



# DEFENCE

ANNUAL REPORT

# 2014–15

**Volume One**  
Performance, governance  
and accountability

# User guide

## Purpose of the annual report

This report covers the Department of Defence, the Australian Defence Force and the Defence Materiel Organisation—collectively known as Defence. The Department of Veterans’ Affairs and Defence Housing Australia, which are parts of the Defence portfolio, have separate annual reports.

Portfolio Budget Statements, Additional Estimates Statements and annual reports are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio Budget Statements set out performance targets for departmental programmes, Portfolio Additional Estimates Statements may contain revised targets, and annual reports describe achievement against the targets. Annual reports are designed to link performance during the year under review with performance and financial forecasts contained in the Portfolio Budget Statements for the following year. This report covers the period 1 July 2014 to 30 June 2015.

## Report structure

The report is structured according to annual report requirements published by the Department of the Prime Minister and Cabinet. The report is published in two volumes for ease of access.




### Volume One: Performance, governance and accountability

**Part One** provides an overview of Defence, its structure and its strategic direction.

**Part Two** discusses performance against each of Defence’s programmes.

**Part Three** provides details of organisational governance and accountability.

The programme deliverables and key performance indicators tables in chapters 3, 4 and 5 are assessed using the key system shown below.

Key		Description
Met		All targets for 2014–15 were met or exceeded.
Substantially met		Targets were mostly met and any issues were being managed.
Partially met		Some targets were met and any issues were being managed.
Not met		No or minimal progress was made against targets.

### Volume Two: Audited financial statements

This volume contains the audited financial statements.

## Online content

An electronic version of this report and supplementary content that includes additional detailed information can be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports). Supplementary content is shown in *grey bold italics* in the text of this report.



**Australian Government**  
**Department of Defence**

Senator the Hon Marise Payne  
Minister for Defence  
Parliament House  
Canberra ACT 2600

Dear Minister

We present the *Defence Annual Report 2014–15* for the year ended 30 June 2015. The 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 Parliament.

Consistent with section 10 of the Public Governance, Performance and Accountability Rule 2014, we certify that we are satisfied that Defence has prepared fraud risk assessments and fraud control plans and has in place appropriate fraud prevention, detection, investigation, recording and reporting mechanisms that meet the specific needs of the department, and that Defence has taken all reasonable measures to appropriately deal with fraud relating to the department.

Yours sincerely

Handwritten signature of Dennis Richardson in black ink.

**Dennis Richardson**  
Secretary  
9 October 2015

Handwritten signature of Mark Binskin in black ink.

**Mark Binskin, AC**  
Air Chief Marshal  
Chief of the Defence Force  
9 October 2015

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**PART ONE**  
DEFENCE OVERVIEW





# 1

## CHAPTER ONE

### Reviews by the Secretary and the Chief of the Defence Force





Secretary of the Department of Defence  
Dennis Richardson

## Secretary's review

The past year has been dominated by:

- a continued high operational tempo
- the White Paper and Force Structure Review
- the First Principles Review, which is leading to far-reaching organisational change
- major procurement decisions
- continued cultural reform.

Air Chief Marshal Binskin's review highlights the continuing demands on the Australian Defence Force (ADF), including at short notice in response to MH17 and disasters such as Cyclone Pam in Vanuatu. Defence civilians work with the ADF in such situations through the professional provision of critical enablers such as intelligence, facilities, logistics, communications, and financial and people services.

An integrated team of Defence civilians and ADF personnel, led by the Deputy Secretary Strategy, Peter Baxter, has been working on a White Paper, a Defence Industry Statement, and a Force Structure Review since 2014. With the essential challenge of better aligning money and capability, the Government has sought independent cost assurance for all significant capability requirements. The Force Structure Review, the first since 2008–09, will provide the platform for a fully costed 10-year integrated investment plan and a program of work stretching out to the 2030s and 2040s.

The First Principles Review, led by the former managing director of Rio Tinto Australia, David Peever, was presented to the Government and released publicly in April 2015. It was highly critical of the way the department operates and recommended far-reaching changes to organisational structures and processes under the theme of One Defence. Seventy-five of the 76 recommendations were accepted in whole or in principle.

Consistent with the review's recommendations, the department developed a two-year implementation plan beginning on 1 July 2015. Implementation is being overseen by a board, chaired by David Peever, which reports directly to the Minister for Defence and the Government.

Among the major changes so far implemented are:

- a new ministerial directive to the CDF and the Secretary setting out shared and individual responsibilities and accountabilities
- folding the former Defence Materiel Organisation into the department as the Capability Acquisition and Sustainment Group. The big changes relating to workforce composition, shared services, acquisition and engagement with industry, however, will not flow through until 2016–17
- the creation of a smaller Defence Committee, a Business Enterprise Committee chaired by the Associate Secretary, Brendan Sargeant, and an Investment Committee chaired by the Vice Chief of the Defence Force, Vice Admiral Ray Griggs
  - in simple terms, the Business Enterprise Committee is overseeing day-to-day management while the Investment Committee is looking to the future. The latter has assumed responsibility for ICT and estate/infrastructure investment, and will assume responsibility for capability investment in the first part of 2016.

The new capability development process is still being developed and will not become operational until the contestability function is finalised. This process is central to the First Principles Review and involves a fundamental shift in the way business is done within Defence.

At the same time as implementing the First Principles Review, the department continues to downsize. The department's public service full-time equivalent staff has now reduced from around 22,300 in mid-2012 to just over 18,300 in September 2015. On top of that, a voluntary redundancy programme has been initiated for senior executive and executive level staff. It is likely that the department's APS workforce will be stabilised in absolute numbers by around mid-2016. Beyond that, however, there will remain challenges in establishing the right mix of skills, especially in the new Capability Acquisition and Sustainment Group and in the Strategic Policy and Intelligence Group.

We hope to be able to finalise over the next little while an agency bargaining offer to Defence public servants, especially given the lapse in time from the last salary increase and the wide-ranging reforms being implemented across the department.

In February 2015 the Government established a competitive evaluation process to determine a design partner for the future submarines. French, German and Japanese entities were invited to submit proposals. These will be received towards the end of 2015, with the evaluation completed in the first half of 2016. The Government has also announced that it is bringing forward the construction of the future frigates and offshore patrol vessels, with a continuous build program in Adelaide for the frigates.

As part of the cultural change embedded in *Pathway to Change: Evolving Defence Culture*, and consistent with the First Principles Review, the department has revised its performance management process for SES officers, with an emphasis on behaviours. A 360-degree feedback scheme is also being introduced for the SES. It is hoped that these changes will work to reinforce the business changes flowing from the introduction of formalised contestability.

During the course of the year, good progress continued to be made in the recruitment of Indigenous Australians and people with disability. We made little progress in changing the gender balance of the workforce, although we continue to pursue initiatives.

Finally, the department continued to provide a range of policy advice to the Government on matters relating to Iraq, Afghanistan, the South Pacific, South-East and North-East Asia and in respect of other areas in which we have important Defence interests.

I thank all Defence public servants for their continued professional approach to their work and to the far-reaching changes being implemented across the department. I also acknowledge the contribution of contractors and service providers whose work often goes unacknowledged.



## Chief of the Defence Force's review

The end of the 2014–15 financial year coincides with the end of my first year as Chief of the Defence Force and the culmination of one of the most unpredictable periods in our recent history. Australian Defence Force (ADF) personnel and assets were still engaged in the search for missing Malaysia Airlines flight MH370 in the Southern Indian Ocean off Perth, when Malaysia Airlines flight MH17 was shot down over Ukraine, killing all 298 people on board, including 38 Australian residents. The ADF worked closely with Australian Federal Police colleagues as part of Operation Bring Them Home to complete the sombre task of returning victims to their families in Australia. The following month we began humanitarian aid drops to Iraqi civilians trapped in the country's north and, by mid-September, our Air Task Group was in the Middle East, awaiting government approval to commence air strikes against Daesh in Iraq.

At the Iraqi Government's request, the Air Task Group has conducted regular air strikes since October. In that time, the F/A-18A Hornet and F/A-18F Super Hornet combination has flown more than 5,000 hours, employing more than 400 precision weapons against Daesh targets. These operations are part of the international coalition's air campaign supporting Iraqi Security Force operations on the ground. The combination of Australian strike aircraft, tankers and airborne early warning aircraft make this Air Task Group one of the most capable air packages the ADF has ever deployed. It is also the first completely self-contained Air Task Group we have deployed, with the E-7A AEW&C Wedgetail completing more than 100 operational sorties and the KC-30A air-to-air refuelling team delivering 25 million pounds of fuel to Australian and coalition aircraft. In addition to the dozens of sorties into Iraq to deploy and sustain ADF personnel, Royal Australian Air Force C-17A Globemaster and C-130J Hercules aircraft conducted six military stores deliveries to support local forces and delivered more than 40 tonnes of much-needed humanitarian supplies to displaced civilians.

In addition to the Air Task Group, around 300 ADF personnel are now deployed in Iraq on the Building Partner Capacity mission. Together with their New Zealand counterparts, Task Group Taji provides regular Iraqi Army soldiers with additional training in a range of military skills as well as in the laws of armed conflict and leadership. In the Iraqi Army's 76th Brigade Commander's words, the first 700 soldiers graduated on 28 June 'ready to reclaim their country and take the fight to Daesh'.

This critical training mission is complemented by our 170-strong Special Operations Task Group, which continues to advise and assist the Iraqi Counter-Terrorism Service, helping it to prepare and plan operations, joint fires, air support and artillery. Known collectively as Operation Okra, these missions demonstrate the ADF's ability to prepare and deploy to Iraq at short notice; a testament to the skill and professionalism of our people and the calibre of our training.

These new operations in Iraq have not come at the expense of our ongoing commitment in Afghanistan, where approximately 400 ADF personnel are deployed on the North Atlantic Treaty Organization (NATO)-led mission Resolute Support. Following the end of combat operations in December 2014, the Afghan National Defense and Security Forces (ANDSF) assumed sole responsibility for the nation's security. The ANDSF has proven to be a capable and resilient force, but it will continue to face challenges. That is why Australia, in cooperation with the international community, continues to train, advise and assist the ANDSF to further develop leadership, mainly

through the Afghan National Army Officer Academy in Kabul and the 205th Corps Coalition Advisory Team in Kandahar. In addition to Resolute Support, ADF personnel were deployed in force protection, medical and intelligence roles, as well as embedded in headquarters, meaning Australia remains one of the largest non-NATO contributors in Afghanistan.

Australia is also at the forefront of international maritime operations in the Middle East region where, over the past two years, Royal Australian Navy ships have seized more than \$2.2 billion in illegal narcotics that would have been used to fund terrorist activities around the world. The Navy also forged new territory when HMAS *Success* became the first Australian ship to participate in a NATO maritime operation on joining Operation Ocean Shield, extending her counter-piracy mission in the Gulf of Aden and off the Horn of Africa. *Success* also provided logistic support and replenished supplies for both the US Fifth Fleet's Task Force 53 and international ships assigned to the Combined Maritime Force.

ADF operations across the Middle East region are supported from the ADF's National Command and Support Element—Joint Task Force 633. Around 400 personnel provide vital national command, communications and logistics support to multiple operations across Iraq, Afghanistan and the Gulf States.

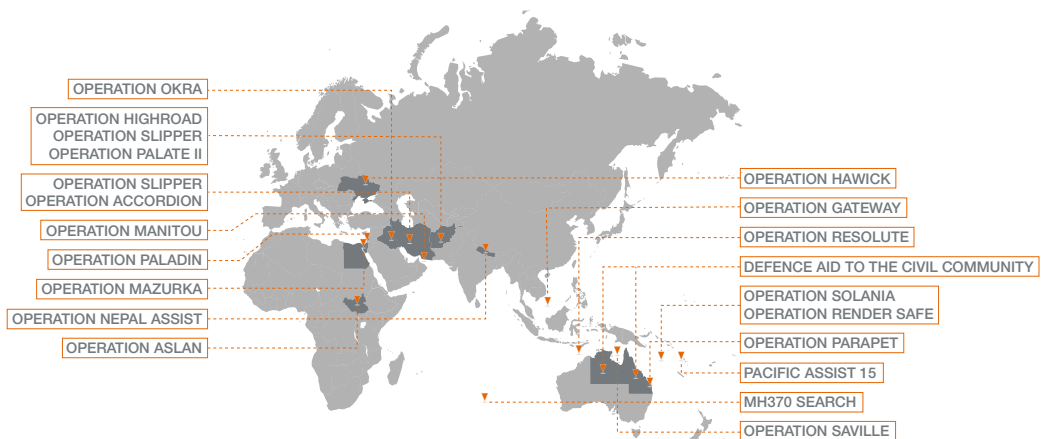
In addition to these major operations, ADF personnel have made an important contribution with the Multinational Force and Observers under Operation Mazurka in the Sinai as well as performing valuable work with the United Nations missions in Israel and Lebanon (Operation Paladin), and in South Sudan (Operation Aslan).

In our own region, the ADF continued to provide people and assets over the past year to conduct maritime border protection operations. In addition to our ongoing commitment to Operation Resolute, the ADF has undertaken regular maritime surveillance and reconnaissance patrols in the South-West Pacific region (Operation Solania) and the South China Sea and northern Indian Ocean (Operation Gateway) to support and maintain regional stability.

As a result of our work at home and abroad (see Figure 1.1), the ADF is acknowledged internationally as one of the most responsive, capable and hard-working defence forces in the world. Those qualities are never more evident than in our work on humanitarian and disaster relief operations. In February 2015, Defence provided approximately \$4.95 million in assistance and 130 personnel to the relief and recovery efforts in Queensland following Tropical Cyclone Marcia. At the same time Defence provided assistance to the Northern Territory after Cyclone Lam hit the Gove Peninsula area.

Just four weeks later, Cyclone Pam destroyed large swathes of Vanuatu, and in April a devastating earthquake struck Nepal. On each occasion, the ADF deployed with people and equipment to deliver vital supplies and to help grateful residents clean up and rebuild shattered communities. This work highlights not only our proficiency but also the compassion of our people and their genuine desire to help. The messages of thanks we received for our work on these operations makes me proud to command the ADF.

Figure 1.1: **ADF operations during 2014–15**



# 2

## CHAPTER TWO

### Departmental overview



## Role

The primary role of Defence is to defend Australia against armed attack and to be able to deploy more widely in pursuit of Australia's national security interests. Australia's defence policy is founded on the principle of self-reliance in the direct defence of Australia, but with a capacity to do more where there are shared interests with partners and allies.

## Mission

The Australian Defence Force (ADF) is constituted under the *Defence Act 1903* and its mission is to defend Australia and its national interests. In fulfilling that mission, the ADF serves the Australian Government of the day and is accountable to the Australian Parliament, which represents the Australian people, for efficiently and effectively carrying out the Government's defence policy.

## Values

Defence Australian Public Service (APS) employees conduct their duties in accordance with the Values and Code of Conduct presented in the *Public Service Act 1999*. The ADF—the Navy, the Army and the Air Force—has service-specific codes of conduct and values.

In addition to the APS and single-service values, specific Defence values provide a common and unifying thread for all people working in Defence. These values are:



### Professionalism

Striving for excellence in everything we do



### Loyalty

Commitment to each other and Defence



### Integrity

Doing what is right



### Courage

The strength of character to honour our convictions (moral courage) and bravery in the face of personal harm (physical courage)



### Innovation

Actively looking for better ways of doing our business



### Teamwork

Working together with respect, trust and a sense of collective purpose

# Portfolio structure

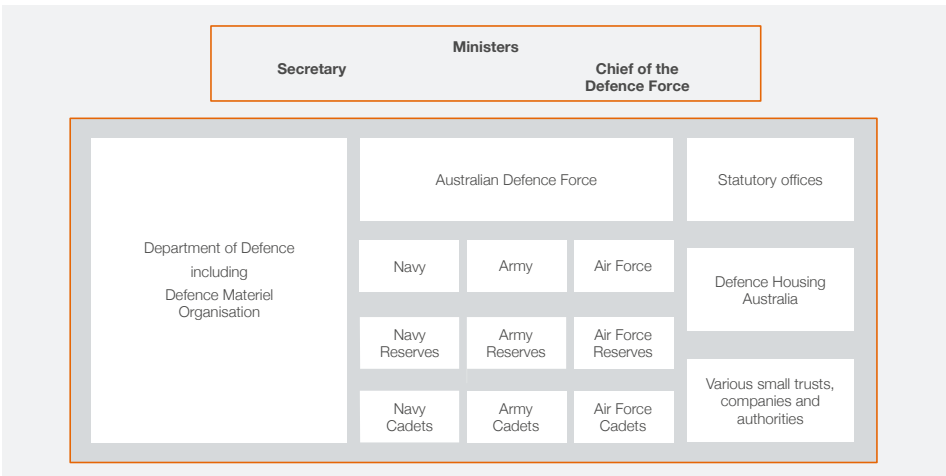
The Defence portfolio consists of a number of component organisations that together are responsible for supporting the defence of Australia and its national interests. The most significant bodies are:

- the Department of Defence—a department of state headed by the Secretary of the Department of Defence
- the ADF—commanded by the Chief of the Defence Force (CDF) and consisting of the three Services, which are commanded by Service Chiefs
- the Defence Materiel Organisation (DMO)—a listed entity headed by a Chief Executive Officer. As recommended in the First Principles Review, Defence began action to remove DMO as a listed entity as of 1 July 2015 and to integrate it into the Department of Defence.

The portfolio contains a number of smaller entities, including the Australian Strategic Policy Institute, and a number of statutory offices created by the Defence Act, *Defence Force Disciplinary Act 1982*, *Naval Defence Act 2010* and *Air Force Act 1923*.

The Defence portfolio structure is shown in Figure 2.1.

Figure 2.1: Defence portfolio structure as at 30 June 2015

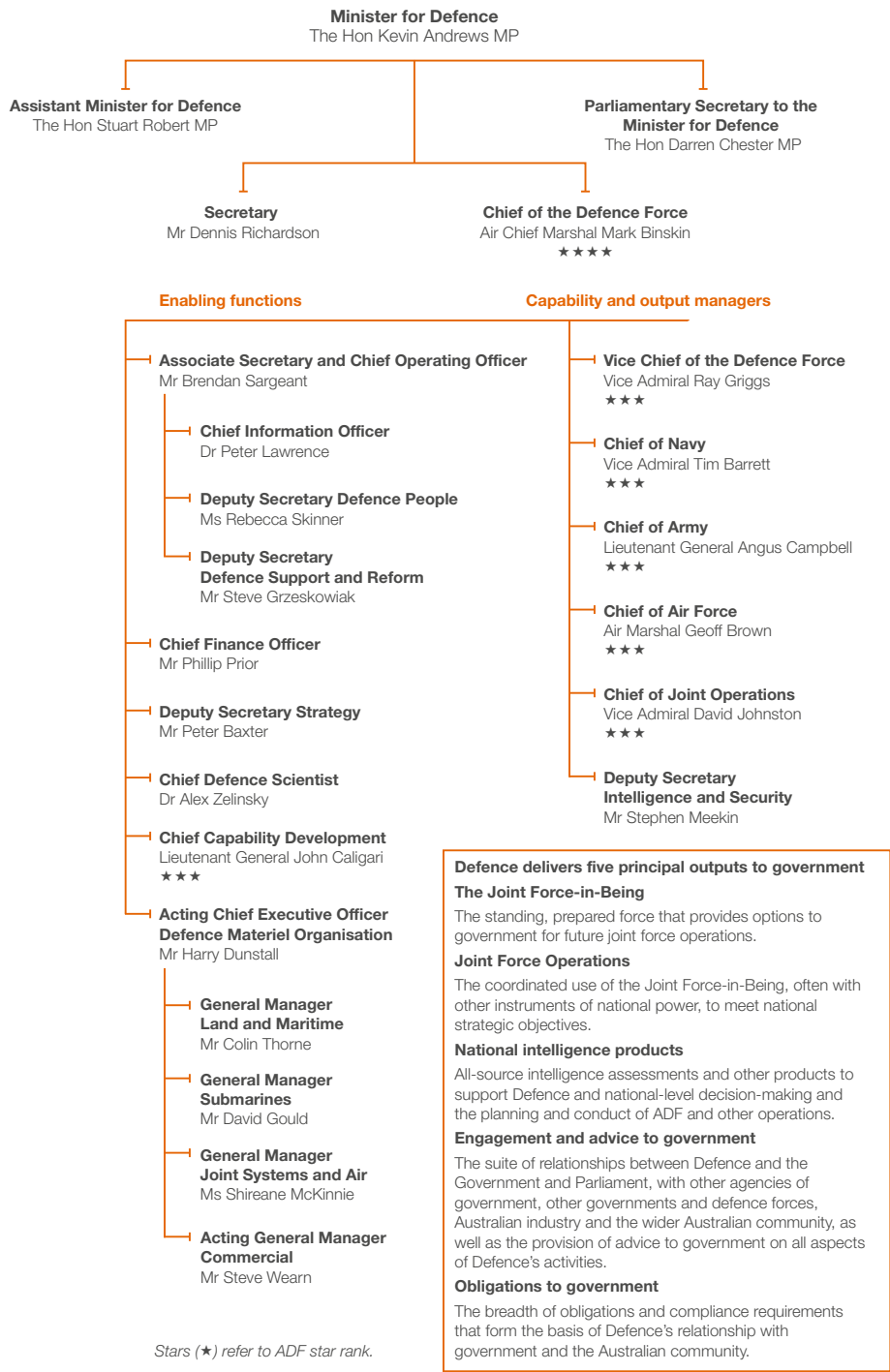


# Organisational structure

The joint leadership of Defence by the Secretary and the CDF is known as the ‘diarchy’. The diarchy reflects the individual and joint responsibilities and accountabilities of the Secretary and the CDF through directions given by the Minister for Defence. Figure 2.2 shows Defence’s organisational structure at 30 June 2015.

