support Program.

The Program is managed by the First Assistant Secretary Resources and Financial Programs. The Program comprises two Sub-Programs:

- 14.1 Resources and Financial Programs: provides financial resource planning, policies, management and reporting; accounting policies, management and associated systems; and ministerial and parliamentary support services for the Defence organisation.
- 14.2 Inspector-General: conducts audits and evaluations; investigates fraud, assesses related trends and promotes ethical behaviour; guides the implementation of the Performance Improvement Cycle and Commercial Support Program; provides security policy and some security services to the Defence organisation; and coordinates Portfolio responses to the Parliament, external agencies and industry as required.

## **STRATEGIES FOR 1998-99**

In pursuit of Defence and Program objectives, Finance and Inspector-General Program will:

- a. maintain a high level of performance in financial resource management, and contribute to the most effective and appropriate use of resources to ensure maximisation of Defence outputs;
- b. manage successfully the budgetary, resource allocation, in-year expenditure and accounting processes;
- c. provide high-quality, timely and responsive policy advice on Portfolio financial resource issues that meet the needs of senior managers and Ministers;
- d. manage and provide specialist advice on the implementation of major reforms in government financial management and accounting, including the introduction of accrual-based output management;
- e. re-engineer existing processes and integrate new resource management initiatives into ongoing business processes;
- f. provide high-quality support and external reporting services that meet the needs of Ministers, Cabinet and Parliament;
- g. develop advice to Defence managers on the basis of a program of national, regional, functional and commanders' audits, the findings of fraud investigations and fraud risk and ethics research;
- h. provide policy and implementation guidance with respect to the Performance Improvement Cycle and the Commercial Support Program; and
- i. manage Defence security-related matters by developing security policy and standards; providing security advice and related services; and providing threat assessments.

## **PERFORMANCE MEASURES FOR 1998-99**

The extent to which:

- a. corporate financial resource planning and in-year outlay management processes enable the effective and efficient use of resources;
- b. Defence financial processes and accounting meet the needs of Defence managers and statutory, audit and Government requirements;
- c. Defence Budget and external reporting processes and support services meet the needs of Ministers, Cabinet and Parliament;
- d. management is improved and resources are used more effectively and efficiently as the result of performance evaluation and reporting;

- e. the coverage and usefulness of Program training and education initiatives within the Defence organisation increases; and
- f. Defence security policies and practices manage the assessed threats to the Defence organisation.

## **PERFORMANCE FORECASTS FOR 1998-99**

Finance and Inspector-General Program will:

- successfully manage the budgetary, resource allocation, in-year management and accounting processes, including refinement of the processes to meet strategic management needs and to focus on accrual-based output management;
- oversight the resource aspects of the implementation of the Defence Reform Program, including the tracking of savings and reallocation;
- continue provision of timely and responsive support to Ministers, Cabinet and Parliament, including meeting statutory and reporting requirements;
- continue development and implementation of an enhanced performance and resource management framework, including responding to the requirements of major resource initiatives and developing and enhancing corporate resource management information systems;
- manage the design and delivery of financial training and education to meet the needs of Programs, including in relation to revised resource management responsibilities and accountabilities;
- deal with allegations of fraud fairly, professionally and expeditiously;
- inform ethics promotion and fraud prevention activities and products by research as well as policy development in relevant areas;
- undertake successfully a comprehensive program of audits based on risk criteria and client requests;
- manage the Defence market testing program and implementation of the Performance Improvement Cycle to meet agreed targets; and
- develop Defence security policies and practices to meet assessed threats, with increasing integration of security activities across the Portfolio.

## RESOURCES

**Table 14.1: Defence Function Outlays Summary**

Sub-Program	1997-98	1997-98	1997-98	1998-99	Variation	
	Budget	Revised	Estimated	Budget	98-99 Budget less	
	Estimate	Estimate	Outcome	Estimate	97-98 Outcome	
	\$'000	\$'000	\$'000	\$'000	\$'000	%
14.1 Resources and Financial Programs	22,457	21,281	24,523	-13,811	-38,334	-156.3
14.2 Inspector-General	28,503	29,049	28,927	28,034	-893	-3.1
<b>Program Total</b>	<b>50,960</b>	<b>50,330</b>	<b>53,450</b>	<b>14,223<sup>(1)</sup></b>	<b>-39,227</b>	<b>-73.4</b>

**Note:**

- This includes a net variation of -\$50.1m related to management of Defence's Fringe Benefits Tax liability and a \$12.2m variation related to Accrual Accounting and Reporting systems requirements.