Defence reports against its programmes under four outcomes—three for Defence and one for the DMO. See the inside front cover for a detailed structure of Defence outcomes and programmes.

Figure 2.2: Defence organisational structure as at 30 June 2015



## Australian technology helps Afghan forces counter improvised explosive devices

In areas of Afghanistan, insurgents have been using improvised explosive devices (IEDs) as their weapon of choice against both the Australian Defence Force and its coalition partners. In response to this challenge, Defence's Counter-IED Task Force sponsored the Redwing programme to meet an identified need of the Afghan National Defense and Security Forces.

The Defence Science and Technology Organisation (DSTO) was tasked to develop unique, low-cost, robust and lightweight force protection counter-IED systems. DSTO designed the systems to meet the challenging requirements set by the task force, including intended use by Afghan military and police units in austere operating environments, with minimal operator training and limited logistical support.

DSTO was able to produce the pre-production prototypes in only a few months, thanks to its deep technical expertise and scientific knowledge of the threat environment developed through many years of investment in counter-IED research and development programmes.

Two devices were developed to defeat specific classes of persistent remote-controlled IED threats: the Greengum version for use by dismounted elements and the Greygum version for fitting to light vehicles. Prototypes were initially developed by DSTO's Cyber and Electronic Warfare Division and were field-tested both locally and internationally. Due to extremely tight delivery schedules, pre-production prototypes were then developed and tested by DSTO's Scientific Engineering Services in readiness for their immediate mass production.

The Australian Military Sales Office coordinated with DSTO and a number of Australian companies

### FEATURE



The Minister for Defence, the Hon Kevin Andrews MP, announces Australian industry partners who worked with the Department of Defence to provide force protection systems to the Afghan National Defense and Security Forces to counter radio-controlled improvised explosive devices during a press conference at Russell Offices, Canberra.

for the mass production of both types of devices, with DSTO acting as the technical authority during production. Based on sales to Afghanistan, millions of dollars were invested into Australian industry, resulting in more than 100,000 units being manufactured over an accelerated five-month production schedule. These units have now all been delivered to the Afghan National Defense and Security Forces and are being deployed across the country.

At a press conference in mid-June, the Minister for Defence, the Hon Kevin Andrews MP, announced the delivery of the counter-IED equipment to Afghanistan.

'Australia was very pleased to provide these force protection systems to the Afghan forces as they work to ensure the security of the Afghan people', Mr Andrews said.

This project has been an excellent example of the close collaboration between a number of Defence teams and Australian industry partners in successfully transitioning innovative DSTO technology from concept phase to production, resulting in the delivery of a life-saving capability.

## Strategic direction

In 2015–17, major whole-of-organisation reform will shape Defence's future.

The implementation of the First Principles Review will move Defence to a single, integrated organisation that delivers enhanced joint capability (see Chapter 7). Recommendations from the review will be implemented over the next two years.

The Defence White Paper will present an affordable and achievable long-term plan for meeting Australia's defence objectives that aligns strategy, capability and resources. It will set out Australia's planned capability acquisitions for the coming decades, including investment in infrastructure, personnel and information technology systems that are critical to maximising the ADF's effectiveness as an integrated joint force. Finally, it will focus on Defence's role as an element of a broader national approach to addressing Australia's future challenges.

Through the White Paper, the Government will clearly define the scope of the tasks it expects Defence to perform to defend Australia and its national interests.

In support of the White Paper, a fully costed review of force structure is underway to design a more capable and agile ADF that is equipped to respond to a wide range of potential contingencies.

## Changes in ministerial responsibilities

Following the Prime Minister's announcement of changes to the ministry on 21 December 2014, on 23 December 2014 the Hon Kevin Andrews MP was sworn in as the Minister for Defence, replacing Senator the Hon David Johnston.

## Changes in senior leadership

Air Chief Marshal Mark Binskin, AC, was appointed Chief of the Defence Force on 1 July 2014, replacing General David Hurley, AC, DSC.

Vice Admiral Ray Griggs, AO, CSC, RAN, was appointed Vice Chief of the Defence Force on 1 July 2014.

Vice Admiral Tim Barrett, AO, CSC, RAN, was appointed Chief of Navy on 1 July 2014, replacing Vice Admiral Ray Griggs, AO, CSC, RAN.

Lieutenant General Angus Campbell, DSC, AM, was appointed Chief of Army on 16 May 2015, replacing Lieutenant General David Morrison, AO.

Lieutenant General John Caligari, AO, DSC, was appointed Chief of Capability Development Group on 3 October 2014, replacing Vice Admiral Peter Jones, AO, DSC, RAN.

Mr Harry Dunstall was appointed Acting Chief Executive Officer, DMO from 2 March 2015 until 31 July 2015, replacing Mr Warren King.

Mr Steve Wearn was appointed Acting General Manager Commercial, DMO from 11 March 2015 until 30 June 2015.

## Resource summary

As at 30 June 2015, the Defence departmental net cash spend was \$28,827 million. This was an underspend of \$232 million when compared to the revised estimate as at the Defence Portfolio Budget Statements 2015–16, primarily as a result of an underspend of \$185 million, in no-win/no-loss operations funding.

Table 2.1: **Total cost of Defence outcomes and programmes on an accrual basis 2014–15**

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000	%
<b>Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability</b>					
Departmental net cost of service	25,462,517	25,492,580	25,717,306	224,726	1
Administered net cost of service	3,445,710	4,562,296	4,496,710	–65,586	–1
Net cost of service for Outcome 1	28,908,227	30,054,876	30,214,016	159,140	1
<b>Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by government</b>					
Net cost of service for Outcome 2	352,729	789,002	518,107	–270,895	–34
<b>Outcome 3: Support for the Australian community and civilian authorities as requested by government</b>					
Net cost of service for Outcome 3	67,740	67,740	42,058	–25,682	–38
<b>Net cost of service for Defence outcomes</b>					
Departmental net cost of service	25,882,986	26,349,322	26,277,471	–71,851	–
Administered net cost of service	3,445,710	4,562,296	4,496,710	–65,586	–1
<b>Total cost of Defence outcomes</b>	<b>29,328,696</b>	<b>30,911,618</b>	<b>30,774,181</b>	<b>–137,437</b>	<b>–</b>

### Notes

1. As published in the *Portfolio Budget Statements 2014–15*.

2. As published in the *Portfolio Budget Statements 2015–16*.

Table 2.2: Overall cost to government of Defence outcomes (departmental and administered), 2014–15

	Outcome 1 \$'000	Outcome 2 \$'000	Outcome 3 \$'000	Total \$'000
<b>Departmental</b>				
<b>Expenses</b>	10,247,338	90,915	17,983	10,356,236
Employees	11,443,367	333,238	24,075	11,800,680
Suppliers	10,966	104,398	–	115,364
Grants	4,257,845	–	–	4,257,845
Depreciation and amortisation	137,869	–	–	137,869
Finance cost	1,421,750	–	–	1,421,750
Writedown of assets and impairment of assets	2,054	–	–	2,054
Net losses from sale of assets	51,643	–	–	51,643
Other expenses	116,734	8	–	116,742
<b>Total expenses</b>	<b>27,689,566</b>	<b>528,559</b>	<b>42,058</b>	<b>28,260,183</b>
<b>Income</b>				
<b>Revenue</b>				
Goods and services	849,440	10,452	–	859,892
Other revenue	790,683	–	–	790,683
<b>Total revenue</b>	<b>1,640,123</b>	<b>10,452</b>	<b>–</b>	<b>1,650,575</b>
<b>Gains</b>				
Reversals of previous asset writedowns	294,866	–	–	294,866
Net gains from sale of assets	–	–	–	–
Other gains	37,271	–	–	37,271
<b>Total gains</b>	<b>332,137</b>	<b>–</b>	<b>–</b>	<b>332,137</b>
<b>Total income</b>	<b>1,972,260</b>	<b>10,452</b>	<b>–</b>	<b>1,982,712</b>
<b>Net cost of departmental outcomes</b>	<b>25,717,306</b>	<b>518,107</b>	<b>42,058</b>	<b>26,277,471</b>
<b>Administered</b>				
<b>Expenses</b>	<b>5,927,001</b>	<b>–</b>	<b>–</b>	<b>5,927,001</b>
<b>Revenue</b>	<b>1,430,291</b>	<b>–</b>	<b>–</b>	<b>1,430,291</b>
<b>Net cost of administered outcomes</b>	<b>4,496,710</b>	<b>–</b>	<b>–</b>	<b>4,496,710</b>
<b>Total departmental and administered outcomes</b>	<b>30,214,016</b>	<b>518,107</b>	<b>42,058</b>	<b>30,774,181</b>

Table 2.3: Defence resource statement, 2014–15

	Actual available appropriation for 2014–15 \$'000	Payments made 2014–15 \$'000	Balance remaining 2014–15 \$'000
<b>Ordinary annual services</b>			
Outcome 1	25,492,580	25,225,948	266,632
Outcome 2	789,002	789,002	–
Outcome 3	67,740	67,740	–
<b>Total departmental outputs</b>	<b>26,349,322</b>	<b>26,082,690</b>	<b>266,632</b>
<b>Total ordinary annual services</b>	<b>26,349,322</b>	<b>26,082,690</b>	<b>266,632</b>
<b>Other services</b>			
<b>Departmental non-operating</b>			
Equity injection	2,758,491	2,758,491	–
<b>Total departmental non-operating</b>	<b>2,758,491</b>	<b>2,758,491</b>	<b>–</b>
<b>Total other services</b>	<b>2,758,491</b>	<b>2,758,491</b>	<b>–</b>
<b>Total available annual appropriation</b>	<b>29,107,813</b>	<b>28,841,181</b>	<b>266,632</b>
<b>Special appropriations</b>			
<b>Special appropriations limited by criteria/entitlement</b>			
<i>Defence Forces Retirement Benefits Act 1948</i> Part 1 s. 15D and VIC, s. 82ZJ	23,000	23,000	–
<i>Defence Force Retirement and Death Benefits Act 1973</i> Part XII, s. 125	1,794,000	1,782,195	11,805
<i>Military Superannuation and Benefits Act 1991</i> Part V, s. 17	4,080,883	4,023,444	57,439
<i>Defence Force (Home Loans Assistance) Act 1990</i> Part IV, s. 38	1,357	1,156	201
<i>Defence Home Ownership Assistance Scheme Act 2008</i> Part VI, s. 84	103,175	97,206	5,969
Other administered	–	–	–
<b>Total special appropriations</b>	<b>6,002,415</b>	<b>5,927,001</b>	<b>75,414</b>
<b>Total appropriations</b>	<b>35,110,228</b>	<b>34,768,182</b>	<b>342,046</b>
Funding from other sources	2,513,673	2,548,645	–34,972
Returns to the official public account (net)	–1,453,059	–1,520,430	67,371
Previous years' outputs (appropriation receivable)	414,742	195,419	219,323
Cash available	35,490	44,150	–8,660
<b>Total other available resources</b>	<b>1,510,846</b>	<b>1,267,784</b>	<b>243,062</b>
<b>Total resourcing</b>	<b>36,621,074</b>	<b>36,035,966</b>	<b>585,108</b>
<b>Special accounts</b>			
Opening balance	68,382	68,382	–
Appropriation receipts	–	–	–
Appropriation receipts—other agencies	–	–	–
Non-appropriation receipts to special accounts	39,951	41,349	–1,398
<b>Total special accounts</b>	<b>108,333</b>	<b>109,731</b>	<b>–1,398</b>

## People summary

Defence's workforce consists of APS employees and ADF members of the Navy, Army and Air Force.

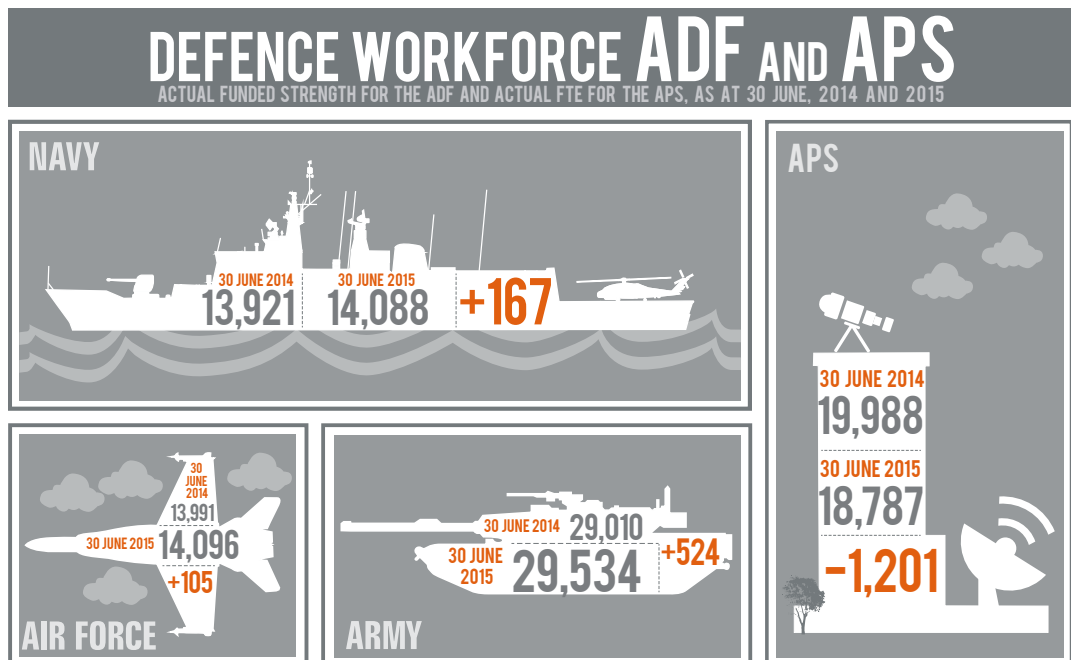
The actual funded strength of the ADF increased by 796 to 57,718, and the actual full-time equivalent (FTE) for the APS reduced by 1,201 to 18,787. These actual staffing figures include adjustments for part-time staff and are the most reliable indicator of end-of-year staffing levels.

The ADF's funded strength grew by 796 (from 56,922 to 57,718) during 2014–15, and is forecast to continue its growth in future years. The growth has resulted from falling separation rates and sound recruiting achievements.

The reduction in the APS continues the downward trend of the previous two years and is also evident in other workforce measures. The average FTE for 2014–15 of 19,342 was 1,154 lower than in 2013–14, and the downward trend is expected to continue in 2015–16. As the APS workforce trends down, the average FTE figure will always be above the end-of-year actual figure.

Defence's APS headcount for the year also showed a downward trend, from 21,191<sup>1</sup> at 30 June 2014 to 19,967 at 30 June 2015, a reduction of 1,224. The headcount figure includes paid and unpaid employees, counting full-time, part-time, ongoing and non-ongoing employees equally.

Further details on the workforce are in Chapter 8.



<sup>1</sup> Some 30 June 2014 figures have been adjusted from what was reported in the *Defence Annual Report 2013–14* to account for retrospective transactions.

## Workforce planning figures

Table 2.4: Defence workforce table

	2013–14 actual	2014–15 budget estimate <sup>[1]</sup>	2014–15 revised estimate <sup>[2]</sup>	2014–15 actual	Variation <sup>[3]</sup> Number	%
<b>ADF<sup>[4]</sup></b>						
<b>1 Total ADF permanent force</b>	<b>56,364</b>	<b>58,839</b>	<b>57,688</b>	<b>57,512</b>	<b>-176</b>	<b>-0.3</b>
<b>APS</b>						
APS—Defence	15,280	14,883	14,426	14,861	435	3.0
APS—DMO	4,812	4,777	4,539	4,075	-464	-10.2
APS—DMO (APS backfill)	404	432	406	406	-	-
<b>2 Total APS</b>	<b>20,496</b>	<b>20,092</b>	<b>19,371</b>	<b>19,342</b>	<b>-29</b>	<b>-0.1</b>
<b>Contractors<sup>[5]</sup></b>						
Defence contractors	340	445	319	350	31	9.7
DMO contractors	18	48	48	11	-37	-77.1
<b>3 Total contractors</b>	<b>358</b>	<b>493</b>	<b>367</b>	<b>361</b>	<b>-6</b>	<b>-1.6</b>
<b>Total workforce strength (1+2+3)</b>	<b>77,218</b>	<b>79,424</b>	<b>77,426</b>	<b>77,215</b>	<b>-211</b>	<b>-0.3</b>

### Notes

All numbers represent average full-time equivalents. Employees on forms of leave without pay are not included.

1. As published in the *Portfolio Budget Statements 2014–15*.

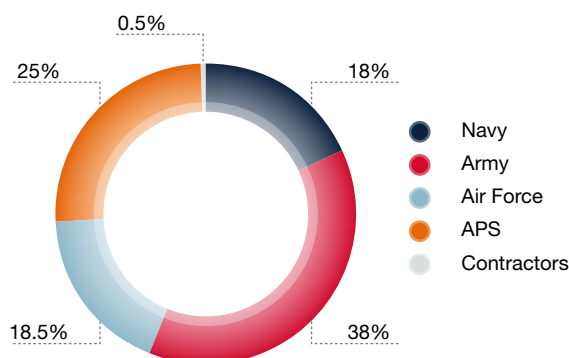
2. As published in the *Portfolio Additional Estimates Statements 2014–15*.

3. Figure is the difference between 2014–15 revised estimate and 2014–15 actual.

4. Numbers for ADF permanent force include ADF members in the DMO and Reservists on continuous full-time service but excludes active and high ready Reserve Reservists who rendered service during the financial year. These are excluded because, due to the nature of Reserve service, numbers for the Reserve force represent headcount rather than average full-time equivalents.

5. Contractors are individuals under contract performing agency roles. Contractors are not APS employees.

Figure 2.3: Defence workforce summary as at 30 June 2015



## FEATURE

## Centenary of Anzac commemorations

The period between August 2014 and Remembrance Day 2018 contains a number of historical milestones when the Australian Defence Force (ADF) will join the Australian and international community to commemorate the centenary of World War I and pay tribute to the sacrifice of those who have fought and died in war.

The ADF has actively supported a range of ceremonies and events across Australia and internationally since commemorations began on 4 August 2014—exactly 100 years since the British declaration of war on Germany and Australia's immediate pledge of full support. The ADF will participate in more than 130 agreed Centenary of Anzac commemorations and other significant anniversaries through until 2018.

On 17 August 2014, a service was held at Government House in Sydney and then at Cockatoo Island to remember the Australian Naval and Military Expeditionary Force that left Sydney a century earlier en route to German New Guinea. Approximately 200 cadets from across the Navy, Army and Air Force attended this commemoration, along with HMA Ships *Huon* and *Advance*.

The ADF provided significant support in October 2014 to commemorations marking the departure of the 1st Australian Imperial Force from Albany. Many thousands of Australians paid tribute to the Australians and New Zealanders (and thousands of horses) who departed Albany in a convoy of 36 ships headed to the Middle East. The event was attended by the Governor-General and the prime ministers of Australia and New Zealand, as well as a large number of veterans and the community. HMA Ships *Anzac*, *Arunta*, *Stuart*, *Rankin* and *Sirius* were in location, along with PC-9s for fly-pasts, the Royal Australian Navy Band, Guards from HMAS Stirling and 13th Brigade, and the Indigenous Performance Group, who all proudly represented the ADF at this event.

On 9 November 2014, a commemorative service for the Battle of the Cocos Islands was held on the



Representatives of the three Services lay a wreath at the Alice Springs cenotaph during the 2015 Anzac Day commemorations: (left to right) Commanding Officer HMAS *Arunta*, Commander David Landon, CSM, RAN; Officer Commanding Centre Squadron, Norforce, Major Scott Tobias; and Commanding Officer No. 1 Radar Surveillance Unit, Wing Commander Chris Robson.

Cocos (Keeling) Islands to remember the losses of Australian and German lives when HMAS *Sydney* and SMS *Emden* fought a naval gunnery duel.

Anzac Day 2015—marking one of the most significant events of the Centenary of Anzac, the 100th anniversary of the Gallipoli landings—saw record attendances at dawn services and marches across Australia and overseas. The ADF supported more than 1,500 domestic Anzac Day requests. Across most Australian cities, towns and communities, and at numerous events and activities, the ADF provided a visible joint presence, whether of regular forces, reservists or cadets. Australia's Federation Guard and ADF bands played integral roles in ceremonial activities in Turkey, France, Belgium and Canberra. More widely, overseas Anzac Day services were conducted at more than 120 cities across the globe.

Anzac Day 2015 was also commemorated by more than 2,200 ADF personnel deployed on operations around the globe. Traditional dawn services and ceremonies were held in locations across the Middle East region, in Africa and at sea.

The ADF continues to honour the Anzac spirit while serving Australia's national interests. The extraordinary, strong and enduring bonds of mateship, demonstrated by the original Anzacs, are considered fundamental to military life today.

## Links to the Centenary of Anzac



Corporal Andrew Franks was a veteran of Gallipoli and the Somme and the grandfather of Defence regional property services officer Rosalie Joyce.

'I didn't get to meet my grandfather, although I'm proud of the sacrifices he and many other Anzacs made', Rosalie said.

Andrew enlisted in August 1914. He left in October 1914 for Egypt and eventually Gallipoli, where he fought with B Company, 7th Battalion. Andrew took part in the Anzac landing on 25 April 1915.

The 7th Battalion's first major action in France and Belgium was at Pozieres in 1916, in the Somme. They fought major battles at Menin Road and Broodseinde in September and October 1917 and then spent much of the ensuing winter in the Ypres mud.

In 1918, the 7th Battalion helped stop the German spring offensive and later participated in the Allies' own great offensive that began with the battle of Amiens.