**Table 14.2: Staffing Summary**

Sub-Program	1997-98	1997-98	1997-98	1998-99	Variation		
	Budget	Revised	Estimated	Budget	98-99 Budget less		
	Estimate	Estimate	Outcome	Estimate	97-98 Outcome		
	Personnel Numbers						%
14.1 Resources and Financial Programs	184	184	185	170	-15	-8.1	
14.2 Inspector-General	224	229	222	215	-7	-3.2	
<b>Program Total</b>	<b>408</b>	<b>413</b>	<b>407</b>	<b>385</b>	<b>-22</b>	<b>-5.4</b>	

**Table 14.3: Staffing Profile**

Personnel		Sub-Program		
		14.1	14.2	Total
Permanent Force	97-98 Revised		28	<b>28</b>
	97-98 Estimated		28	<b>28</b>
	98-99 Budget		26	<b>26</b>
Civilian	97-98 Revised	184	201	<b>385</b>
	97-98 Estimated	185	194	<b>379</b>
	98-99 Budget	170	189	<b>359</b>
<b>Total Personnel</b>	<b>97-98 Revised</b>	<b>184</b>	<b>229</b>	<b>413</b>
	<b>97-98 Estimated</b>	<b>185</b>	<b>222</b>	<b>407</b>
	<b>98-99 Budget</b>	<b>170</b>	<b>215</b>	<b>385</b>

**Table 14.4: Defence Portfolio Outlays Summary**

Division/Appropriation Item	1997-98	1997-98	1997-98	1998-99	Variation	
	Budget	Revised	Estimated	Budget	98-99 Budget less	
	Estimate	Estimate	Outcome	Estimate	97-98 Outcome	%
	\$'000	\$'000	\$'000	\$'000	\$'000	%
180-01 RUNNING COSTS						
Service Personnel	1,895	1,891	1,931	1,892	-39	-2.0
Civilian Personnel	21,633	22,104	22,966	21,404	-1,562	-6.8
Administrative Expenses	41,362	42,875	45,881	22,465	-23,416	-51.0
180-02 OTHER SERVICES	2,037	400	2,087	2,096	9	0.4
181 EQUIPMENT & STORES	1,899	5,432	2,957	15,180	12,223	413.4
183 DEFENCE PRODUCTION	205					
<b>Total Defence Function Appropriations (A)</b>	<b>69,031</b>	<b>72,702</b>	<b>75,822</b>	<b>63,037</b>	<b>-12,785</b>	<b>-16.9</b>
<b>Total Defence Function Receipts (Offset Within Outlays) (B)</b>	<b>-18,071</b>	<b>-22,372</b>	<b>-22,372</b>	<b>-48,814</b>	<b>-26,442</b>	<b>118.2</b>
<b>Total Defence Function Outlays (A+B)</b>	<b>50,960</b>	<b>50,330</b>	<b>53,450</b>	<b>14,223</b>	<b>-39,227</b>	<b>-73.4</b>

### Defence Reform Program

Savings in the Finance and Inspector-General Program relate primarily to reductions to administrative contractor and computing support functions, particularly in regional elements of the Inspector-General Sub Program. Additional efficiencies have also been achieved in travel costs and the security function. Total Portfolio savings for Fringe Benefits Tax are shown against Finance and Inspector-General Program.

**Table 14.5: Estimated Cumulative DRP Savings <sup>(1)</sup>**

Category (\$m)	1998-99	1999-00	2000-01	2001-02	Mature
Logistics		0.1	0.3	0.5	0.5
Administrative Support	0.5	1.1	1.7	2.1	4.1
<b>Sub Total</b>	<b>0.5</b>	<b>1.2</b>	<b>2.0</b>	<b>2.5</b>	<b>4.5</b>
Fringe Benefits Tax	16.2	29.9	48.3	53.2	58.1
<b>Total</b>	<b>16.7</b>	<b>31.1</b>	<b>50.3</b>	<b>55.8</b>	<b>62.7</b>

**Note:**

- Totals may not add due to rounding.