Andrew returned to Australia after the war, married and raised a family, only to re-enlist following the outbreak of World War II. He died on 5 March 1959 at the Heidelberg Repatriation Hospital in Melbourne.



Being involved in the Centenary of Anzac commemorations was particularly significant for Leading Seaman Communication Information Systems Mark Butler.

'My great-grandfather, Ashton Butler, served in World War I as an artilleryman with the 10th Field Artillery stationed in Belgium', Mark said.

'He saw battle on the Western Front in 1917 and 1918, including the major battles in and around the Hindenburg Line in France, before he fell foul of a gas attack near the village of Rouelles and was sent home to Australia.'

Mark's grandfather, Maxwell, joined the Navy during World War II and was part of the commissioning crew of the famed HMAS *Sydney* (II). Fortunately, he was posted off the ship just before *Sydney*'s ill-fated final mission.

Major Lynn Harding, Staff Officer 2 Health Governance at Headquarters Forces Command, Victoria Barracks, Sydney, joined the Army in 1975. She is proud of her Anzac heritage.

Her paternal great-uncle, Ralph Carlyle Geoffrey Prisk, was a graduate of the first class at the Royal Military College.

'He was 20 years old when commissioned after three-and-a-half years at the Royal Military College and was posted as a lieutenant to a Victorian unit, which was immediately sent to Gallipoli', Lynn said.

His older brother, Harold Tennyson Prisk, enlisted in the 5th Reinforcement of the South Australian 9th Light Horse Regiment in December 1914.

'He served at Gallipoli and later in the Middle East as a sergeant', she said.

Lynn's maternal grandfather, Douglas Moore, joined the Navy in August 1915. He served as a stoker on HMAS *Cerberus* and in London throughout World War I.

'He was discharged after the war, and re-enlisted for World War II, eventually retiring from the Navy as a Chief Petty Officer in January 1959', Lynn said.

Lynn attributes her long military career to the influences of her grandfather and two great-uncles.



Passion mixed with pride is a strong emotion for anyone, especially if you're a serving ADF officer with a direct link to the landings at Anzac Cove.

Wing Commander Greg Pasfield, of Headquarters Joint Operations Command, gets understandably emotional when he talks about his grandfather, Company Sergeant Major James Albert Pasfield.

James enlisted in August 1914 in the 1st Field Company, Royal Australian Engineers.

He was part of the 3rd Brigade, in one of the first units on the beach at Gallipoli on 25 April 1915. He then served in Egypt and later as part of the 1st Division, Australian Imperial Force on the Western Front, returning to Australia in 1919.

'My grandfather's service has always been a source of motivation for me', Greg said.



A man with short dark hair and a light beard is shown from the chest up, wearing a black zip-up jacket with white piping along the seams. He is looking slightly to the right. The background is a light gray with large, overlapping, semi-transparent wireframe geometric shapes, including a prominent one that resembles a stylized 'A' or a complex polygon. An orange horizontal bar is positioned across the middle of the image, containing the text.

# **PART TWO**

PERFORMANCE



# 3

## CHAPTER THREE

### Outcome 1



# Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability

## Summary

The primary focus of Outcome 1 is on maintaining capacity to support current commitments and provide strategic response options to the Government to meet the range of potential future security contingencies. As well as the provision of military capabilities, the outcome encompasses all of the policy, command and support functions undertaken by the organisation.

There are 17 programmes under Outcome 1. These include departmental outputs for programmes 1.1 to 1.13 and administered expenses relating to retirements, superannuation and housing support services.

Figures 3.1 and 3.2 show the extent to which the deliverables and key performance indicators for Outcome 1 were met in 2014–15.

Figure 3.1: **Deliverables**

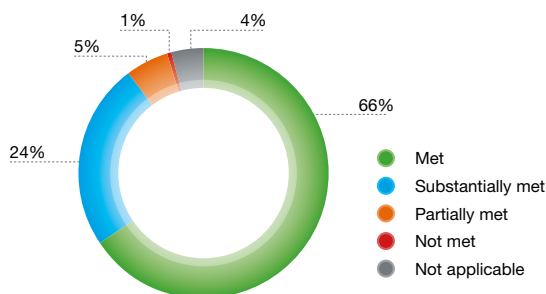


Figure 3.2: **Key performance indicators**

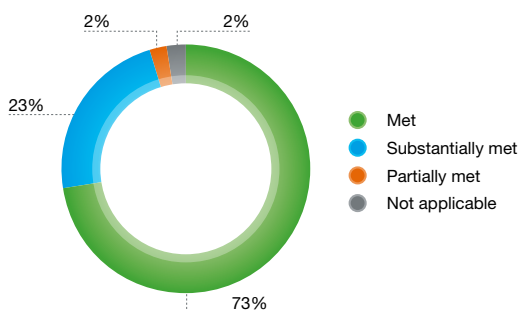


Table 3.1: Total cost of Defence Outcome 1

	2014–15 budget estimate <sup>(1)</sup> \$'000	2014–15 revised estimate <sup>(2)</sup> \$'000	2014–15 actual result <sup>(3)</sup> \$'000	Variation \$'000	%
<b>Programme 1.1 Office of the Secretary and CDF</b>					
Revenues from other sources	538	538	2,066	1,528	284
Departmental outputs	160,008	169,128	178,346	9,218	5
<b>Programme 1.2 Navy Capabilities</b>					
Revenues from other sources	128,840	120,964	170,177	49,213	41
Departmental outputs	4,797,105	5,103,368	4,883,020	-220,348	-4
<b>Programme 1.3 Army Capabilities</b>					
Revenues from other sources	108,015	103,207	94,003	-9,204	-9
Departmental outputs	5,986,472	6,498,449	6,696,643	198,194	3
<b>Programme 1.4 Air Force Capabilities</b>					
Revenues from other sources	194,350	165,358	171,550	6,192	4
Departmental outputs	4,761,993	5,163,895	4,796,682	-367,213	-7
<b>Programme 1.5 Intelligence Capabilities</b>					
Revenues from other sources	11,478	11,500	8,962	-2,538	-22
Departmental outputs	537,966	558,483	654,608	96,125	17
<b>Chief Operating Officer</b>					
Revenues from other sources	356,600	382,611	420,204	37,593	10
Departmental outputs	5,548,196	5,674,340	5,634,111	-40,229	-1
<b>Programme 1.6 Chief Operating Officer—Defence Support and Reform</b>					
Revenues from other sources	351,297	377,744	418,747	41,003	11
Departmental outputs	4,085,667	3,976,543	3,957,221	-19,322	-
<b>Programme 1.7 Chief Operating Officer—Chief Information Officer</b>					
Revenues from other sources	5,303	4,867	1,151	-3,716	-76
Departmental outputs	979,344	1,253,555	1,238,654	-14,901	-1
<b>Programme 1.8 Chief Operating Officer—Defence People</b>					
Revenues from other sources	-	-	306	306	-
Departmental outputs	483,185	444,242	438,235	-6,007	-1
<b>Programme 1.9 Defence Science and Technology</b>					
Revenues from other sources	35,159	32,867	28,532	-4,335	-13
Departmental outputs	408,191	416,455	439,766	23,311	6
<b>Programme 1.10 Vice Chief of the Defence Force</b>					
Revenues from other sources	346,506	362,077	347,097	-14,980	-4
Departmental outputs	1,230,805	1,165,416	1,469,576	304,160	26

Table 3.1 (continued)

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Programme 1.11 Joint Operations Command</b>					
Revenues from other sources	336	–	235	235	–
Departmental outputs	52,168	43,438	38,119	–5,319	–12
<b>Programme 1.12 Capability Development</b>					
Revenues from other sources	26,224	17,261	33,994	16,733	97
Departmental outputs	1,423,081	588,603	614,025	25,422	4
<b>Programme 1.13 Chief Finance Officer</b>					
Revenues from other sources	805,333	803,204	695,440	–107,764	–13
Departmental outputs	556,532	111,005	312,412	201,407	181
<b>Programme 1.14 Defence Force Superannuation Benefits</b>					
<i>Defence Forces Retirement Benefits Act 1948</i> Part 1, s.15D and VIC, s. 82ZJ(1)	–	–	–	–	–
<i>Defence Force Retirement and Death Benefits Act 1973</i> Part XII, s.125(3)	105,382	154,000	141,195	–12,805	–8
<i>Military Superannuation and Benefits Act 1991</i> Part V, s.17	1,318,868	2,337,883	2,281,432	–56,451	–2
<b>Total administered expenses</b>	<b>1,424,250</b>	<b>2,491,883</b>	<b>2,422,627</b>	<b>–69,256</b>	<b>–3</b>
Administered revenue from other sources	1,324,094	1,316,539	1,285,809	–30,730	–2
<b>Total Programme 1.14</b>	<b>100,156</b>	<b>1,175,344</b>	<b>1,136,818</b>	<b>–38,526</b>	<b>–3</b>
<b>Programme 1.15 Defence Force Superannuation Nominal Interest</b>					
<i>Defence Forces Retirement Benefits Act 1948</i> Part 1, s.15D and VIC, s. 82ZJ(1)	28,598	23,000	23,000	–	–
<i>Defence Force Retirement and Death Benefits Act 1973</i> Part XII, s.125(3)	1,782,778	1,640,000	1,641,000	1,000	–
<i>Military Superannuation and Benefits Act 1991</i> Part V, s. 17	1,567,812	1,743,000	1,742,000	–1,000	–
<b>Total administered expenses</b>	<b>3,379,188</b>	<b>3,406,000</b>	<b>3,406,000</b>	<b>–</b>	<b>–</b>
Administered revenue from other sources	–	–	–	–	–
<b>Total Programme 1.15</b>	<b>3,379,188</b>	<b>3,406,000</b>	<b>3,406,000</b>	<b>–</b>	<b>–</b>
<b>Programme 1.16 Housing Assistance</b>					
<i>Defence Force (Home Loans Assistance) Act 1990</i> Part IV, s. 38	1,511	1,357	1,156	–201	–15
<i>Defence Home Ownership Assistance Scheme Act 2008</i> Part VI, s. 84	111,653	103,175	97,206	–5,969	–6
<b>Total administered expenses</b>	<b>113,164</b>	<b>104,532</b>	<b>98,362</b>	<b>–6,170</b>	<b>–6</b>
Administered revenue from other sources	13,335	13,953	14,297	344	2
<b>Total Programme 1.16</b>	<b>99,829</b>	<b>90,579</b>	<b>84,065</b>	<b>–6,514</b>	<b>–7</b>

Table 3.1 (continued)

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result <sup>[3]</sup> \$'000	Variation \$'000	%
<b>Programme 1.17 Other Administered</b>					
Administered revenue from other sources	133,463	109,627	130,185	20,558	19
Expenses	–	–	11	11	–
<b>Total Programme 1.17</b>	<b>–133,463</b>	<b>–109,627</b>	<b>–130,174</b>	<b>–20,547</b>	<b>19</b>
<b>Total resourcing</b>					
Total departmental outputs	25,462,517	25,492,580	25,717,309	224,729	1
Total administered	3,445,710	4,562,296	4,496,710	–65,586	–1
Total departmental revenue from other sources	2,013,379	1,999,587	1,972,260	–27,327	–1
Total administered revenue from other sources	1,470,892	1,440,119	1,430,291	–9,828	–1
Equity injection	2,463,678	2,758,491	2,758,491	–	–
<b>Total resources for Outcome 1</b>	<b>34,856,176</b>	<b>36,253,073</b>	<b>36,419,788</b>	<b>166,715</b>	<b>–</b>

**Notes**

1. As published in the *Portfolio Budget Statements 2014–15*, Table 12.
2. As published in the *Portfolio Budget Statements 2015–16*, Table 12.
3. At the programme level, departmental revenues from other sources include minor reclassifications from expenses.



*'Anzac Cove at Gallipoli was smaller than I had envisaged. I walked the full length of the beach and back again. Somewhere along the way I would have walked in the footsteps of my great uncle who died at Gallipoli. As I looked up to the cliffs, I was in awe of the bravery required of the soldiers who landed at this location. After studying the battles and listening to the history of Gallipoli, I personally believe a significant number of young men from both sides could have been saved had decisions been taken sooner to withdraw from Gallipoli.'*

— Caroline Allinson, Chief Information Officer Group

## Programme 1.1

### Office of the Secretary and Chief of the Defence Force

The Secretary of the Department of Defence, Mr Dennis Richardson, AO, is the principal civilian adviser to the Minister for Defence and carries out the functions of an agency head within the APS. As an agency head, the Secretary has, on behalf of the Commonwealth, all the rights, duties and powers of an employer with respect to Australian Public Service employees in Defence.

The Chief of the Defence Force (CDF), Air Chief Marshal Mark Binskin, AC, was appointed on 1 July 2014. The CDF has primary responsibility for the command of the ADF under the direction of the Minister for Defence. The CDF is also the principal military adviser to the Minister for Defence and provides advice on matters that relate to military activity, including military operations. The CDF is also responsible for implementing Defence-specific actions in the Australian National Action Plan on Women, Peace and Security 2012–2018, which relates to the role of women in armed conflict and international peace and security efforts. **Full details of Defence's achievements under the plan are included in the 2014 whole-of-government progress report and are available at [www.dpmc.gov.au](http://www.dpmc.gov.au).**

The Deputy Secretary Strategy, Mr Peter Baxter, is responsible for providing strategic guidance and policy advice to the Secretary and the CDF, and through their offices to portfolio ministers and the Government. This includes central issues of Australia's defence policy such as the development and use of Defence capability, Defence international engagement, strategic policy development and the strategic dimension of ADF operations. During 2014–15, Mr Baxter was responsible for managing the development of the Government's *Defence White Paper*.

During 2014–15, the Office managed an array of operational, policy, commercial, regulatory, investigatory, risk and other matters associated with the Defence mission of defending Australia and its national interests.

Table 3.2: Programme 1.1 deliverables

Deliverable	Status
Provide direction for the contribution of Defence to operations as directed by government.	● ○ ○ ○
Ensure delivery of the Defence Cooperation Programme within available resources.	● ○ ○ ○
Lead the development of the <i>Defence White Paper</i> .	● ○ ○ ○
Ensure Defence strategic policy aligns with government direction and priorities, including fiscal policy.	● ○ ○ ○
Ensure Defence's international relationships complement broader foreign policy goals, promote security and enhance productive Defence partnerships, particularly regionally, including through the Defence Cooperation Programme.	● ○ ○ ○

● Met   ● Substantially met   ● Partially met   ● Not met | See 'User guide' on page ii for full explanation.

Table 3.2 (continued)

Deliverable	Status
Provide policy advice on strategic issues including strategic risks and core Defence strategy settings, arms control, counter-proliferation, counter-terrorism, international engagement, cyber, space and ballistic missile defence policy, major capability acquisitions, industry and innovation policy.	● ○ ○ ○
Improve the management of export control of defence and strategic goods.	○ ● ○ ○ <p>The introduction of an electronic permit system has resulted in a significant improvement in Defence Export Control Office response times.</p> <p>The office is developing a stakeholder-centric, risk-based approach to export licensing that targets identified exports of concern while streamlining the process for legitimate trade of controlled goods and technologies.</p> <p>The office is also working with industry, research and government sector stakeholders to produce better e-tools and guidance.</p> <p>The <i>Defence Trade Controls Amendment Act 2015</i> reduced the burden associated with new export controls. The office will support stakeholders during the 12-month implementation period, which extends until 1 April 2016.</p> <p>Further enhancements will be made to the Defence export control operating systems throughout 2015 and 2016.</p>
Administer use of the Australia – United States Defence Trade Cooperation Treaty by Australian Government agencies and the defence industry.	● ○ ○ ○
Implement the recommendations of the review into the Woomera Prohibited Area.	○ ● ○ ○ <p>A new legislative framework enabling co-existence between Defence and the resources sector in the Woomera Prohibited Area came into force in August 2014. Implementation of the review's recommendations and development of associated supporting policy continue.</p>
On behalf of the Secretary and CDF, undertake independent audits of Defence activities, and coordinate Australian National Audit Office activity in Defence.	● ○ ○ ○
On behalf of the Secretary and CDF, take a leading role in the prevention and detection of fraud, undertake fraud investigations, and produce the Defence Fraud Control Plan.	● ○ ○ ○

Table 3.2 (continued)





Deliverable	Status
Provide investigative and policing advice and deliver investigative services to support discipline within the ADF.	 <p>The Provost Marshal—ADF provided ADF senior leaders with policing advice to support their responsibilities under the military justice system. This included advice on the strategic alignment of Service Police capability, focused on enhancing effectiveness and efficiency in support of military justice.</p> <p>Command and control measures were enhanced across the Service Police community to improve Service Police response to events that occur within the ADF.</p> <p>Service Police records were provided and data support activities were conducted in support of the Defence Abuse Response Taskforce and preparation of responses to questions on notice and media inquiries.</p> <p>ADF investigators maintained their focus on serious and complex matters in Australia and in deployed locations. A range of activities are in progress to enhance the efficiency and effectiveness of the ADF investigation capability, including reforms to the investigative powers under the <i>Defence Force Discipline Act 1982</i>, and improvements to internal business processes.</p>

Table 3.3: Programme 1.1 key performance indicators

Key performance indicator	Status
Staff skills are developed and personnel management practices successfully balance competing priorities.	
Policy guidance is forward-looking, timely, innovative and practical.	
Delivery of best practice policing and investigative services to the ADF.	

## Defence Cooperation Programme

### Overview and objectives

The Defence Cooperation Programme has made a significant contribution to Australia's international defence engagement since the 1960s. The programme:

- promotes the capacity of partners
- improves Australia's capacity to work with regional partners in response to common security challenges
- builds strong people-to-people links with partners at the tactical, operational and strategic levels.

The Defence Cooperation Programme supports Australia's strategic interests and its defence relationships with Indonesia, Pakistan, Papua New Guinea and Timor-Leste, and countries in the South-West Pacific, South-East Asia and the Middle East. The objective is to maximise Australia's security by developing close and enduring links with partners that support their capacity to protect their sovereignty, work effectively with the ADF and contribute to regional security.

The Defence Cooperation Programme's suite of activities includes education courses, training, personnel exchanges, capacity-building, secondments, strategic dialogues, visits, subject matter expert exchanges, infrastructure support, and exercises and operations. These activities focus on building partners' capacity in humanitarian assistance and disaster relief, peacekeeping, counter-terrorism, maritime security, and military governance and professionalism. The activities also help to maintain the ADF's familiarity with the region.

 Met  Substantially met  Partially met  Not met | See 'User guide' on page ii for full explanation.

## Lines of engagement

The ADF conducts exercises with Defence Cooperation Programme partners in order to build their capacity and enhance Australia's capacity to work with them in response to regional security contingencies. Exercises promote interoperability and build familiarity between armed forces. The programme also supports education and training positions in Australia for international defence and security personnel, who undertake short- and long-term courses at Australian military and civilian educational institutions. This training builds professionalism and allows participants to return home with a better understanding of Australia and with established networks among their counterparts.

Australia engages in regular defence talks with programme partners to exchange views on regional security issues and to discuss defence cooperation priorities. The programme also supports a programme of visits by senior defence representatives to and from Australia to improve our understanding of regional militaries and the strategic outlook of neighbouring countries.

Through capacity-building activities, Defence seeks to develop the institutional and governance frameworks of Australia's partners as well as the capabilities of their security forces. The programme achieves this by providing ADF mobile training teams, supporting logistics and infrastructure development, and supporting the posting of Defence personnel as advisers to partner defence and security organisations.

The Pacific Patrol Boat Programme has been a key element of the Defence Cooperation Programme for nearly 30 years. In that time, Australia has provided 22 patrol boats (with associated personnel and technical assistance) to 12 Pacific island countries to improve their ability to police their maritime zones independently. In 2014–15, Defence released a tender for the construction in Australia of up to 21 steel-hulled replacement patrol vessels for the Pacific Maritime Security Programme.

Defence also enhanced its arrangements for the English Language Programme provided under the Defence Cooperation Programme to Timor-Leste. In Papua New Guinea, Australia gifted the heavy landing craft ex-HMAS *Labuan* as a training platform to help strengthen the maritime capability of the PNG Defence Force.

Defence contracted an Australian company, Forgacs, to build a medium landing craft for Tonga. The vessel will assist with disaster relief operations and local sealift tasks. Defence cooperation with Fiji was re-established in 2014–15, and will initially focus on training, maritime security and dialogue. In support of relief efforts to Vanuatu and Tuvalu after Cyclone Pam, the programme provided funding to Samoa, Solomon Islands and Tonga to enable their Pacific patrol boats to provide assistance.

## Other Defence engagement

Australia engages in a significant way with countries including Japan, New Zealand, the People's Republic of China, the Republic of Korea, the United Kingdom and the United States. Multilateral defence engagement also complements bilateral engagement efforts and is achieved through the Five Power Defence Arrangements, the Association of Southeast Asian Nations (ASEAN) Defence Ministers' Meeting-Plus, the ASEAN regional forum, and contributions to United Nations missions and activities.

***Further details on the Defence Cooperation Programme are available online.***

## Delivering life-saving humanitarian aid in the Middle East and Asia-Pacific region

As thousands fled Daesh terrorists in Iraq, the Air Force completed one of Australia's most complex humanitarian airdrop operations, providing much-needed supplies to Yazidi civilians who were trapped on Mount Sinjar by encircling Daesh forces.

Flight Sergeant Paul Ross, a C-130J Loadmaster, was one of the crew involved in providing life-saving assistance in northern Iraq in 2014. He helped drop 10 pallets of Australian aid as part of a joint international humanitarian effort with Britain, Canada, France and the United States.

Due to the nature of his work, Paul has become accustomed to being ready to move as soon as a crisis occurs.

'One afternoon we were simply told we needed to jump on a plane that evening and go to the Middle East to assist our already deployed personnel', Paul said.

'We operated in a very complex environment, planning and working with our allies. I remember American C-17s, American Hercules and British Hercules all doing their airdrops, as well as an American AC-130 gunship and British Tornados operating in support, in case anything didn't go to plan.

'The highlight of the mission was the successful exit of the load of aid over the mountain, because everything leads up to that one crucial moment. I was quite anxious, but as soon as the load went out the back we knew our mission objective was successful.'

### PROFILE: Paul Ross



Paul, who began his Air Force career in 1990 as an aircraft technician and is now working as a loadmaster, is a longstanding, well-respected and admired member of the C-130J community. He received an ADF Bronze Commendation for outstanding service on deployment to the Middle East Area of Operations in 2011.

He has been involved in multiple deployments over his career. They include Operation Anode in 2003–04, which made multiple supply trips to Solomon Islands; Operation Sumatra Assist in 2004–05, which contributed to the disaster relief effort in Indonesia; and Operation Philippines Assist in 2013, which provided support after Typhoon Haiyan.

'As part of the Air Mobility Group and the Hercules culture, humanitarian missions are definitely something we put our hand up for. We realise we are very lucky in Australia and we want to help people out in times of need', Paul said.

## Programme 1.2

### Navy Capabilities

The Chief of Navy, Vice Admiral Tim Barrett, AO, CSC, RAN, is responsible and accountable to the CDF for the command, leadership and capability output of the Navy. The Chief of Navy is also Defence's principal naval adviser on strategic affairs.

As part of a balanced Australian Defence Force, the Royal Australian Navy is charged with enforcing our sovereignty, defending and promoting our interests, and maintaining the international systems on which, along with our friends and allies, our way of life depends. The Navy provides government with a broad spectrum of capabilities, from high-end warfighting operations to peacetime humanitarian assistance activities.

The year 2014–15 was a busy one for the Navy, which saw the commencement of the largest maritime capability transition in decades. The Adelaide class frigate HMAS *Sydney* and the amphibious ship HMAS *Tobruk* entered Sydney Harbour for the final time. The final three heavy landing craft, HMA Ships *Brunei*, *Labuan* and *Tarakan*, were decommissioned. Together these five Navy stalwarts had served the nation for a combined total of more than 190 years.

The 27,000-tonne large amphibious ship HMAS *Canberra*—the largest ship ever operated by the Royal Australian Navy—was commissioned into service on 28 November 2014. Its sister ship *Adelaide* is scheduled to be commissioned in late 2015. Together with their embarked helicopters and landing craft, the two ships will provide one of the most capable and sophisticated air–land–sea amphibious deployment systems in the world.

A major transition in the world of naval aviation took place during the year: the MH-60 'Romeo' Seahawk helicopter was introduced into service, and the 725 Squadron (Naval Air) was re-commissioned on 18 June 2015. The Romeo Seahawks replace the S-70B-2 Seahawk aircraft, which have been in service since 1988. The new aircraft will significantly enhance the Navy's ability to conduct surface and anti-submarine warfare.

NUSHIP *Hobart*, the first of the new air warfare destroyers, was launched in Adelaide on 23 May 2015. While *Hobart* is still some time off operational service, this was a significant milestone in bringing her into service.

Operationally, the Navy deployed HMA Ships *Darwin*, *Toowoomba*, *Success* and *Newcastle* to the Middle East Area of Operations for counter-terrorism, counter-narcotic and anti-piracy patrols in support of Operation Manitou. Closer to home the Navy continued to provide ships to Operation Resolute for border protection, as well as providing maritime support to the G20 Leaders' Summit hosted by Australia in Brisbane in November 2014.

HMAS *Tobruk*, with an embarked MRH-90 Taipan aircraft from 808 Squadron, provided urgent disaster relief and humanitarian assistance to Vanuatu after Cyclone Pam had left the island nation devastated in March 2015. Sail Training Ship *Young Endeavour* and HMAS *Anzac* began circumnavigating the globe in support of the Centenary of Anzac commemorations on 22 December 2014 and 15 March 2015 respectively.

Table 3.4: Programme 1.2 deliverables

Deliverable	Status
Provide assigned forces and maintain preparedness to deliver capability to meet government requirements.	<p>Ongoing issues with the maintenance of Armidale class patrol boats to support Operation Resolute are being managed by Navy and the DMO.</p>
Undertake joint collective training to ensure force elements are prepared for deployment and operations.	
In consultation with the Capability Development Group and the DMO, continue to plan, develop and monitor delivery of, and transition to, new capability.	
Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary.	
Deliver reform and savings without compromising agreed levels of Navy capability and safety.	
Meet national hydrographic survey and charting obligations.	<p>Achievement of national hydrographic surveying obligations was affected by platform defects, inclement weather and reassignment to military survey tasking.</p>

Table 3.5: Programme 1.2 deliverables (unit ready days)

Deliverable	Status
18 major combatants 2,986 unit ready days	
20 minor combatants 4,837 unit ready days	<p>The underachievement of unit ready days by Armidale class patrol boats is attributed to the overrun of maintenance activities and, to a lesser extent, extended defect rectification periods.</p>
7 amphibious and afloat support 1,508 unit ready days	
9 hydrographic force 2,810 unit ready days	<p>Achievement of national hydrographic surveying obligations was affected by platform defects, inclement weather and reassignment to military survey tasking.</p>

Table 3.6: Programme 1.2 deliverables (unit availability days)

Deliverable	Status
18 major combatants 2,830 unit availability days	
20 minor combatants 4,273 unit availability days	<p>The underachievement of unit availability days by Armidale class patrol boats is attributed to the overrun in maintenance packages, which resulted in rescheduling of training periods.</p>
7 amphibious and afloat support 1,298 unit availability days	
9 hydrographic force 2,352 unit availability days	

Met 
 Substantially met 
 Partially met 
 Not met 
 | See 'User guide' on page ii for full explanation.

Table 3.7: Programme 1.2 deliverables (products)

Deliverable	Status
20 charting projects	<div><div></div><div></div><div></div><div></div></div>

Table 3.8: Programme 1.2 deliverables (flying hours)

Deliverable	Status
16 S-70B-2 (Seahawks) 2,800 hrs	<div><div></div><div></div><div></div><div></div></div>
13 AS350BA (Squirrels) 3,600 hrs	<div><div></div><div></div><div></div><div></div></div>
6 MH-60R Seahawks 2,400 hrs	<div><div></div><div></div><div></div><div></div></div> <p>Target reduced to 1,700 flying hours due to the transition of the squadron from the United States to Australia.</p>
1 Laser airborne depth sounder aircraft 980 hrs	<div><div></div><div></div><div></div><div></div></div>

Table 3.9: Programme 1.2 key performance indicators

Key performance indicator	Status
Achieve levels of preparedness as directed by the CDF.	<div><div></div><div></div><div></div><div></div></div>
Generate and sustain forces to meet the Government's operational requirements.	<div><div></div><div></div><div></div><div></div></div> <p>Ongoing issues with the maintenance of Armidale class patrol boats to support Operation Resolute are being managed by Navy and the DMO.</p>
Achieve a level of training that maintains core skills, professional standards and baseline preparedness.	<div><div></div><div></div><div></div><div></div></div>
Provide timely, accurate and considered advice on Navy capabilities to the Government, the CDF and the Secretary.	<div><div></div><div></div><div></div><div></div></div>
Achieve HydroScheme 2013–16 data and surveying tasking requirements to meet national hydrographic surveying and charting obligations.	<div><div></div><div></div><div></div><div></div></div> <p>Ship-based HydroScheme survey targets in priority areas were only partially met.</p> <p>Hydrographic ships underachieved due to a number of critical platform defects and unscheduled maintenance. Survey motor launches also underachieved due to platform defects, reassignment to military surveys in lieu of HydroScheme tasking and delay in entering training activities.</p>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

## A helping hand for earthquake-ravaged Nepal

In April 2015, Nepal suffered a devastating natural disaster when a magnitude 8 earthquake shook the nation, killing more than 8,800 people and injuring more than 23,000 others. Hundreds of thousands of people were made homeless and entire villages were flattened.

The world responded, with aid and recovery agencies quickly deployed in support. Australia provided more than 13 tonnes of aid to Nepal via two Air Force C-17A Globemaster III strategic airlift aircraft.

A Nepalese-born Royal Australian Navy officer appealed to her workmates for aid to send to Nepal, but she never thought it would go viral.

Lieutenant Kamala Sharma-Wing said she began collecting a few things around the house and thought she would appeal to the broader Defence community.

'My email was forwarded outside Defence, all around Canberra and interstate—I was getting inundated by emails from people wanting to help and support the cause', Kamala said.

Kamala moved to Australia with her family in 1985 at the age of 13. She kept in touch with her relatives and went to Nepal on holidays.

She joined the Australia–Nepal Friendship Society in Canberra in 2012 but wasn't that active as a member. The earthquake changed that.

'When the earthquakes occurred I really felt like I had to do something personally—I just wanted to help', Kamala said.

'My family is very fortunate to be living in Australia. We used to live in Kathmandu, so had we stayed, it would have been us in that situation.

### PROFILE: Kamala Sharma-Wing



'With all the support we have received from both Defence members and civilians, this is all much bigger than I ever dreamt.'

The donations collected by the Australia–Nepal Friendship Society exceeded \$41,000. More than four tonnes of usable equipment—in the form of tents, sleeping bags, lightweight doonas and blankets—was also donated.

Kamala said several airlines had supported the cause.

'Initially, if they had, say, a spare 100 kilograms of cargo allowance, they donated that to let us get medical supplies over there.'

A storage company in Canberra also donated free space in its warehouse.

'The responses were amazing, and brought home to me how much Australians care and are willing to pitch in when someone needs help.'

## Programme 1.3

### Army Capabilities

The Chief of Army, Lieutenant General Angus Campbell, DSC, AM, is responsible and accountable to the CDF for the command of the Army and the management of designated joint functions. He oversees corporate policy formation within the Army and is responsible and accountable to the CDF and the Secretary for the effective and efficient management of the Army. He is also Defence's principal Army adviser on strategic matters.













































The Army contributes to the achievement of the Government's defence objectives through the provision of land-based and Special Operations forces, as well as the development of enhanced joint amphibious capability. The Army also contributes to the national domestic response to terrorism, chemical, biological, radiological or explosive incidents, and other national security tasks during peacetime.

The Army's work continues to be underpinned by its values of courage, initiative, respect and teamwork, and it remains committed to ongoing cultural renewal.

Highlights during 2014–15 included the following:

- Globally, the Army contributed forces to new operations in Ukraine and Iraq, and maintained commitments in Afghanistan and elsewhere.
- In the South Pacific region, the Army supported Operation Render Safe in Bougainville, locating and destroying explosive ordnance from World War II. The Army also assisted in recovery efforts in Vanuatu following Cyclone Pam.
- In Australia, the Army supported the G20 Leaders' Summit in Brisbane and disaster relief in Queensland.
- The Army Reserve, a vital component of the total land force, provided formed units and individual specialists in support of both domestic contingencies and overseas operations.
- The Army continued to support members with physical and psychological wounds and injuries, participating in a number of innovative programmes such as the Arts Recovery, Resilience, Teamwork and Skills programme and the Wounded Digger Forum.
- The Army supported Defence's international engagement objectives through a range of bilateral and multilateral visits, exchanges and exercises. Highlights included Exercise Southern Jackaroo (United States and Japan) and Exercise Kowari (United States and China).
- The implementation of Plan Beersheba continued through the relocation of armoured and supporting capabilities, which contributed to the modernisation of the Army.
- The Army achieved first pass approval from government for Project LAND 400 Phase 2, the mounted combat reconnaissance platform that will replace the Australian Light Armoured Vehicle (ASLAV) fleet.
- Project LAND 200 Tranche 1 delivered a mounted and dismounted battle management system and a digital combat radio system to enhance mission command.
- Project LAND 154 Phase 3A Project Ningau delivered the Australian route clearance capability, and Joint Project 2088 Phase 1 enhanced the Army's counter-terrorism capability.
- The Army worked to develop the Capability Realisation Plan for delivery of the LAND 125 3B capability. The Capability Realisation Plan milestone for initial material release was achieved and initial operational capability was on schedule for the planned delivery date.
- The Army marked the Centenary of Anzac through a series of community-oriented commemorative activities.

Table 3.10: Programme 1.3 deliverables

Deliverable	Status
Prepare, sustain and lead assigned forces to deliver capability to meet government requirements.	   
Conduct force generation and force preparation and maintain preparedness of capability as directed by the CDF.	    While the Army is able to meet the CDF's preparedness requirements, some minor personnel and equipment issues have affected the capability of some enabling force elements. Issues are being managed to remediation.
Continue to contribute to domestic security operations.	   
In consultation with the Capability Development Group and the Defence Materiel Organisation, continue to plan, develop and monitor the delivery of, and transition to, new capability.	   
Provide timely, accurate and considered advice on Army capabilities to the Government, the CDF and the Secretary.	   
Continue to strengthen and improve programmes that provide support for Army's seriously wounded and ill personnel.	    In the past year, the Army made substantial progress within the Support to Wounded, Injured and Ill Programme (SWIIP) domain and the development of the Transition for Employment Programme. The Diggers Forum continues to be an effective engagement activity within the SWIIP space. In addition to these key programmes, A-SWIIP continues to engage with Joint Health Command to ensure that appropriate and timely care is delivered to those in need.
Undertake joint collective training to ensure force elements are prepared for deployment.	   
Deliver force generation, namely a training continuum that unifies individual and collective training to ensure Defence elements are prepared for Joint Force-In-Being contributions, including joint enabling activities supporting other Services/Groups.	   
Implement reform through the Adaptive Army framework, the Army Continuous Modernisation Plan and the Army Plan while continuing preparation of force elements for operational commitments and contingencies (this includes the Plan Beersheba initiatives such as the forming of Multi-role Combat Brigades, an amphibious capability and reform of the Army Reserve).	    These are multi-year programmes that continue to be monitored.
Deliver Group-specific reform and savings without compromising agreed levels of Army capability, including the revamping of Army's governance, risk, and budgeting and performance achievement management.	    Throughout the year, the Army implemented organisational improvements to Army Reserves recruiting, developed a capability management support tool for the Armoured Corps Trade Model and reviewed AHQ Committee System to identify opportunities to improve governance and accountability in support of strategic decision-making.
Develop programmes to increase diversity within the Army's workforce, including clear milestones for improving participation rates for females and Indigenous members. Specific targets have been issued by the Chief of Army, which are: women 13 per cent by July 2015, and Indigenous participation 2.7 per cent by December 2015 (this is a departmental target agreed at the Council of Australian Governments).	    Indigenous participation within the Army is at 1.7 per cent. Programmes continue to be developed to target the complex issues surrounding Indigenous recruitment. Women's participation is at 12 per cent and is maintaining a slow but positive trend.

 Met  Substantially met  Partially met  Not met | See 'User guide' on page ii for full explanation.

Table 3.11: Programme 1.3 deliverables (rate of effort—flying hours)

Deliverable	Status
6 CH-47D Chinook 1,700 hrs	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>
7 CH-47F Chinook 0 hours	<span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> Not applicable. Commissioning begins from July 2015.
34 S-70A Black Hawk 5,090 hrs	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>
41 B-206 Kiowa 6,150 hrs	<span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: orange;">●</span> <span style="color: lightgrey;">●</span> 5,043 flying hours. The Army is continuing to reduce the timeframe between trainee aircrew graduating from the Kiowa and transitioning to their operational aircraft types.
22 Armed Reconnaissance Helicopter Tiger 4,726 hrs	<span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: orange;">●</span> <span style="color: lightgrey;">●</span> 3,675 flying hours. The Tiger rate of effort improved in 2014–15. Significant further work is required by Airbus Helicopters to improve turnaround times for spare parts and meet the increase in rate of effort necessary to support capability requirements.
47 MRH-90 Taipan 5,400 hrs	<span style="color: lightgrey;">●</span> <span style="color: blue;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> 5,308 flying hours.

Table 3.12: Programme 1.3 key performance indicators

Key performance indicator	Status
Achieve levels of preparedness as directed by the CDF.	<span style="color: lightgrey;">●</span> <span style="color: blue;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> While the Army was able to meet preparedness requirements, there were some minor personnel and equipment issues that affected the capability of some enabling force elements.
Meet the Government's operational requirements.	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>
Generate and sustain forces for each current operation.	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>
Achieve a level of training that maintains core skills, professional standards and baseline preparedness.	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>
Provide timely, accurate and considered advice on Army capabilities to the Government, the CDF and the Secretary.	<span style="color: green;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span> <span style="color: lightgrey;">●</span>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

## Programme 1.4

### Air Force Capabilities

The Chief of Air Force is responsible and accountable to the CDF for the command of the Air Force and delivers Air Force capability for the defence of Australia and its interests. This encompasses the effective and efficient delivery of aerospace capability, enhancing the Air Force's reputation, positioning the Air Force for the future and providing strategic advice on aerospace matters.

Air power is crucial to Australia's national security. In defending Australia's air space, providing high-tech surveillance and reconnaissance, and transporting vital supplies in times of need, the Air Force is committed to protecting Australia and its national interests.

The year 2014–15 brought many milestones: the celebration of the centenary of the first military flight in Australia, the achievement of 800,000 flying hours by all Royal Australian Air Force (RAAF) Hercules types, and the record 16-hour-plus mission over Iraq by the E-7A Wedgetail.

The year also provided a spectrum of challenges and highlights for the Air Force. In 2015, Plan Jericho was launched to transform the Air Force into a modern, fully integrated combat force that can deliver air and space power effects in the information age. After 13 years, Operation Slipper officially ended in December 2014. Operation Okra commenced, and the Air Force deployed an air task group to the Middle East region as part of Australia's contribution to international efforts to combat the Daesh terrorist threat.

The Air Force's C-130J Hercules aircraft completed the most complex operational humanitarian airdrop mission in more than a decade to save the lives of people trapped on Mt Sinjar in northern Iraq. After the downing of Malaysia Airlines flight MH17 in Ukraine, half of the Air Force's C-17A Globemaster fleet operated nearly 24 hours a day, seven days a week, moving people, equipment and supplies into and around Europe.

The Air Force also provided significant humanitarian support in the wake of natural disasters, including relief efforts after Cyclone Marcia on Great Keppel Island, Cyclone Lam in the Northern Territory and Cyclone Pam in Vanuatu. The Air Force also provided humanitarian support to Nepal after a devastating earthquake struck the region, delivering more than 13 tonnes of humanitarian aid, flying 50 hours, and carrying more than 320 passengers between 29 April and 3 May 2015.

The 2014–15 financial year included a number of developments in future capability:

- In the United States, the first RAAF F-35A Lightning II Joint Strike Fighter made its maiden flight and Australia's first F-35A qualified pilot flew the aircraft.
- The first RAAF C-27J Spartan aircraft arrived in Australia.
- The Government announced the purchase of two additional C-17A Globemasters and two more KC-30A Multi Role Tanker Transport aircraft.
- In the United States, the P-8A Poseidon was flown by an RAAF pilot for the first time.
- The E-7A Wedgetail fleet reached full operational capability.
- Airservices Australia and the Air Force entered into a memorandum of agreement on 29 May 2015 for the operation of the Heron remotely piloted unmanned aircraft system in Australian civil airspace.

In 2015–16, the Air Force will continue its commitment to advancing future capability and transitioning to a fully integrated fighting force through Plan Jericho.

Table 3.13: Programme 1.4 deliverables

Deliverable	Status
Prepare, sustain and lead assigned forces in operations to deliver capability to meet government requirements.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Provide air power options for the Government by meeting directed preparedness requirements while minimising resource expenditure.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
In consultation with the Capability Development Group and the Defence Materiel Organisation, continue to plan, develop and monitor the delivery of, and transition to, new capability.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Provide timely, accurate and considered advice on Air Force capabilities to the Government, the CDF and the Secretary.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Engage with the Government, the public, international partners, Defence groups, industry, other stakeholders and Air Force members to maximise achievement of all outputs.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Deliver reform, including resource management and cultural change, without compromising capability, safety or airworthiness.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>

Table 3.14: Programme 1.4 deliverables (flying hours)

Deliverable	Status
63 PC-9 16,552 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span> 91 per cent achieved (15,098 hours). Underachievement was due to reduced student throughput at Number 2 Flying Training School, undersubscribed flying instructor courses at Central Flying School and a below-average number of public relations activities for the Roulettes.
16 B300 King Air 350 10,000 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
12 C-130J Hercules 7,350 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
6 C-17A Globemaster III 6,000 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
10 C-27J Spartan 1,000 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span> 20 per cent achieved (196 hours). Underachievement was due to delays in conversion training in the United States.
5 KC-30A MRTT 4,100 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
2 B737 BBJ 1,600 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span> 90 per cent achieved (1,434 hours). Underachievement was due to reduced tasking.
3 CL604 Challenger 2,200 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span> 79 per cent achieved (1,738 hours). Underachievement was due to reduced tasking.
16 AP-3C Orion 7,300 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
6 E-7A Wedgetail 3,000 hrs	<span>●</span> <span>●</span> <span>●</span> <span>●</span>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.14 (continued)

Deliverable	Status
71 F/A-18A/B Hornet 13,000 hrs	● ○ ○ ○
24 F/A-18F Super Hornet 7,050 hrs	● ○ ○ ○
8 P-8A Poseidon 0 hrs	○ ○ ○ ○ Not applicable. Not yet in service.
33 Hawk 127 7,000 hrs	○ ● ○ ○ ○ 94 per cent achieved (6,612 hours). Underachievement was due to reduced student throughput.
12 E/A-18G Growler 0 hrs	○ ○ ○ ○ Not applicable. Not yet in service.
2 F-35A Lightning II 230 hrs	○ ● ○ ○ ○ 87 per cent achieved (201 hours). Underachievement was due to reduced training demand for aircraft in the United States.