**Table 14.6: Estimated Cumulative DRP Personnel Savings**

Category	1998-99		1999-00		2000-01		2001-02		MATURE	
	ADF	APS	ADF	APS	ADF	APS	ADF	APS	ADF	APS
Logistics		2		6		10		10		10
Administrative Support		8		12		16		16		16
<b>Total</b>		<b>10</b>		<b>18</b>		<b>26</b>		<b>26</b>		<b>26</b>

**Table 14.7: Explanation for Major Variations**

Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 14.4	(\$'000)	%
<b>Defence Function Outlay (1997-98 Estimated Outcome)</b>	<b>53,450</b>	
<b>180-01 RUNNING COSTS</b>		
<i>Service Personnel</i>		
<b>Real Variations</b>		
Increased provision associated with ADF Workplace Bargaining Agreement	54	
Reduced provision for allowances	-16	
Variations in Accrual Based Superannuation payments resulting from the impact of pay increases, revised Employer Contribution Rates and movements in average staffing levels	-8	
Variation in 3% Productivity Benefits payments resulting from movements in average staffing levels and changes in per capita rates, including the impact of pay increases	1	
Variation to rank profile structure following the refinement of post-DRP Program structures and Service personnel baselines	-56	
<b>Transfers</b>		
Transfer of Living Out Allowance to Program 8 arising from the Housing and Accommodation Policy Review	-14	
<b>Total Service Personnel</b>	<b>-39</b>	<b>-2.0</b>
<i>Civilian Personnel</i>		
<b>Real Variations</b>		
Net savings from staff reductions in 1997-98	-1,649	
Variations in Accrual Based Superannuation payments resulting from the impact of pay increases, revised Employer Contribution Rates and movements in average staffing levels	47	
Variation in 3% Productivity Benefits payments resulting from movements in average staffing levels and changes in per capita rates, including the impact of pay increases	27	
Miscellaneous minor variations	13	
<b>Total Civilian Personnel</b>	<b>-1,562</b>	<b>-6.8</b>

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 14.4</b>	<b>(\$'000)</b>	<b>%</b>
<i>Administrative Expenses</i>		
<b>Real Variations</b>		
Reduced Fringe Benefits Tax provision primarily associated with reduced housing liability (due to decreased personnel numbers) and reduced loans liability	-23,928	
Non-recurrence of provision for security vetting system (completed 1997-98) and reduction in administrative support associated with efficiencies resulting from this system	-1,155	
Increased provision for Guarding Services	584	
Reduced provision for the introduction of the Resource Information Management System	-450	
Reduced provision for contractor support for Release 4 of the Defence Financial Management and Information System	-158	
Reduced provision for implementation of Accrual Accounting	-642	
Miscellaneous minor variations	-135	
<b>DRP Savings</b>		
Related to Administrative Support	-418	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange rate parameters	2,886	
Total Administrative Expenses	-23,416	-51.0
<b>180-02 OTHER SERVICES</b>		
<b>Real Variations</b>		
Miscellaneous minor variations	8	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange rate parameters	1	
Total Other Services	9	-0.4
<b>181-00 EQUIPMENT AND STORES</b>		
<b>Real Variations</b>		
Increased provision for implementation of a financial management system to meet accrual budgeting, accounting and reporting requirements	12,160	
Miscellaneous minor variations	130	
<b>DRP Savings</b>		
Related to Administrative Support	-130	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange rate parameters	63	
Total Equipment and Stores	12,223	413.4
<b>Total Defence Function Appropriations Variation (A)</b>	<b>-12,785</b>	<b>-16.9</b>

<b>Explanation for Variations Between 1997-98 Estimated Outcome and 1998-99 Budget Estimate Contained in Table 14.4</b>	<b>(\$'000)</b>	<b>%</b>
<b>DEFENCE RECEIPTS</b>		
<b>Real Variations</b>		
Refund from the Australian Taxation Office for the 1997-98 Fringe Benefits Tax Return	-26,178	
Decrease in anticipated refunds for finalised Foreign Military Sales procurement cases.	3,346	
Miscellaneous minor variations	-2	
<b>Price/Exchange Variations</b>		
Movement from 1997-98 Budget to 1998-99 price and exchange rate parameters	-3,608	
<b>Total Defence Receipts Variation (B)</b>	<b>-26,442</b>	<b>118.2</b>
<b>Total Defence Function Outlay Variation (A+B)</b>	<b>-39,227</b>	<b>-73.4</b>
<b>TOTAL DEFENCE FUNCTION OUTLAY (1998-99 BUDGET ESTIMATE)</b>	<b>14,223</b>	