Table 3.15: Programme 1.4 key performance indicators

Key performance indicator	Status
Achieve levels of preparedness as directed by the CDF.	● ○ ○ ○
Meet the Government's operational requirements.	● ○ ○ ○
Generate and sustain forces for each current operation.	● ○ ○ ○
Achieve a level of training that maintains core skills, professional standards and baseline preparedness.	● ○ ○ ○
Provide timely, accurate and considered advice on Air Force capabilities to the Government, the CDF and the Secretary.	● ○ ○ ○



An MH17 victim is carried from an Air Force C-17A Globemaster by Netherlands Defence Force personnel at Eindhoven Airfield in the Netherlands.

## Bringing home the victims of the flight MH17 disaster

Operation Bring Them Home is the name given by the Australian Government to the whole-of-government mission to repatriate the bodies of the Australians killed in the tragic downing of Malaysia Airlines flight MH17 over Ukraine. Australian Government personnel were deployed to Ukraine and the Netherlands as part of the operation.

Flight MH17 was en route from Amsterdam to Kuala Lumpur on 17 July 2014 when it was struck by what is understood to have been a Russian-made surface-to-air Buk missile. All 298 passengers and crew on board were killed in the incident, including 28 Australians, nine permanent residents of Australia, and one New Zealand citizen who was a long-term resident of Australia.

It was a fitting but sobering task for the Air Force to use its C-17A Globemaster aircraft to help Dutch authorities move the bodies and remains of the deceased from Kharkiv, Ukraine, to Eindhoven Airport in the Netherlands, where

Dutch authorities conducted disaster victim identification.

Under the auspices of the Organization for Security and Co-operation in Europe, 10 search operations were conducted over a 32-square-kilometre area. Australian officials also took part in inspections of the crash site alongside numerous multinational military and civil emergency personnel and volunteers.

An Australian Defence Force Joint Task Force was established in the Netherlands to conduct the coordination, planning and response efforts with the Dutch. In addition, as part of the support arrangements to the operation, an ADF liaison officer was assigned to support the Netherlands Ministry of Defence in The Hague. This position provided a valuable link to ongoing support during subsequent search operations and bodes well for future liaison opportunities.

The RAAF C-17A Globemaster aircraft and crew were called on again to repatriate 22 victims during several sorties from Eindhoven to Melbourne. A small ADF ceremonial detachment joined Australian Federal Police personnel to provide a bearer party, drummer and piper to support a repatriation ceremony at Melbourne Airport.

## Programme 1.5

### Intelligence Capabilities

The Deputy Secretary Intelligence and Security, Mr Stephen Meekin, oversees the activities of the three Defence intelligence agencies—the Australian Geospatial-Intelligence Organisation, the Defence Intelligence Organisation and the Australian Signals Directorate—and (up to 30 June 2015), the Defence Security Authority, including the Australian Government Security Vetting Agency.

Throughout 2014–15, the Intelligence and Security Group delivered timely intelligence in support of Defence and, more widely, government. The year provided a number of challenges and opportunities and saw the Group meet the majority of its key programme deliverables.

The Group continued to work within Defence and with other government agencies to identify and address the major impediments to implementing effective cyber security. The Australian Signals Directorate (ASD) worked to ensure Australia is both protected against emerging cyber threats and adequately positioned to meet the Government's requirement to implement ASD's 'Top 4' Strategies to Mitigate Targeted Cyber Intrusions. **Further information is available online at [www.asd.gov.au](http://www.asd.gov.au).**

In October 2014, ASD's cyber security function relocated to the Australian Cyber Security Centre. The centre provides a hub for greater collaboration and information sharing with government and the private sector to raise awareness of the cyber threat and minimise the risks surrounding the adoption of new technologies and services.











Intelligence and Security Group agencies played a crucial role following the downing of Malaysia Airlines flight MH17 in 2014 in Ukraine, providing intelligence support to Operation Hawick in the months that followed the incident. The Defence Intelligence Organisation briefed the Prime Minister and National Security Committee of Cabinet on military considerations throughout the crisis, and deployed one of its analysts to play a key role in the provision of intelligence to the Prime Minister's Special Representative in Kyiv. The Australian Geospatial-Intelligence Organisation provided timely geospatial intelligence support to Defence, other government agencies, and Australian Federal Police investigators deployed to Ukraine to assist multinational response efforts.

The Australian Government Security Vetting Agency (AGSVA) continued to advance reforms and quality enhancements for its internal and external customers, but noted difficulty in meeting the increased demand across all clearance levels. The Australian National Audit Office delivered its review, entitled *Central Administration of Security Vetting*, and AGSVA has begun to implement the review's recommendations.

The Group worked closely with partner agencies to ensure all intelligence and security activity was compliant with relevant legislation, particularly the *Intelligence Services Act 2001*. The Office of the Inspector-General of Intelligence and Security maintained oversight of Group agencies, assisted with compliance training and support, and provided submissions to the Parliamentary Joint Committee on Intelligence and Security.

The Group continued to provide significant contributions to ADF deployments, particularly in Iraq and ADF exercises. It continued expanding strong intelligence relationships with international and security partners, with intelligence and security collection, analysis, capability and tradecraft exchanges strongly valued by allies and partners.

Table 3.16: Programme 1.5 deliverables

Deliverable	Status
Provide timely, accurate and high-quality intelligence and security support in accordance with government priorities to support the ADF, policy and wider security operations.	 <p>The Group provided timely, accurate and high-quality intelligence and policy advice to meet the Government's priorities to support ADF, police and wider security operations. During 2014–15, the Group supported the ADF and allied operations, principally in the Middle East and the Asia-Pacific region. The Group reallocated resources to support the increased deployment of ADF elements to the Middle East and in response to the downing of MH17.</p>
Deliver enhanced capabilities to better exploit next generation technologies, improve intelligence assessment, and enhance the security of the Government's information.	 <p>In October 2014, ASD's cyber security function relocated from ASD's headquarters in Russell Offices to the Australian Cyber Security Centre. The centre provides a hub for greater collaboration and information sharing with government and the private sector to raise awareness of the cyber threat and minimise the security risks surrounding the adoption of new technologies and services.</p>
Provide advice and assistance to the Government on the security and integrity of electronic information, cryptography and communications technology.	
Meet AGSVA key performance results as specified in the agency's Service Level Charter.	 <p>One performance indicator was not met. Three of four indicators were unmeasurable and as such these indicators are under review.</p>
Strengthen the management framework of the AGSVA.	 <p>The AGSVA restructured its management framework in October 2014 and ongoing issues are being managed.</p>
Provide management and strategic direction for Defence's foreign language capability.	
Ensure the effectiveness of the intelligence and security governance and compliance framework.	
Strengthen the workforce through targeted recruitment, retention and training initiatives.	 <p>Renewal and expansion to meet the Group's allocated full-time equivalent positions is continuing. Retention initiatives are being developed and high investment in training continues.</p>
Ensure effective and efficient transfer of expertise, capabilities and intelligence across key international partnerships, and strengthen collaboration with national agencies.	
Contribute to reform outcomes.	

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.17: Programme 1.5 key performance indicators

Key performance indicator	Status
Deliver intelligence and security services to meet Defence and government requirements.	● ○ ○ ○
Develop next generation intelligence, geospatial and security assessment capabilities, including Geoint, Sigint and Cyber.	● ○ ○ ○
Strengthen the approach to security across Defence and government.	● ○ ○ ○
Deliver strategic guidance and management support to meet Defence's foreign language requirements.	● ○ ○ ○
Achieve best practice in governance and compliance.	● ○ ○ ○
Ensure that the intelligence and security workforce is developed and skilled.	● ○ ○ ○
Deliver intelligence capability dividends through international and national partnerships.	● ○ ○ ○

## Chief Operating Officer overview

The Associate Secretary and Chief Operating Officer, Mr Brendan Sargeant, is responsible for strategic reform, support and policy advice to Defence. The role integrates the work of different parts of Defence to get more effective and efficient outcomes, particularly in the areas of service delivery.

In 2014–15, the Chief Operating Officer provided coordinated and substantive specialist advice and services to the Defence ministers, the Secretary and the CDF. The Chief Operating Officer domain incorporates three programmes: Defence Support and Reform (1.6), Chief Information Officer (1.7) and Defence People (1.8).

Significant support was provided to the First Principles Review team, which delivered its report to government on schedule in March 2015. From the release of the review on 1 April, implementation planning began, in consultation with the Secretary and the CDF. Further information on the First Principles Review can be found in Chapter 7.

The primary focus for the Chief Operating Officer in 2014–15 was transformation of service delivery and integrating the work of the enabling Groups to ensure that they work more effectively together to strengthen their support for Defence capability. Work progressed on developing Defence's service delivery systems and making corporate and enabling services more efficient, integrated and relevant to customer needs. This involved the development of an agreed service delivery framework for Defence, continuing implementation of shared services, standardising services, removing duplication of functions and ensuring that there are single, clear lines of ownership and accountability.

The Enterprise Management System, including Defence corporate planning and risk management, has matured and Defence is well placed to comply with the risk and performance management aspects of the *Public Governance, Performance and Accountability Act 2013* in 2015–16.

## Programme 1.6

### Chief Operating Officer—Defence Support and Reform

The Deputy Secretary Defence Support and Reform, Mr Steve Grzeskowiak, is responsible for delivering most of the shared services that support the ADF and Defence Groups. The Group is fundamental to generating Defence capability through the services it provides, including legal services; personnel administration; ministerial and parliamentary coordination and communication; housing; a range of personnel support functions; business services; base support services including catering, accommodation, cleaning and grounds maintenance; and managing, developing and sustaining the Defence estate.

Delivering a strategically aligned, affordable, safe and sustainable estate is fundamental to Defence achieving the capability and service levels it requires.

In 2014–15, a key estate and infrastructure priority was progressing whole-of-life asset management as the core principle of planning, management and use of the estate. Improvements were made to planning and prioritisation, appraisal and estate management systems. Consolidation of the Defence estate was another priority. This will enable a more efficient estate that is better able to support Defence capability requirements. Chapter 11, 'Asset management, procurement and capital investment', contains further information on the progress of capital facilities projects.

Ten new base services contracts, worth approximately \$1.1 billion a year, were in operation by December 2014. The large-scale, complex transition from the previous 21 contracts to the new contracts occurred between November and December 2014, on schedule. These contracts support working operations at domestic bases and training areas and offer greater standardisation through national service delivery arrangements and standards.

In 2014–15, Defence's ministerial team processed 7,631 submissions and items of correspondence. Defence brought forward 99 cabinet submissions, memorandums and briefings to Cabinet and the National Security Committee of Cabinet. The Minister for Defence was provided with 270 briefings on Defence's and other departments' submissions to Cabinet.

In 2014–15, Defence's communication and media teams distributed 1,202 media alerts and releases, posted 55,000 images on the Defence image gallery, produced 23 editions of Service newspapers and 118 video news releases, and published 937 tweets, with 38 rated in the top 10 daily government tweets.

Defence legal highlights in 2014–15 included:

- provision of advice on the legal framework for the US Force Posture Agreement, including ratification and implementation aspects, and also in relation to MH17
- provision of legal advice to and support for ADF military operations in Iraq (Operation Okra) at the strategic, operational and tactical levels
- playing a key role in finalising a long-running and complex intellectual property dispute with a US-based software company. The dispute involved concurrent litigation in both the Federal Court and the Copyright Tribunal. More than \$88 million in damages and injunctive relief had been sought against Defence. The litigation settled at mediation in February 2015 on terms favourable to Defence
- contributing to various Defence-related legislative packages, including those to establish ADF Cover from 1 July 2016 and the development of the *Defence Legislation (Enhancement of Military Justice) Act 2015*
- involvement in the implementation of the Re-Thinking Systems Review, including through the coordination of amendments to the Defence Act and new defence guidelines on fact-finding and decision-making.

**4,384 MEDIA  
INQUIRIES  
WERE RECEIVED**

**1,202**

**MEDIA ALERTS  
AND RELEASES  
WERE DISTRIBUTED**

**#937**  
UNIQUE TWEETS  
PUBLISHED

**#38** UNIQUE  
TWEETS  
RATED  
**TOP 10 DAILY**  
GOVERNMENT TWEETS

**#4,899**  
NEW  
FOLLOWERS  
ON TWITTER FOR  
DEFENCE

**118**  
VIDEO NEWS RELEASES

**1,165** ISSUED  
MINUTES  
TO MEDIA

**MORE THAN**

**55,000  
IMAGES**

**368** WEB CLIPS  
PUBLISHED  
ON THE DEFENCE VIDEO PORTAL  
ATTRACTING MORE THAN  
**300,000 HITS**

**WERE POSTED ON THE DEFENCE  
IMAGE GALLERY  
AND ATTRACTED  
MORE THAN**

**818,000  
PAGE VIEWS**

**23 EDITIONS  
OF SERVICE  
NEWSPAPERS  
WERE PRODUCED**

**90,000 COPIES  
OF SERVICE NEWSPAPERS  
WERE DISTRIBUTED**







**7,930 COPIES  
OF THE DEFENCE  
MAGAZINE  
WERE DISTRIBUTED**

Table 3.18: Programme 1.6 deliverables

Deliverable	Status
Provide accurate, timely, high-quality advice and support to the Defence ministers, CDF, Secretary and the Government to support effective risk management, decision-making and policy engagement.	● ○ ○ ○
Provide high-level integration, coordination, reporting and oversight of Defence strategic reform programmes.	● ○ ○ ○
Provide specialist legal advice and support to Defence ministers, the Secretary, CDF, Defence and the Government, and legal advice and support for ADF operations.	● ○ ○ ○
Continue to implement reforms to the military justice system.	○ ● ○ ○ Defence is pursuing reforms to the military discipline and administrative systems as part of recent external and internal cultural and military justice reviews. The first tranche of legislation to enhance the military justice system has received royal assent. Further legislation will be introduced to make the new military discipline arrangements permanent and make necessary consequential amendments.
Formulation of concept, policy, legislation and procedure for the Defence legislative programme.	● ○ ○ ○
Deliver base support services and other services in Defence.	● ○ ○ ○
Maintain single Service, joint, combined and coalition capability by providing training area and range management, estate development services, and coordinating support to major domestic operations and exercises.	○ ● ○ ○ Major joint combined exercises were successfully supported by the training estate throughout 2014–15. Prioritisation of maintenance, refresh or replacement of training areas and ranges is ongoing, and ensures that Defence continues to meet capability and operational requirements within resource allocations.
Manage and sustain the Defence estate to meet government and Defence requirements by developing and delivering major infrastructure, property, base security improvement, and environment plans and programmes.	○ ● ○ ○ The Group continues to develop and deliver the Defence estate investment programme, including the Major Capital Facilities Programme (developed using a risk-based prioritisation methodology that aligns with government and Defence requirements), leasing, property disposals; and environmental remediation. <i>Further detail on delivery of the 2014–15 Major Capital Facilities Programme is provided online.</i>
Increase public awareness of Defence activities and achievements and strengthen Defence capabilities in media-related activities to promote Defence's reputation.	● ○ ○ ○

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.19: Programme 1.6 key performance indicators

Key performance indicator	Status
Timeliness and quality advice, including Cabinet documentation, provided by the department meets requirements.	 <p>Not all advice was as timely as it should have been.</p>
Business outcomes are improved as part of broader Defence reform.	 <p>The Group has continued to reform its service delivery, standardising and providing consistent services, and improving contract management. Transition to the new suite of base services contracts provided Defence with an opportunity to align base services contracts with the Defence reform agenda and secure the best value for money. The successful transition was supported by a new operating model, contract management structures (including the establishment of internal shared service for contract administration) and business processes. Further development of the new contracts and model will continue into 2015–16.</p>
Agreed support services are delivered to support Defence capability requirements.	 <p>Implementation of service-level partnering agreements is improving accountability and transparency in the delivery of services, and aids capability preparedness through affordable, consistent and standardised service delivery.</p>
The Defence estate is managed and maintained to meet current and future Defence capability and government priorities.	 <p>A key challenge facing Defence is developing and managing the Defence estate to meet required capability and compliance requirements within limited resources. Ongoing improvements to estate planning, prioritisation and estate appraisal processes will ensure that Defence continues to meet capability and operational requirements.</p>
Approved major capital facilities projects are delivered within budget and schedule, compliant with legislative and other statutory requirements, standards and policies.	 <p>The Group continues to deliver the programme of approved major capital facilities projects. Some projects were affected by schedule delay; however, the overall impact on current and future operational capability is considered to be minimal. The programme of activity remains responsive to budget and scope changes. In delivering the programme, areas of non-compliance with legislative and other statutory requirements, standards and policies are addressed as they are identified. <i>Further detail on delivery of the 2014–15 Major Capital Facilities Programme is provided online.</i></p>
Defence meets its legislative and regulatory obligations.	 <p>Defence faces continuing exposure to both non-compliance with the <i>Work Health and Safety Act 2011</i> and the occurrence of safety incidents. The areas of risk are known and mitigation strategies are in place.</p>
Defence legal support, including specialist legal advice, is provided to Defence ministers, the Secretary, CDF and the Government in support of effective decision-making and policy engagement.	
ADF operational capability is supported, including through the deployment of ADF lawyers to provide access to relevant and timely legal support.	

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

## Programme 1.7

### Chief Operating Officer—Chief Information Officer

The Chief Information Officer, Dr Peter Lawrence, is responsible for ensuring that Defence has a dependable, secure and integrated information environment to support Defence's operational and organisational requirements.

The Chief Information Officer Group is undertaking a large-scale transformation programme that will simplify, standardise, and modernise Defence's information and communication technology (ICT) capability in order to support the integration of future technologies, and ensure the longevity of Defence's ICT capability into the future.

A major component of Defence's ICT capability is the Defence Single Information Environment, which encompasses:

- Defence's computing and communications infrastructure, along with the management systems and people that deliver this infrastructure (which includes the computing networks, business applications and the data that they generate and carry)
- Defence's communication standards and the spectrum required for battlespace networks
- the ICT infrastructure that supports Defence intelligence, surveillance, reconnaissance, communications, information warfare, logistics, command and management.

Key achievements for the Group during 2014–15 included the following:

- Support continued for the provision of communications services to deployed military forces, such as those assigned to operations Hawick, Pacific Assist, Nepal Assist and Okra. Enhancements have included greater use of Defence's investment in Wideband Global SATCOM services and assets procured under the Strategic Communications Modernisation-Land Project, such as modern Liaison Officers Briefcases for rapid deployments.
- The Computer Network Defence (CND) Project received second pass approval in May 2015. This project will deliver critical enhancements to Defence's existing CND capability to reduce the vulnerability of Defence's information systems, through the provision of advanced CND hardware and software.
- The Terrestrial Communications Project will transform Defence's wide area and local area communications networks, including improved integration with Defence's deployed tactical networks. The facilities build has been completed for the three initial operating capability sites, and communications installation at these sites is underway.
- The Centralised Processing Project achieved its operating date on 13 March 2015, when the running system was transferred to Lockheed Martin Australia. This project will consolidate Defence's applications and associated ICT infrastructure from 280 data centres to 11 domestic and three international centres.
- The Next Generation Desktop Project migrated the majority of Defence Secret Network users to the Next Generation Desktop environment and will complete the transition later in 2015. This project is the largest upgrade to the Defence Secret and Restricted networks in a decade.
- The Standalone Network Remediation Programme has been approved by the Secretary and Chief of the Defence Force Advisory Committee, and activity continues against plans to remediate individual standalone networks into a controlled and monitored environment.

Table 3.20: Programme 1.7 deliverables

Deliverable	Status
<p>Support to military operations:</p> <ul style="list-style-type: none"> <li>maintain support to ADF operations through the provision of agreed information and communication technology support, the delivery of network defensive operations, and the maintenance of a disaster recovery capability.</li> </ul>	
<p>The ICT reform projects, including security and the realisation of the Single Information Environment (SIE):</p> <ul style="list-style-type: none"> <li>The Defence ICT reform projects are the principal vehicle for the management and delivery of the Defence ICT Strategy. The ICT Reform Programme is building an improved SIE and governance framework that can effectively support Defence warfighting and business reform objectives through to 2030. The reform projects, including centralised processing, Terrestrial Communications, Next Generation Desktop and Defence's new People system (Joint Project 2080 Phase 2B.1), will ensure Defence ICT support for military and civilian customers now and into the future.</li> </ul>	<p>The Centralised Processing Project obtained second pass approval and Defence entered into a contract with Lockheed Martin Australia.</p> <p>Joint Project 2080 Phase 2B.1—Defence One project experienced schedule delays.</p> <p>The Next Generation Desktop Project achieved 99 per cent of users being migrated onto the Defence Secret Network.</p>
<p>Maintenance of essential business as usual (BAU) ICT operations and services:</p> <ul style="list-style-type: none"> <li>maintain and support the BAU ICT operations and services, which include communication lines, data centres, software licences, provision of work stations, help desk services, printers, faxes and phones</li> <li>continue to plan and implement ICT shared services</li> <li>deliver ICT services in accordance with the Defence ICT Services Delivery Charter and maintain the integrity and security of the Defence SIE.</li> </ul>	
<p>Approved Defence Capability Plan, Major Capital Facilities (MCF), other approved projects and system enhancements to deliver the ICT elements of endorsed projects and system enhancements in the Defence Capability Plan, MCF and ICT work plans developed through regular engagement with customer representatives.</p>	<p>The Terrestrial Communications Project experienced some schedule slippages. Contracts have been updated, with final operating capability for releases 1 and 2 agreed.</p>

Table 3.21: Programme 1.7 key performance indicators

Key performance indicator	Status
ICT capabilities are developed and sustained in accordance with agreed stakeholder priorities.	<p>Resourcing constraints have affected the Group's ability to deliver.</p>
Strategic investment in consolidated networks, infrastructure, service-orientated architecture, applications and information management enables transition to a SIE.	<p>The Infrastructure Transformation Programme continues to manage overlaps, dependencies and constraints of Defence's key ICT reform projects.</p>
ICT security is maintained to an appropriate level.	<p>Three out of four of the Australian Signals Directorate's top four mitigations were achieved in 2014–15.</p>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.21 (continued)

Key performance indicator	Status
ICT shared services reforms are effective in reducing costs and increasing productivity across Defence.	<div><div></div><div></div><div></div><div></div><div></div></div> <div>Reforms continue in accordance with the Defence shared services agenda.</div>
ICT services and service support are delivered in accordance with the Defence ICT Services Delivery Charter and the Defence ICT Services Catalogue.	<div><div></div><div></div><div></div><div></div><div></div></div>

## Programme 1.8

### Chief Operating Officer—Defence People

The Deputy Secretary Defence People, Ms Rebecca Skinner, is responsible for the delivery of sustainable people capability to support Defence's key outcomes, and leading workforce and shared services reform in the human resource function across the organisation.

Defence seeks to attract and retain an integrated, sustainable and diverse workforce to support capability and contribute to Australia's national security. In 2014–15, the Defence People Group's primary objective was to continue to deliver a sustainable people capability through driving cultural change; leading Defence's people strategy and policies; and supporting the implementation of the First Principles Review and development of the people aspects of the *Defence White Paper*.

Cultural reform remained a high priority. A key deliverable in 2014–15 included the commencement of a four-year collaboration with the Australian Human Rights Commission to support the achievement of cultural reform and the intent of *Pathway to Change: Evolving Defence Culture*.

Defence continued to implement its *Diversity and Inclusion Strategy*, with a specific focus on increasing the representation of women, Indigenous Australians, those from culturally and linguistically diverse backgrounds, and people with disability. The Culturally and Linguistically Diverse Action Plan was developed to enhance Defence's efforts to achieve a workforce more representative of the Australian community.

In support of the First Principles Review, work began on a new strategic workforce plan, which will ensure that Defence identifies and addresses skills gaps across the organisation, and that the right people are in the right jobs through linking the workforce plan to Defence's strategy.

A key achievement was the introduction of amendments to Defence legislation, which will enable permanent ADF personnel access to flexible service arrangements from 1 July 2016. These changes will provide for greater organisational flexibility by allowing different workforce mixes in the ADF, comprising permanent and Reserve personnel. ADF personnel will have greater access to flexible service arrangements, including part-time work.

Other key achievements included:









- establishing a new ADF workplace remuneration arrangement and further simplifying salary structures. Work also continued on a new collective agreement for Defence's APS employees
- developing a new superannuation package, called ADF Super, to give effect to the Government's intent for a new, modern and flexible superannuation arrangement for people joining the ADF from 1 July 2016

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

- implementing a whole-of-Defence work health and safety management system (called Sentinel). Sentinel provides a common technological platform across the organisation to manage and share work health and safety information.

Following the implementation of human resources shared services reform, the Group continued to improve the delivery of people services across Defence. Work began on human resource policy reform and a new service delivery model to support the implementation of the First Principles Review, and to create a consistent service experience based on customer needs. This reform work will be implemented during 2015–16.

Table 3.22: **Programme 1.8 deliverables**

Deliverable	Status
Provide timely, accurate and high-quality advice on key people issues to the Secretary, CDF and government.	 <p>Not all advice was as timely as it should have been.</p>
Continued coordination and facilitation of the Defence-wide implementation of <i>Pathway to Change: Evolving Defence Culture</i> , ongoing cultural reform and sustaining the momentum of our diversity agenda.	 <p>Defence continues to make progress with cultural reform. <i>Pathway to Change: Evolving Defence Culture</i> recommendations and key actions are 91 per cent implemented. Group and Service cultural reform programmes are progressing and the collaboration project with the Australian Human Rights Commission has had a full year of site visits, and work with the Services, to embed cultural reform.</p>
Facilitate access by the Defence Abuse Response Taskforce to information and records held by Defence.	
Process applications for Defence medals that reward excellence, achievement and outstanding service.	
In conjunction with the Department of Veterans' Affairs, coordinate the measures to provide seamless support to wounded, ill and injured members of the ADF.	
Continue support to Defence members and families through a national service delivery model.	
Coordinate and facilitate the implementation of the <i>Defence Work Health and Safety Strategy 2012–17</i> .	
Conduct ADF recruiting.	 <p>Permanent force entry:</p> <ul style="list-style-type: none"> <li>• target: 5,829</li> <li>• total inquiries: 74,407</li> <li>• total applications: 19,143.</li> </ul> <p>Reserve force entry:</p> <ul style="list-style-type: none"> <li>• target: 1,984</li> <li>• total inquiries: 20,261</li> <li>• total applications: 3,119.</li> </ul>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.22 (continued)











Deliverable	Status
Sustain improvements in APS workforce management, including talent management and professionalisation.	 <p>Components of the work value review and the job family skilling and professionalisation strategies are at various stages of maturity.</p>
Deliver a more flexible workforce model that encompasses all ADF members' ability to serve.	 <p>The majority of the detailed design and other enabling work was completed this year. Full implementation of the ADF total workforce model under Project Suakin is expected by 2016–17.</p>

Table 3.23: Programme 1.8 key performance indicators

Key performance indicator	Status
Advice to the Secretary, CDF and government on people issues is timely and of a high quality.	 <p>Not all advice was as timely as it should have been.</p>
Implementation of <i>Pathway to Change: Evolving Defence Culture</i> across Defence, consistent with the timeframes outlined in supporting implementation strategies.	 <p>91 per cent of <i>Pathway to Change: Evolving Defence Culture</i> recommendations and key actions have been implemented. Defence is three years through a five-year reform agenda, with the focus on cultural reform now shifted to Group and Service programmes and the Australian Human Rights Commission collaboration.</p>
Timely and responsive facilitation of access to Defence information and records by the Defence Abuse Response Taskforce.	 <p>Defence was able to meet more than 90 per cent of the timeframes on requests for information from the taskforce. Most delays related to incidents that occurred prior to the introduction of electronic records management.</p>
Ensure timely recognition of ADF members, ex-serving members and APS employees in accordance with the Australian and Imperial Honours and Awards systems, and APS long-service recognition and commendation schemes.	
Seamless support to wounded, ill and injured members of the ADF is provided in conjunction with the Department of Veterans' Affairs.	
Provide professional support services to ADF members and families, including delivery of family support programmes and bereavement support in the event of death and serious casualties.	
Implementation milestones are achieved on schedule for the Diversity and Inclusion Strategy.	
Implementation milestones are achieved on schedule for the Defence Work Health and Safety Strategy 2012–17.	

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.23 (continued)

Key performance indicator	Status
ADF recruiting achievement.	<p>● ● ● ●</p> <p>Permanent force entry:</p> <ul style="list-style-type: none"> <li>target: 5,829</li> <li>applicants enlisted: 5,312</li> <li>enlistment achieved: 91 per cent.</li> </ul> <p>Reserve force entry:</p> <ul style="list-style-type: none"> <li>target: 1,984</li> <li>applicants enlisted: 1,081</li> <li>enlistment achieved: 54 per cent.</li> </ul> <p>Work is underway to better define Reserve target numbers, based on access to training.</p>
Projects and initiatives described in the people chapter of the Defence Annual Plan, which are aimed at delivering a sustainable people capability in Defence, are completed in a timely manner and achieve the desired outcomes.	<p>● ● ● ●</p> <p>A few projects and initiatives are slightly behind schedule or under target.</p>
Implementation of the ADF total workforce model to deliver a more flexible workforce that encompasses all ADF members' ability to serve.	<p>● ● ● ●</p> <p>The majority of the detailed design and other enabling work was completed this year. Full implementation of the ADF total workforce model under Project Suakin is expected by 2016–17.</p>



*'I attended the Anzac Day Dawn Service followed by the parade in Sydney with my wife. We were there to see our son march with the crew of HMAS Stuart. It was the first time we had attended Anzac Day commemorations in Sydney and a proud moment for both of us. It was a large parade watched by a huge crowd that lined the streets, sometimes four and five deep. It was also very moving and sometimes very emotional to see many of the old diggers being given rousing cheers from the crowd. Looking around, I was surprised to see so many young people and young families, which reassured me that Anzac Day will live on. The memories of the Anzac Day Centenary commemorations in Sydney will remain with me for years to come.'*

— Darryl Johnston, Corporate Communications

## Leading Indigenous community engagement

Niki Ross joined Defence in May 2015 to learn new skills and broaden his career options. He is currently based in Central Australia at the Joint Defence Facility Pine Gap, where he provides security support to the intelligence mission and plays a lead role in Indigenous community engagement.

Part of his role involves working with Aboriginal organisations in Alice Springs and the broader region to increase the diversity of Defence's workforce, improve Defence's Indigenous cultural competency, and encourage young Indigenous people into jobs. His main priorities have been establishing work experience programmes and apprenticeships, as well as providing volunteer opportunities for Defence staff and facilitating access to jobs in Defence.

Niki said that a highlight of the year was assisting the Navy warship HMAS *Arunta* to reconnect with the local Arrernte community, which the ship is named after.

'This involved escorting local Arrernte traditional owners to Darwin for a smoking ceremony to give the crew strength and power before heading into Exercise Talisman Sabre off Darwin.

'I value the opportunity to play a role in contributing to Australia's national security and safety', he said.

Niki is motivated to develop partnerships with the broader ADF to put Central Australia on the map for Defence opportunities for Indigenous people, particularly among young people who have limited employment options.

'There are a lot of great training and career opportunities in the military and the public service for Indigenous people', Niki explained.



Previously, Niki worked for the Department of the Prime Minister and Cabinet. Based in Adelaide, he worked with communities in the Anangu Pitjantjatjara Yankunytjatjara Lands, focusing on government priorities in governance, education and community safety.

Niki grew up and completed his schooling in Alice Springs. He is an Arrernte and Kaytej man from both his mother's and father's sides of the family. He is currently studying business and has a particular interest in how businesses operate nationally and internationally.

## Programme 1.9

### Defence Science and Technology

The Chief Defence Scientist, Dr Alex Zelinsky, is the primary adviser to the Secretary and the CDF and, through their offices, to portfolio ministers and the Government on defence-related science and technology matters. He leads the Defence Science and Technology Organisation (DSTO) in providing scientific advice and technology support for Australia's defence and national security.

Support for military operations is DSTO's foremost priority. During 2014–15, DSTO deployed two operations analysts, two science and technology liaison officers and one fly-away team to the Middle East Area of Operations. Force protection systems developed by DSTO and manufactured by Australian industry were delivered to the Afghan National Defense and Security Forces.

During 2014–15, DSTO's research programme supported 90 per cent of Defence's high-priority science and technology requirements. Highlights included:

- resolving cracking on the F/A-18 centre pylon, enabling the aircraft's deployment to the Middle East
- developing the Redwing equipment to protect soldiers and vehicles from improvised explosive devices
- assisting with the HMAS *Bundaberg* fire investigation.

DSTO undertook technical risk assessments for 25 Defence Capability Plan projects that proceeded to government for decision. The Chief Defence Scientist provided technical risk certification in Cabinet or ministerial submissions for 30 major acquisition projects.

Under its strategic research investment programme, DSTO conducts fundamental research to provide future game-changing capability for Defence. Within this programme, projects in two new areas, autonomous systems and space systems, are being developed.

Following extensive consultation with stakeholders, DSTO developed new policy and governance arrangements to direct future research in support of national security.

DSTO's capabilities were mobilised to support a number of national security demands. These included investigations into the Malaysia Airlines flight MH17 incident, the ongoing search for flight MH370 and the Sydney siege.

In 2014–15, DSTO continued to foster interactions with industry, academia, and Australian and overseas research bodies. Highlights included:

- the DSTO Partnerships Week, held at the South Australian site, which showcased DSTO's research capabilities and collaborative opportunities to more than 300 attendees
- a new strategic alliance with Airbus Group Australia Pacific, and a number of collaborative research and development projects with other alliance partners
- the transition of several technologies (for example, Digital Video Guard) to industry for commercialisation
- participation in the 2015 Maritime Systems and Technologies Asia conference and exhibition in Japan as part of the Defence presence to showcase Australian maritime defence technologies and engagement opportunities
- strong engagement with Australia's Five Eyes partners through the Technical Cooperation Program and bilateral links, as well as fostering defence science and technology relationships in Asia, particularly with Singapore and Japan.

## Applying mathematics for information security

Dr Michael Smith is head of the Cyber and Cryptomathematics Research (CMR) Group at the Defence Science and Technology Organisation (DSTO). Exploiting cyber mathematics and expanding the group's scope beyond its traditional expertise of mathematics and high-performance computing are challenges Michael has embraced with enthusiasm.

Being a whizz at mathematics is one thing, but being able to apply that skill in an area that, in partnership with the Australian Signals Directorate, provides critical capability to Defence for information security is what puts Michael on top of the game.

Modern cryptography—the science of making and breaking codes—relies on sophisticated mathematics, which Michael applies to ensure the secure storage and transmission of Defence communications. In the interest of future-proofing Defence systems, Michael and his team are also looking at the impact of emerging technologies such as quantum cryptography.

Michael joined DSTO in 1990 as an experimental officer in the Underwater Systems Division in Melbourne. He took the opportunity offered by DSTO's postdoctoral cadetship programme and achieved a PhD in mathematics from the Australian National University in 1994. Michael subsequently joined the CMR Group in Canberra as a research scientist. The job was perfectly suited to his talents and he became head of the group in 2011.

Michael has notched up a number of impressive achievements, starting with the inaugural DSTO Achievement Award for Best Contribution to Technology Base in 1998. His proudest achievement was leading an international,

### PROFILE: Michael Smith



multi-agency programme to deliver a vital capability to ADF deployments. This effort was recognised with the CMR team winning a DSTO Achievement Award for Contribution to Defence Outcomes in 2007 and the Australian Intelligence Community Award in 2008.

Collaboration with other group members, clients and overseas experts has been key to Michael's research success. He has co-authored more than 50 classified research papers and technical reports, many with world experts.

'It's important to create an environment where everyone gets to lead', Michael stressed.

'There will always be an enduring role for mathematics. I really enjoy sharing the history of the development of key ideas, particularly in the area of factoring.

'I think there's a great deal to be learned from history—a lot of the maths we use on a daily basis goes back more than 2,000 years', Michael said.

Table 3.24: Programme 1.9 deliverables

















































Deliverable	Status
Provide timely, accurate and expert science and technology (S&T) advice on Defence and national security related matters to the Secretary, CDF and government.	   
Provide effective, relevant and timely: <ul style="list-style-type: none"> <li>S&amp;T solutions and technical support to Defence operations, to the current force and to national security agencies' operations and capabilities</li> <li>S&amp;T support to capability development and acquisition decision-making, including technical risk assessment and certification for Defence Capability Plan projects.</li> </ul>	    Deliverables in support of operations were rated <i>met</i> , while current force and national security deliverables were <i>substantially met</i> , with Defence clients agreeing to defer or cancel some medium- and lower-priority tasks.
Deliver a programme of strategic research aimed at enhancing future Defence and national security capabilities and maintaining the organisation's world-class research expertise and facilities.	   
Further develop strategic partnerships with external organisations, in particular international partners, local industry and academia; promote defence science and related education in the broader Australian community.	   
Contribute to Defence reform outcomes by continuing to seek and implement improvements to DSTO leadership, business and culture, including fostering diversity and gender equality.	   

Table 3.25: Programme 1.9 key performance indicators

Key performance indicator	Status
Advice to Defence and the Government on science and technology (S&T) matters is valued through its contribution to improved Defence and national security outcomes.	   
The applied research programme is strategically balanced and aligned with the needs of Defence in support of operations, the current force, capability development and acquisition, and the needs of national security agencies.	   
Research programme outputs enable enhanced Defence and national security capability, treat risks and save resources.	   
Strategic research is focused on supporting future Defence capability; it enables game-changing capability in the longer term, to both prevent and create strategic surprise.	   
Programme outcomes are delivered on time, in scope and within agreed resources.	    Budget management and rebalancing within the department led to Defence clients agreeing to some medium- and lower-priority tasks being cancelled or deferred.
DSTO's S&T capability is contributed to by: <ul style="list-style-type: none"> <li>a workforce with world-class expertise and facilities, measured through benchmarking and client feedback</li> <li>appropriately leveraged S&amp;T engagement and partnerships with research organisations, industry and academia, including international government agencies.</li> </ul>	   

 Met  Substantially met  Partially met  Not met | See 'User guide' on page ii for full explanation.

## Programme 1.10

### Vice Chief of the Defence Force

The Vice Chief of the Defence Force (VCDF), Vice Admiral Ray Griggs, AO, CSC, RAN, is the military deputy to the CDF and is the acting CDF under standing acting arrangements when necessary. The VCDF's responsibilities include providing strategic-level management and situational awareness of current and potential ADF commitments for Defence and other government agencies; joint military professional education and training; joint and combined ADF doctrine; joint capability management policy; joint logistics; joint health; input to joint capability development; policy, governance and accountability structure for the ADF Cadet Scheme; and initiatives to develop the capacity of the ADF Reserves to support ADF capability.

The VCDF Group's mission is to develop, deliver, enable and ensure Defence joint capability in order to protect and advance Australia's national and strategic interests.

The Group has responsibility for the Australian Civil-Military Centre, which was established by the Government in 2008 to support the development of national civil-military capabilities to prevent, prepare and respond more effectively to conflicts and disasters overseas.












In addition, the Group has responsibility for the ADF Parliamentary Programme, the Federation Guard, ADF ceremonial activities and the Counter Improvised Explosive Device Task Force.

The Group is committed to driving cultural reform in line with Defence's *Pathway to Change: Evolving Defence Culture* programme.

Key achievements in 2014–15 included the following:

- The Group established sustainable Defence preparedness levels to provide military response options for government and commenced the development of the Joint Concepts Framework.
- The Counter Improvised Explosive Device Task Force was the joint winner in the Risk Initiative category of the Comcover Risk Management Excellence Awards for the counter threat functions approach.
- Joint Logistics Unit infrastructure works were delivered successfully as part of the Defence Logistics Transformation Programme.
- The end-to-end fuel supply chain made a successful transition from the Defence Materiel Organisation to the Group; this change established a single point of accountability.
- More than 7,000 students from over 49 nations received military training.
- Coordinated inter-agency capability was delivered in support of the civil-military objectives of Exercise Talisman Sabre.
- The Defence eHealth System was fully implemented—this achievement was the first successful roll-out of a national electronic health records system in Australia.
- 1,858 young Australians (approximately 30 per cent of them women) participated in Defence Work Experience Programme placements.
- The Group provided military strategic advice, planning guidance and Defence coordination with other government agencies for a range of ongoing Defence operations, and new operations, including Hawke (Defence support to the aftermath of the Malaysia Airlines flight MH17 disaster in Ukraine) and Okra (Iraq), and disaster relief operations in Vanuatu and Nepal and within Australia.

Table 3.26: Programme 1.10 deliverables

Deliverable	Status
Lead the preparation of departmental military strategic advice to government via ministerial submissions, ministerial representations, Question Time briefs and Cabinet submissions.	
Provide military strategic planning and communication expertise to the CDF in order to prepare direction from the CDF to subordinate headquarters.	
Provide investigative and policing advice and deliver investigative services to maintain discipline within the ADF.	 Not applicable. The ADF Investigative Service transitioned to the Office of the Secretary and CDF on 1 July 2014, as amended in the Portfolio Additional Estimates Statements 2014–15.
Deliver agreed savings and reforms within the VCDF Group, including in the areas of logistics, Reserves, and preparedness and personnel and operating costs.	
Deliver coordinated logistic advice and services to the ADF, and provide oversight and assurance of the Defence logistic capability.	
Provide policy advice and deliver services to optimise the health of ADF personnel.	 There has been a delay in the promulgation of the ADF Rehabilitation Strategy and follow-up implementation plan due to significant feedback from stakeholders. This has not impacted on the delivery of rehabilitation services and the strategy is expected to be finalised prior to December 2015.
Provide Defence, inter-agency, combined and joint capability coordination and preparedness management.	 The preparedness system monitors performance expectations established by the CDF Preparedness Directive on operational tempo and concurrency. The development of an operational concept/roadmap for the Joint Battlespace Networked Environment and a networked interoperability framework is nearing completion and set for delivery in the fourth quarter of 2015.
Build and sustain a learning environment that links education, training and skilling to Defence capability.	
Enhance the capacity of Reserves to support Defence capability.	
Provide a coordinated, coherent and well-governed approach to youth development programmes in the Australian Defence Organisation in order to provide a positive youth development experience.	
Promote best-practice civil-military engagement through the Australian Civil-Military Centre.	



 Met  Substantially met  Partially met  Not met | See 'User guide' on page ii for full explanation.

Table 3.27: Programme 1.10 key performance indicators

Key performance indicator	Status
Timely, accurate and widely consulted advice provided to government.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
High level of engagement with Joint Operations Command, International Policy Division, Strategic Policy Division, Australian Civil–Military Centre, and other government agencies, for operational matters.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Advice is readily sourced and made available to the Offices of the CDF and VDCF to support strategic decision-making.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
ADF operational tempo is managed within concurrency constraints.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Group-specific reform and savings have been achieved.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
ADF operations and exercises receive effective and efficient logistics and health support and services.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
ADF joint and combined operational capability is enhanced.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Delivery of learning outcomes that deliver the skills required for defence capability.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Planning and policy frameworks for the contribution of the Reserves to Defence and the wider community are enhanced.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Governance and accountability frameworks enhance the youth development experience within the ADF Cadets and the Defence Work Experience Programme.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Australian Civil–Military Centre delivers its goals effectively and efficiently in accordance with government instructions.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Timely, accurate and widely consulted advice on nature of service classifications.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Timely and accurate advice on strategic communications.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>
Delivery of Australian best practice policing and investigative support to the ADF.	<span>●</span> <span>●</span> <span>●</span> <span>●</span> Not applicable. The ADF Investigative Service transitioned to the Office of the Secretary and CDF on 1 July 2014, as amended in the Portfolio Additional Estimates Statements 2014–15.
Group-specific outcomes and programmes are delivered on time and within agreed resources.	<span>●</span> <span>●</span> <span>●</span> <span>●</span>

● Met 
 ● Substantially met 
 ● Partially met 
 ● Not met 
 | See 'User guide' on page ii for full explanation.

## Commemorating the Centenary of Anzac: a rare privilege for a dedicated soldier

Warrant Officer Class One Paul Richardson is currently the Warrant Officer Ceremonial – ADF. He was born and raised in Lakes Entrance, Victoria, and enlisted in the Australian Regular Army in April 1989.

At the completion of his basic training, Paul was allocated to the Royal Australian Army Ordnance Corps and over the past 26 years has been posted to various locations across the Army, predominantly within a regimental Army environment. He has deployed on operations on three occasions to Timor-Leste and Afghanistan.

Much decorated, Paul has been awarded a Chief of Defence Force Commendation for productivity improvements and monetary savings in process techniques; a Commander Sector West Commendation for his efforts as the Repair Parts Supply Sergeant, Batugade, Timor-Leste; a Chief of Army Gold Commendation for service at the 1st Aviation Regiment; and more recently an Order of Australia for his service as a Regimental Sergeant Major.

Paul considers his current role to be a privilege as he is in charge of the coordination of the majority of Centenary of Anzac ceremonial aspects for ADF contingents, both internationally and domestically. As a part of his normal duties he provides ceremonial support to all vice regal and head of government ceremonial engagements in Canberra. He also is the ADF coordinator for the daily Last Post closing ceremonies at the Australian War Memorial.

Paul has a very close family link to the Centenary of Anzac, as his great-grandfather served on the Western Front during World War I. His grandfather served in Papua New Guinea during World War II, and his father was a national serviceman during the Vietnam conflict.

### PROFILE: Paul Richardson



Warrant Officer Class One Paul Richardson being presented with the shrapnel-holed French bible that saved the life of Lance Corporal Elvas Jenkins at Gallipoli in 1915 and is held in Bible Society Australia's historical collection. Paul agreed to carry it back to Gallipoli for the 100th anniversary on Anzac Day this year.

One of the great prerogatives of his job is to travel on representational duties. Paul has been lucky enough to support the Anzac Day Gallipoli commemorative services over the last two years, including the Turkish and Commonwealth ceremonies. He has also played a major role in supporting the Department of Veterans' Affairs on missions for the 70th Anniversary of Normandy, and the 70th Anniversary of Victory in Europe across France and London, where the highlights were parading in front of and meeting His Royal Highness Prince Charles and spending time with our national treasures, the veterans from World War II.

In the second half of 2015, Paul will plan several Department of Veterans' Affairs missions to Papua New Guinea and Ambon, including the ceremony to mark the Centenary of the August offensive at Gallipoli. He will also support the Australian War Memorial at the National Remembrance Day Service in Canberra on 11 November.

Paul has a partner, Cheryl, who is a serving ADF member, and together they are proud parents of their four-year-old daughter Grace.

# Programme 1.11

## Joint Operations Command

The Chief of Joint Operations, Vice Admiral David Johnston, AM, RAN, plans, controls and conducts campaigns, operations, joint exercises, and other activities on behalf of the CDF. The command is also responsible for the ADF's commitment to the Coastwatch civil surveillance programme and Border Protection Command tasking, providing maritime surveillance assets that are tasked routinely in accordance with the Government's direction.

Throughout 2014–15, Joint Operations Command assessed current campaigns to report on progress, risk and additional planning requirements. The Group established a capability to determine joint operational lessons to inform future planning and doctrine development.

The Group developed options for the Government to use available ADF capabilities for the conduct of military operations in immediate or crisis situations. It developed an assessment framework to identify areas of operational risk and provide a means to reduce those risks by enabling the synchronisation of single Service, joint and combined military activities within a whole-of-government framework.

Joint Operations Command conducted military operational planning, including the development and maintenance of contingency and operational plans. It routinely assessed the developing security environment to identify future planning priorities. As a result, it maintained relevant contingency plans for humanitarian assistance and disaster relief, the evacuation of non-combatants, and stability operations.

Table 3.28: Programme 1.11 deliverables

Deliverable	Status
Provide input, in the form of reporting, analysis, plans and preparedness requirements, to the strategic-level Australian Defence Force Headquarters and Commonwealth national security decision-making committees on military options and operational matters associated with current operational commitments and future directed contingencies.	● ○ ○ ○
Plan, control, conduct and evaluate the ADF's and, where applicable, the whole-of-government and/or coalition, contributions to government-directed operational commitments.	● ○ ○ ○
Plan, control, conduct and evaluate the ADF's contributions to Defence Assistance to the Civil Community and Defence Force Aid to the Civil Authority, and plan for and coordinate search and rescue for military purposes.	● ○ ○ ○
Plan, control, conduct and evaluate the ADF's participation in non-operational domestic and international joint, interagency and bilateral and multilateral exercises and engagement activities scheduled in the endorsed Programme of Major Service Activities. This includes certification of force elements capable of conducting joint operations across the spectrum of defined joint collective training levels.	○ ● ○ ○ Certification of joint force elements was achieved for the Deployable Joint Force Headquarters. Implementation arrangements for other joint force training and certification are under development.
Strengthen Australia's regional influence by deepening defence partnerships with the United States and with select regional powers and the evolution of a campaign approach to coordinate Defence activities across the region.	● ○ ○ ○
Maintain ongoing partnerships, collaboration and effective information sharing related to operational matters at the national level and effective engagement at the international level.	● ○ ○ ○

● Met    ● Substantially met    ● Partially met    ● Not met | See 'User guide' on page ii for full explanation.

Table 3.28 (continued)





























Deliverable	Status
Provide advice to Service Headquarters, other Defence Groups and other government departments as necessary to support the development of policy and capability in relation to current, planned and anticipated operations.	   
Contribute to Group-specific reforms and cost reductions.	   

Table 3.29: Programme 1.11 key performance indicators

Key performance indicator	Status
Input to strategic level decision-making committees on military options and operational matters and other advice on the development of capability is timely and accurate.	   
Operations achieve the Government's direction and intent and/or, where applicable, the whole-of-government strategy.	   
Forces are prepared, certified, deployed and sustained efficiently and effectively, and in accordance with agreed timeframes.	   
Operational options and plans are identified as innovative solutions that align with strategic guidance and contribute to meeting government direction, reduce risk, conserve resources and reduce adverse effects on directed ADF preparedness levels.	    Joint Operations Command's ability to identify and develop operational options and plans will be enhanced through continued development of its operational risk approach.
ADF operations and non-operational activities are planned, controlled and conducted in accordance with the promulgated rules of engagement and operational governance requirements in the areas of medical administration and clinical governance, and personnel, logistics, financial and contract management.	   

*Further information on joint and combined operations in 2014–15 is available online.*

## Programme 1.12

### Capability Development

The Chief Capability Development, Lieutenant General John Caligari, AO, DSC, is responsible, as the sponsor, for developing capability proposals consistent with the Government's strategic priorities, funding guidance, legislation and policy for consideration and approval by the Government.

The Capability Development Group develops and manages the Government's plans for future defence capability outlined in the Defence Capability Plan. The plan lists the projects for government consideration (first and second pass) that make up the Unapproved Major Capital Investment Programme for future capabilities.

The classified plan is reviewed and updated regularly to take into account factors that emerge as capabilities are developed, including changing strategic priorities and economic circumstances, the maturity of projects, the evolution of technology in the options under consideration, and operational experience.

The Capability Development Group maintains close relationships with a range of stakeholders, including the Defence Materiel Organisation (renamed Capability Acquisition and Sustainment Group on 1 July 2015), capability managers and industry. In conjunction with industry, the Group is also responsible for the operation of the Rapid Prototyping, Development and Evaluation Programme, which encourages innovation in future defence capabilities.

During 2014–15, 35 project approvals worth more than \$7 billion were received from government. These approvals comprised six first pass, 20 second pass, and nine other types of approvals. Approved projects are below.

In the maritime environment:

- second pass approval for replacement of the ANZAC air search radar.

In the aerospace environment:

- second pass approval for deployable air traffic management and control systems
- second pass approval for additional aircraft, including two C-17A Globemaster III heavy airlift aircraft and two Multi Role Tanker Transport aircraft.










In the land environment:

- second pass approval for the acquisition of an integrated battlefield telecommunications network and the upgrade of current radios and facilities
- second pass approval to acquire the upgraded Austeyr EF88 rifle and ancillaries
- first pass approval for the mounted combat renaissance capability under the LAND 400 programme.

In the joint enabling environment:

- second pass approval for the Helicopter Aircrew Training System
- enhancements to Special Operations capability, including Supacat vehicles.

Table 3.30: Programme 1.12 deliverables

Deliverable	Status
The provision of timely, accurate and high-quality advice on all aspects of capability development to the Secretary, CDF and government.	 <p>The Government gave approval for a total of 35 project submissions in 2014–15. In addition, the Group provided a significant number of quality submissions to the Minister for Defence, the Secretary and the CDF. Accurate costings remain an issue.</p>
The provision of independent analysis and contestability of capability proposals.	 <p>The Group provided contestability of capability proposals. Defence is implementing the First Principles Review recommendation to significantly enhance and strengthen the contestability process.</p>
The development and management of an affordable and executable Defence Capability Plan.	
The development of Defence capability investment proposals for consideration by the Government.	 <p>Defence achieved approval of 35 of the 39 Defence Capability Plan projects that were planned for government consideration in 2014–15.</p>
The publication of the public version of the Defence Capability Plan.	 <p>Not applicable.</p> <p>The Government announced that the next public Defence Capability Plan will be released in the context of the Defence White Paper process.</p>
The management of the Key Defence Assets Register.	
Complete a policy framework (Defence Instruction (General)) on the roles and responsibilities of Groups/Services for activities in the capability systems' lifecycle.	 <p>Not applicable.</p> <p>Consistent with the First Principles Review report, released on 1 April 2015, a new single end-to-end capability development function will be established.</p>
Transition the Defence Capability Development Handbook to an authorised manual under the Defence Administrative Policy Framework.	 <p>This transition is on track.</p>
Develop and approve the improvement initiatives under Tranche 2 of the Capability Development Improvement Programme.	 <p>Not applicable.</p> <p>Consistent with the First Principles Review report, the ongoing work associated with the Capability Development Improvement Programme will be subsumed within the First Principles Review implementation.</p>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 3.30 (continued)

Deliverable	Status
Under the Rapid Prototyping Development and Evaluation Programme, work collaboratively with Australia's defence industry to develop innovative solutions to complex issues affecting capability and operations.	<div><div></div><div></div><div></div><div></div></div>
Deliver independent test and evaluation advice, planning, support, trials and demonstrations to Defence throughout the capability systems' lifecycle.	<div><div></div><div></div><div></div><div></div></div>

Table 3.31: Programme 1.12 key performance indicators

Key performance indicator	Status
Ensure capability investment proposals have realistic schedules and cost projections, comprehensive risk assessments and mitigation.	<div><div></div><div></div><div></div><div></div></div> <p>The Government gave approval for a total of 35 project submissions in 2014–15. In addition, the Group provided a significant number of quality submissions to the Minister, the Secretary and the CDF. Accurate costings remain an issue.</p>
Improve the corporate information management systems that support end-to-end visibility, planning, management and reporting of capability development.	<div><div></div><div></div><div></div><div></div></div>
Progressively implement Tranche 2 Capability Development Improvement Programme initiatives to improve the timeliness and quality of capability submissions and reflect these improvements in extant and future capability development guidance and/or policy.	<div><div></div><div></div><div></div><div></div></div> <p>Not applicable.</p> <p>Consistent with the First Principles Review report, the ongoing work associated with the Capability Development Improvement Programme will be subsumed within the First Principles Review implementation.</p>
Provide objective advice to the Secretary and CDF.	<div><div></div><div></div><div></div><div></div></div>
Submit timely proposals that are coherent, compelling and consistent with strategic guidance and affordable within the Defence Capability Plan.	<div><div></div><div></div><div></div><div></div></div>

## Programme 1.13

### Chief Finance Officer

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03

The Chief Finance Officer, Mr Phillip Prior, PSM, is responsible for giving strategic financial advice and information to the ministers, the Secretary, the CDF and Defence Senior Leaders. The Group provides a whole-of-Defence focus for planning, management, and monitoring of key deliverables to the Government, including Defence outputs, and for reporting on them.

The Chief Finance Officer Group is responsible for Defence financial control, governance and assurance and manages the Defence budget and financial policies, principles and practices in accordance with the *Public Governance, Performance and Accountability Act 2013*.

The Group drives Defence's financial management and improvement programmes through standardised financial management approaches and a shared services model. The Defence Finance Shared Services Programme continues to evolve to accommodate the changing environment.

In 2014–15, Defence's Portfolio Budget Statements, Portfolio Additional Estimates Statements and financial statements were prepared and submitted within reporting deadlines. All whole-of-government reporting requirements were achieved. The Defence Accountable Authority Instructions were maintained and updated to reflect changes to financial policy and the forthcoming integration of the DMO into the Department of Defence.

Highlights of the Group's achievements during the year included:

- coordination of the annual budget-cycle process and production of the 2015–16 Portfolio Budget Statements and 2014–15 Portfolio Additional Estimates Statements
- removal of the DMO as a 'listed entity' from Schedule 1 of the Public Governance, Performance and Accountability Rule 2014, and subsequent consolidation of DMO finances, delegations and Accountable Authority Instructions within Defence
- engagement of external providers to develop independent cost and schedule assurance of the Defence budget in support of the *Defence White Paper*
- development of a 10-year funding model based on a fully costed future force structure
- further development of the shared financial services capability across Defence to enable business improvement and increased efficiencies
- delivery of the Government's deregulation agenda within Defence
- continued evaluation and improvement of processes and systems
- continued improvement of Defence's financial statements.

Table 3.32: Programme 1.13 deliverables

Deliverable	Status
Defence financial statements	<div><div></div><div></div><div></div><div></div></div>
Defence Portfolio Budget Statements	<div><div></div><div></div><div></div><div></div></div>
Defence Portfolio Additional Estimates Statements	<div><div></div><div></div><div></div><div></div></div>
Defence Accountable Authority Instructions	<div><div></div><div></div><div></div><div></div></div>
Monthly/annual input to whole-of-government reporting	<div><div></div><div></div><div></div><div></div></div>

Table 3.33: Programme 1.13 key performance indicators

Key performance indicator	Status
Provide timely and high-quality financial advice to the Minister for Defence, the Secretary and the CDF.	<div><div></div><div></div><div></div><div></div></div>
Produce Defence's budget, financial statements and the annual Defence Management and Finance Plan within agreed statutory timeframes.	<div><div></div><div></div><div></div><div></div></div>
Maintain unqualified financial statements.	<div><div></div><div></div><div></div><div></div></div>



*'I felt privileged to be able to make it to the Australian War Memorial in Canberra with my mother and father-in-law for the Centenary of Anzac. Although it had been some time since I had attended a ceremony, this year's was much larger than I expected, with attendees of all ages, genders, and races overflowing the parade grounds down Anzac Parade and over the grassed areas all around the Memorial. Among a crowd estimated at 120,000 people, it was special when the lights began to switch off and the huge crowd fell silent and focused on the many large screens erected. It was eerie, yet humbling, that so many people who had come to mark their respects could make so little noise. As the ceremony progressed, the sun rose, and the Last Post and Reveille sounded out through the crisp Canberra air. I not only thought about those who had made the ultimate sacrifice for my country, but remembered my own grandfather, who fought so valiantly in World War II.'*

— Andrew Haese, Budget Management

## Programme 1.14

### Defence Force Superannuation Benefits

The objective of Programme 1.14 is to administer and report member and employer contributions paid during the year to the Defence Force Retirement and Death Benefits (DFRDB) Scheme and the Military Superannuation and Benefits Scheme (MSBS). It accounts for the liability of these schemes plus the Defence Force Retirement Benefits (DFRB) Scheme. This programme includes payment of the MSBS retention benefit.

The DFRB Scheme, which does not have any contributing members, commenced in 1948 and only covers members or their dependants who were in receipt of a pension at the time the DFRDB Scheme commenced. The DFRDB Scheme was closed to new participants in 1991.

The MSBS commenced in 1991 and is available to all full-time members of the ADF.

All three schemes are managed on Defence's behalf by ComSuper.

Since 1991, Defence has paid the MSBS retention benefit to eligible MSBS members after 15 years of continuous eligible service. The purpose of the retention benefit is to encourage members to serve until they have completed 20 years of service. Due to legislative amendments passed in 2005, the retention benefit is not available to members who enlisted after 6 October 2005.

Table 3.34: Programme 1.14 deliverables

Deliverable	Status
Report on superannuation contributions and the movement in liabilities associated with the three military superannuation schemes.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>

Table 3.35: Programme 1.14 key performance indicators

Key performance indicator	Status
Provision of timely payments to ComSuper and quality administration of DFRB, DFRDB and MSBS employer and member contributions.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>

## Programme 1.15

### Defence Force Superannuation Nominal Interest

The objective of Programme 1.15 is to administer nominal interest for the three military superannuation schemes—the DFRB Scheme, the DFRDB Scheme and the MSBS.

Table 3.36: Programme 1.15 deliverables

Deliverable	Status
Report on superannuation nominal interest associated with the three military superannuation schemes.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>

Table 3.37: Programme 1.15 key performance indicators

Key performance indicator	Status
Provide quality administration services for DFRB, DFRDB and MSBS nominal interest transactions.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

## Programme 1.16

### Housing Assistance

The Defence Home Owner Scheme closed on 30 June 2010. It was replaced by the Defence Home Owner Assistance Scheme, which started on 1 July 2008.

#### Defence Home Owner Scheme

The Defence Home Owner Scheme provides a subsidy on the interest payable on home loans of between \$10,000 and \$80,000 (held by clients who applied before 30 June 2010). The benefits are provided under an agreement between the National Australia Bank and the Australian Government. The subsidy amount is calculated at 40 per cent of the average monthly interest on the loan.

There were 897 active loans at 30 June 2015 and a total of \$1.2 million in subsidy payments during 2014–15. The number of members receiving the Home Owner Scheme subsidy has continued to decline since the introduction of the Defence Home Owner Assistance Scheme on 1 July 2008. The National Australia Bank has met its obligations to the Commonwealth as the appointed home loan provider.

#### Defence Home Owner Assistance Scheme

The Defence Home Owner Assistance Scheme is an Australian Government initiative that provides a subsidy on the interest payable on a home loan for members of the ADF. The scheme is open to current and former ADF members who completed effective service in the ADF on or after 1 July 2008 and have completed a qualifying period and accrued a service credit.

The Department of Veterans' Affairs, as the scheme administrator, is responsible for assessing member applications, issuing subsidy certificates to eligible members and processing subsidy payments. A panel of three home loan providers has been established to offer members home loans under the scheme. The three providers are the Australian Defence Credit Union, the Defence Bank and the National Australia Bank.

During 2014–15, the scheme continued to attract a high level of interest from ADF members. A total of 6,012 applications were registered during the year and 5,610 members received subsidy certificates. Forty-seven per cent of members who applied for a subsidy certificate indicated that the scheme influenced their decision to remain in the ADF and 38 per cent indicated that it was a key factor in encouraging them to remain in the ADF.

At 30 June 2015, 19,946 members were receiving subsidy assistance under the scheme. In 2014–15, the value of subsidy assistance paid to eligible members totalled \$74.8 million. The total amount paid in subsidy assistance since the commencement of the scheme is \$432.2 million.

The Department of Veterans' Affairs met its obligations under the legislation and memorandum of understanding with Defence and provided effective service to the scheme.

#### Operational costs

Under the memorandum of understanding, the Department of Veterans' Affairs is paid an annual management and service delivery fee for the administration of both schemes. In 2014–15, the administration costs totalled \$5.4 million (excluding GST).

Defence received a total of \$15.1 million in remuneration from the three home loan providers during the year.

Table 3.38: Programme 1.16 deliverables

Deliverables	Status
Provide ADF members with assistance to achieve home ownership that reflects the contemporary housing and home finance markets.	
Provide progressively higher levels of assistance for eligible members serving beyond the critical career points of four, eight and 12 years of service.	
Provision of quality services for the administration of the scheme, including the accurate and timely processing of member applications and issuing of subsidy certificates.	

Table 3.39: Programme 1.16 key performance indicators

Key performance indicator	Status
Members respond to and take up the scheme.	
Ensure that interest rates provided to ADF members by the home loan providers are competitive with other interest rates in the market.	

## Programme 1.17

### Other Administered

Programme 1.17 comprises three elements:

- interest on government loans to fund the building of new accommodation, dividends and tax-equivalent payments received from Defence Housing Australia
- revenue received from science and technology royalties where royalties offset the departmental cost of an activity, to the extent there was no appropriation for the activity
- departmental returns to the Official Public Account arising from the sale of assets with an original purchase price in excess of \$10 million.

Table 3.40: Programme 1.17 deliverable

Deliverable	Status
Report on interest and other receipts transferred to the Official Public Account.	

Table 3.41: Programme 1.13 key performance indicator

Key performance indicator	Status
Accurate accounting and reporting on 'Other Administered'.	

## Welcome home parades for those who served in Operation Slipper

Australian Defence Force (ADF) members and Defence civilians who served on Operation Slipper came together to march in force earlier this year as official welcome home parades were held across the nation to mark the end of Australia's longest military operation.

Parades were held in all capital cities on 21 March 2015 in honour of the 34,500 ADF personnel and Defence civilians who deployed to Afghanistan and the Middle East on Operation Slipper between 2001 and 2014.

Families, friends and members of the community lined city streets to show their appreciation to Operation Slipper veterans. The commemorative events also honoured those who did not make it home and those who returned with permanent wounds.

The Chief of Navy, Vice Admiral Tim Barrett, proudly watched on in Perth and said the parade was an opportunity to reflect on the many achievements that have been made over the course of Australia's longest war.

'We have also felt the deepest sorrow for the 41 Australian soldiers who paid the ultimate sacrifice and the hundreds of veterans who continue to live with physical and mental wounds', he said.

The then Chief of Air Force, Air Marshal Geoff Brown, was Reviewing Officer at the march in Adelaide. He praised the efforts of all Australian personnel who deployed.

'Your contribution has ranged from providing security, intelligence, surveillance and reconnaissance, airlift, combat support, development and construction projects to improve the lives of the Afghan people', he said.

### FEATURE



Leading the Operation Slipper parade in Sydney are (left to right) Deputy Chief of Army Major General Peter 'Gus' Gilmore, AO, DSC; Commander Australian Fleet Rear Admiral Stuart Mayer, CSC; and Bar and Deputy Air Commander Australia, Air Commodore Tim Innes.

The then Chief of Army, Lieutenant General David Morrison, marched through the streets of Brisbane with the troops.

'Working alongside the Afghan National Army and coalition forces, our Defence Force has assisted the Afghans to develop governance, construct and redevelop local infrastructure, and made significant ongoing improvements to security, stability and prosperity', he said.

At the national parade in Canberra, the Prime Minister, the Hon Tony Abbott MP, thanked the thousands of Operation Slipper veterans for their service. He acknowledged the significant contribution made by Australia in Afghanistan.

'The war ended not with victory, and not with defeat, but with hope: hope for a better Afghanistan, and for a safer world.

'Afghanistan is a better country because Australia was there', he said.

Although Operation Slipper has ended, ADF personnel continue to provide support and assistance through the NATO-led Resolute Support mission, which is focused on training, advising and assisting the Afghan National Defense and Security Forces and Afghan security institutions at the operational, institutional and ministerial levels.

## REFLECTIONS ON THE OPERATION SLIPPER WELCOME HOME PARADES

‘It was good to march in Perth and get the recognition and understanding of what we did on Operation Slipper.’

Chief Petty Officer Buffer Grant Peck,  
HMAS Sirius



‘It was a good way to show exactly what we have accomplished as a country and as individuals and to pay our respects to those who didn’t come back.’

Corporal Elizabeth Flook,  
Directorate of Soldier Career Management,  
Army, Canberra

‘I was really proud to serve my country and my family back home. After I saw the ramp ceremonies, it meant a lot to see Australians pay their respects.’

Flight Lieutenant Gerard Bonaventura,  
Air Space Controller, 452 Squadron,  
RAAF Townsville



‘It was a great opportunity for the Australian public to thank the ADF and other government agencies for all the work that has been done under Operation Slipper.’

Genevieve Mortiss,  
Maritime Operations Analyst, DSTO

# 4

## CHAPTER FOUR

### Outcome 2



## Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by the Government

### Summary

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The Australian Defence Force (ADF) advances Australia's strategic interests by planning for, and developing and maintaining, the capability to deter and defeat armed attacks on Australia; and by planning for, conducting, controlling and evaluating Defence and/or coalition contributions to government-directed operations. These operations include those that contribute to the security of the immediate neighbourhood (Programme 2.1) and those that support wider interests (Programme 2.2). Their objectives in relation to this outcome and current status are detailed in this chapter.

The ADF has contributed to maintaining a stable security environment where national programmes focus on peace, reconciliation, economic recovery, law and order and good governance across all ADF operations.

All deliverables and key performance indicators for Outcome 2 were fully met.

Table 4.1: **Total cost of Defence Outcome 2<sup>[1]</sup>**

	2014–15 budget estimate <sup>[2]</sup> \$'000	2014–15 revised estimate <sup>[3]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000	%
<b>Programme 2.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>					
Revenue from other sources	–	–	–	–	–
Departmental outputs	3,008	4,022	7,290	3,268	81
<b>Programme 2.2 Operations Supporting Wider Interests</b>					
Revenue from other sources	3,269	3,827	10,452	6,625	173
Departmental outputs	349,721	784,980	510,818	–274,163	–35
<b>Total resourcing</b>					
Total departmental outputs	352,729	789,002	518,108	–270,895	–34
Total departmental revenue from other sources	3,269	3,827	10,452	6,625	173
Equity injection	–	–	–	–	–
<b>Total resources for Outcome 2</b>	<b>355,998</b>	<b>792,829</b>	<b>528,560</b>	<b>–264,270</b>	<b>–33</b>

#### Notes

1. This table excludes capital payments for outcomes.
2. As published in the *Portfolio Budget Statements 2014–15*, Table 37.
3. As published in the *Portfolio Budget Statements 2015–16*, Table 38.

Table 4.2: Net additional cost of operations

	2014–15 budget estimate <sup>[1]</sup> \$m	2014–15 revised estimate <sup>[2]</sup> \$m	2014–15 actual result \$m	Variation \$m
Operation Astute	–	–	0.1	0.1
Operation Slipper <sup>[3]</sup>	240.8	267.5	252.5	–15.0
Operation Manitou	52.0	52.0	39.4	–12.6
Operation Accordion	57.0	120.2	123.5	3.3
Operation Highroad	–	82.4	40.5	–42.0
Operation Resolute <sup>[4]</sup>	59.7	59.7	45.0	–14.7
Operation Okra	–	260.8	159.4	–101.3
Operation Anode	0.1	0.1	0.0	–0.0
Operation Southern Indian Ocean	3.0	3.0	1.1	–1.9
Enhanced Force Protection in Afghanistan <sup>[3]</sup>	16.2	16.2	–	–16.2
Defence Support to 2014 G20 Summit	8.0	8.0	3.5	–4.5
<b>Total net additional costs</b>	<b>436.8</b>	<b>869.9</b>	<b>665.0</b>	<b>–204.9</b>

**Notes**

1. As published in the *Portfolio Budget Statements 2014–15*, Table 4.
2. As published in the *Portfolio Budget Statements 2015–16*, Table 4.
3. Government supplementation for the Force Protection Review is included under Operation Slipper (Outcome 2) and Enhanced Force Protection in Afghanistan (Outcome 1).
4. Includes funding for expanded activities under Operation Sovereign Borders.



*'I was one of the many who were fortunate enough to have received a ballot ticket to attend the Anzac Day Centenary Dawn Service at Gallipoli. The great sacrifice made by the diggers landing at Anzac Cove on the morning of 25 April 1915 was so graphically represented—with a flotilla of naval ships heading towards the cove through the sea haze, extracts from the diggers' letters on their first impressions on the landing being read, and being in the presence of the sheer steepness and harshness of the Gallipoli terrain. This is a memory that will remain with me forever.'*

— Troy McKenzie, Defence Security Authority

Table 4.3: Net additional cost of operations from 1999–2000 to 2018–19

	1999–00 to 2013–14 actual result \$m	2014–15 actual result \$m	2015–16 budget estimate \$m	2016–17 forward estimate \$m	2017–18 forward estimate \$m	2018–19 forward estimate \$m	Total \$m
Operation Astute	4,311.9	0.1	–	–	–	–	4,312.0
Operation Bel Isi	47.7	–	–	–	–	–	47.7
Operation Slipper	6,924.8	252.5	121.9	103.9	–	–	7,403.1
Operation Manitou	–	39.4	43.2	2.2	0.5	–	85.3
Operation Accordion	–	123.5	191.0	1.4	0.6	–	316.5
Operation Highroad	–	40.5	115.1	11.3	7.9	–	174.9
Operation Resolute <sup>1)</sup>	175.0	45.0	48.7	5.7	–	–	274.4
Operation Catalyst	2,364.5	–	–	–	–	–	2,364.5
Operation Okra	–	159.4	390.8	17.5	10.0	–	577.7
Operation Anode	355.2	–	–	–	–	–	355.2
Operation Sumatra Assist	44.5	–	–	–	–	–	44.5
Operation Acolyte	10.5	–	–	–	–	–	10.5
Operation Deluge	6.7	–	–	–	–	–	6.7
Operation Pakistan Assist	9.8	–	–	–	–	–	9.8
Operation Outreach	14.6	–	–	–	–	–	14.6
Operation Kruger	45.3	–	–	–	–	–	45.3
Operation Southern Indian Ocean	10.8	1.1	–	–	–	–	11.9
Enhanced Force Protection in Afghanistan	540.0	–	–	–	–	–	540.0
Defence Support to 2014 G20 Summit	0.1	3.5	–	–	–	–	3.6
<b>Total net additional costs</b>	<b>14,861.5</b>	<b>665.0</b>	<b>910.7</b>	<b>142.1</b>	<b>19.1</b>	<b>–</b>	<b>16,598.3</b>
<b>Sources of funding for operations</b>							
Government supplementation	13,230.7	660.3	910.7	142.1	19.1	–	14,962.8
Department of Foreign Affairs and Trade	9.1	–	–	–	–	–	9.1
Department of Defence (absorbed)	1,621.7	4.7	–	–	–	–	1,626.4
<b>Total cost</b>	<b>14,861.5</b>	<b>665.0</b>	<b>910.7</b>	<b>142.1</b>	<b>19.1</b>	<b>–</b>	<b>16,598.3</b>

**Note**

1. Includes funding for expanded activities under Operation Sovereign Borders.

## Helping out after Cyclone Pam

As part of a mission led by the Department of Foreign Affairs and Trade, Headquarters Joint Operations Command (HQJOC) executed and coordinated a major humanitarian operation in Vanuatu in March and April 2015.

Days before the impact of the 14 March cyclone, HQJOC Domestic and Regional Operations Branch personnel were deep into the planning for an emerging humanitarian relief effort.

Royal Australian Navy Lieutenant Mark McKenzie, who was part of a small planning group, said the planning effort brought together Defence and government stakeholders to prepare for a range of possible scenarios.

Looking back on the impact of Cyclone Pam, a category five storm, on Vanuatu and surrounding islands, Mark emphasised that an effective HQJOC response to any emergency or disaster required an early appreciation of the situation.

‘Deploying and coordinating any response effort is just one part of the puzzle. The Chief of Joint Operations relies on local ADF commands to provide the resources required for the initial response and then to identify potential commitment of non-local Defence assets’, Mark said.

‘Operation Pacific Assist came on the back of a busy three-month period that included coordination of support to bushfires in South Australia, Victoria and Western Australia, responding to cyclones Lam and Marcia in northern Australia and then the devastating earthquake in Nepal.

‘As the deputy lead planner, Domestic and Regional Operations, my role was to assist in the coordination efforts of all branches and enablers to HQJOC in the development of the concept of operations.

‘This included things like discussing the availability of assets within the Services, evaluation of possible response options, coordinating information through key staff and drafting of task orders.’

### PROFILE: Mark McKenzie



From 15 March through to mid-April, the ADF contributed to the whole-of-government response to assist more than 13,000 people with humanitarian relief.

More than 500 soldiers, sailors and aircrew deployed during Operation Pacific Assist, providing help across the archipelago and significantly assisting the recovery process.

ADF troops played a major part in the immediate relief effort, repairing key infrastructure, restoring basic services and delivering more than 115 tonnes of vital humanitarian assistance and disaster relief support throughout Vanuatu.

Through their efforts, access to clean water was restored, schools, community buildings and medical facilities were repaired, and remote communities had access to food and shelter.

ADF personnel also assisted in critical repairs to Port Vila Central Hospital, 27 schools, five clinics and 13 road and infrastructure sites.

‘Being a staff officer integrated with the Operations Staff at HQJOC has been an incredible professional experience’, Mark said.

‘It’s an amazing job when you consider we plan for just about every eventuality, but you’re always prepared for the unexpected to occur.’

## Programme 2.1

### Operations Contributing to the Security of the Immediate Neighbourhood

Defence undertakes a variety of operations in order to preserve the security and stability in our region.

Operation Gateway, which occurs up to eight times a year, is an ongoing maritime surveillance operation conducted in the north-eastern Indian Ocean and the South China Sea to contribute to the stability of important sea lanes.

Operation Solania is an ongoing maritime surveillance operation to support Pacific Island countries in fisheries law enforcement in the South-West Pacific. There are up to four AP-3C Orion aircraft deployments per year to the region, to coincide with operations led by the Forum Fisheries Agency, which is based in Honiara, Solomon Islands.

Operation Render Safe is an enduring operation to dispose of explosive remnants of war in Pacific island nations. In November 2014, there was a significant operation on Bougainville, which disposed of more than 16 tonnes of explosives.

Operation Pacific Assist was an ADF deployment supporting humanitarian assistance and disaster relief in Vanuatu and Solomon Islands following Cyclone Pam. A significant Defence contribution included a major Navy ship, a number of Air Force transport and surveillance aircraft, Army rotary wing aircraft, and personnel from the three Services providing a Joint Task Force and heavy engineering support in disaster-affected areas.

Operation Nepal Assist was an ADF deployment supporting humanitarian assistance and disaster relief in Nepal following the earthquake in April 2015. ADF involvement included a strategic airlift of humanitarian aid stores, evacuation of affected Australian and approved foreign nationals and a small team deployed in support of the Australian Embassy.

Table 4.4: Programme 2.1 deliverables

Deliverable			Status
Operation	Commenced	Objective	
Gateway	1981	Conduct northern Indian Ocean and South China Sea maritime surveillance patrols.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Solania	1988	Conduct South-West Pacific maritime surveillance patrols.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Render Safe	2011	Provide enduring explosive ordnance disposal support to the nations of the South West Pacific.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Southern Indian Ocean	2014	Contribute to the search operations for the missing Malaysia Airlines flight MH370.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Saville	2014	Provide responses to non-allied foreign military activity in Australia's maritime approaches.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Pacific Assist	2015	Support the whole-of-government contribution to the humanitarian and disaster relief operations as requested by the governments of Vanuatu and Solomon Islands.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>
Nepal Assist	2015	Support the whole-of-government contribution to the humanitarian and disaster relief operations as requested by the Government of Nepal.	<span style="color: green;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span> <span style="color: grey;">●</span>

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 4.5: Programme 2.1 key performance indicators

Key performance indicator	Status
ADF operations meet their stated objective within the Government's guidance.	<div><div></div><div></div><div></div><div></div></div>
ADF forces are effectively deployed and sustained.	<div><div></div><div></div><div></div><div></div></div>
ADF forces are withdrawn for reconstitution when they are no longer required.	<div><div></div><div></div><div></div><div></div></div>

## Programme 2.2

### Operations Supporting Wider Interests

On 1 January 2015, Operation Highroad superseded Operation Slipper as the ADF contribution to the stabilisation and security of Afghanistan. Joint Operations Command transitioned its forces from a combat-focused mission to one that continues to provide directed capabilities and forces to the NATO-led Resolute Support mission. This contribution is delivered through the mentoring of the Afghan National Army personnel of 205 Corps in Kandahar and Officer Cadets at the Afghan National Army Officer Academy. Mentoring relationships have also been established with Afghan Special Forces and a small number of operational-level Afghan headquarters.

As part of a broader international humanitarian effort and whole-of-government approach, Joint Operations Command executed air operations and land force training as part of Operation Okra. These operations have degraded Daesh and protected Australia's national interests. Through the execution of the ADF's Build Partner Capacity mission, Iraqi land forces have increased their ability to conduct brigade-level offensive operations.

Under Operation Manitou, the Navy maintained the deployment of a major fleet unit in support of maritime counter-terrorism, counter-narcotics and counter-piracy operations conducted by the Combined Maritime Force. Also in support of the Combined Maritime Force and the improvement of maritime security in the Middle East and along the east coast of Africa, Australia routinely commands Combined Task Force 150, which is responsible for the maritime counter-terrorism mission. The next Australian rotation will begin in November 2015.

HMAS *Success* was the first Navy ship to be assigned to a NATO operation—the counter-piracy operation Ocean Shield in the Gulf of Aden and Indian Ocean for two weeks from 23 March 2015. HMAS *Success* also achieved key national and Defence objectives in the commemoration of the Centenary of Anzac.

In support of a rules-based global security order, Defence continued to provide support to three United Nations missions—operations Paladin, Palate II and Aslan—and maintained its longstanding links to the Multinational Force and Observers mission in the Sinai, Egypt, under Operation Mazurka.

During 2014–15, ADF members continued to perform key roles in United Nations efforts to maintain peace and security in highly volatile areas such as Afghanistan, the Golan Heights, the Sinai and South Sudan. The ADF role included supporting free and fair elections in Afghanistan; directly contributing to peace-monitoring efforts in Israel, Lebanon and the Sinai Peninsula; contributing to reform in South Sudan; and assisting in humanitarian efforts to provide basic services and subsistence to those in need. It is envisaged that Defence will continue to support these United Nations missions and the Multinational Force and Observers in the Sinai in their critically important and globally significant work.

Operation Hawick was the ADF contribution to the whole-of-government Operation Bring Them Home in support of dealing with the aftermath of the Malaysia Airlines flight MH17 disaster in eastern Ukraine. Joint Operations Command supported the Combined Inter-Agency Task Force charged with carrying out the International Mission for Protection of Investigation, and supported the repatriation of victims of the disaster.

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

Table 4.6: Programme 2.2 deliverables

Deliverable			Status
Operation	Commenced	Objective	
Paladin	1956	Contribute to the United Nations Truce Supervision Organization in the Middle East.	● ○ ○ ○ ○
Mazurka	1982	Contribute to the Multinational Force and Observers in the Sinai.	● ○ ○ ○ ○
Slipper	2001	Support Afghanistan's security, development and governance. The International Security Assistance Force Mission in Afghanistan provided under Operation Slipper ceased on 31 December 2014.	● ○ ○ ○ ○
Palate II	2005	Provide a military liaison officer to the United Nations Assistance Mission in Afghanistan.	● ○ ○ ○ ○
Aslan	2011	Contribute to the United Nations mission to the Republic of South Sudan.	● ○ ○ ○ ○
Manitou	2014	Contribute to international maritime security operations in the Middle East Area of Operations and international counter-piracy operations in the Persian Gulf, the Gulf of Aden, the Red Sea and parts of the Indian Ocean.	● ○ ○ ○ ○
Okra	2014	Conduct operations in support of the coalition response to the Iraq crisis.	● ○ ○ ○ ○
Accordion	2014	Provide support to operations Slipper and Manitou from within the Gulf States	● ○ ○ ○ ○
Highroad	2015	Support Afghanistan's security, development and governance, through a contribution to the NATO-led 'train, advise, assist' mission.	● ○ ○ ○ ○

Table 4.7: Programme 2.2 key performance indicators

Key performance indicator	Status
ADF operations meet their stated objective within the Government's guidance.	● ○ ○ ○ ○
ADF forces are effectively deployed and sustained.	● ○ ○ ○ ○
ADF forces are withdrawn for reconstitution when they are no longer required.	● ○ ○ ○ ○

● Met   ● Substantially met   ● Partially met   ● Not met | See 'User guide' on page ii for full explanation.

## ADF sends support to disaster victims in Vanuatu and Nepal

The Australian Defence Force's (ADF) response to the devastation brought by Cyclone Pam to Vanuatu in March 2015 saw more than 500 soldiers, sailors and aircrew deployed to provide assistance in the wake of the category five storm.

The ADF distributed 115 tonnes of vital humanitarian stores throughout Vanuatu. Through the efforts of ADF personnel, access to clean water was restored, schools, community buildings and medical facilities were repaired, and remote communities regained access to food and shelter.

The initial ADF response included the rapid delivery of Australian aid and emergency personnel using Air Force C-17A Globemaster strategic transport aircraft and C-130J Hercules aircraft. Air Force AP-3C Orion maritime patrol aircraft also provided reconnaissance support over Vanuatu and Solomon Islands to give emergency officials a clearer picture of the damage caused by the cyclone.

In addition to the support by Australian agencies, including the ADF, military support was provided by French, British and New Zealand defence forces. The ADF effectively coordinated its response efforts with emergency officials and other nations throughout the affected area.

The amphibious operations ship HMAS *Tobruk* deployed with Army engineers, vehicles and additional aid. On arrival, *Tobruk* provided the maritime base for much of the ADF's high-tempo post-disaster recovery operations in the outer islands. *Tobruk* offloaded tonnes of stores using two LARC-V amphibious cargo vehicles, two LCM-8 landing craft and an embarked Navy MRH-90 multi-role helicopter.

Army engineers made a significant contribution to the citizens of the worst-affected southern



The crew of HMAS *Tobruk* farewell members of the community of Dillon's Bay, Taféa province, Vanuatu, during Operation Pacific Assist 2015.

islands of Tanna and Erromango. Engineers provided immediate temporary shelter, access to clean water, and debris clearance and repairs to medical facilities.

The Air Force flew more than 260 sorties in support of the mission. Air Force C-17A and C-130J aircraft and Army Black Hawk helicopters conducted evacuations of people from Vanuatu and flew aid, stores and personnel for the ADF, the Department of Foreign Affairs and Trade and other responding agencies, while Air Force KA350 King Air tactical aircraft provided inter-island transport.

A month later, following the devastating earthquake in Nepal on 25 April 2015, the ADF delivered more than 13 tonnes of Australian aid and evacuated 106 Australian and other foreign nationals to Thailand.

Using two Air Force C-17A Globemaster III strategic airlift aircraft, aid supplied by the Department of Foreign Affairs and Trade was flown into Kathmandu's Tribhuvan International Airport. Civilian evacuees then boarded the aircraft and were flown out to Bangkok.

The Australian aid was delivered in cooperation with Nepalese aviation authorities, who managed the congested airport in Kathmandu following the earthquake.



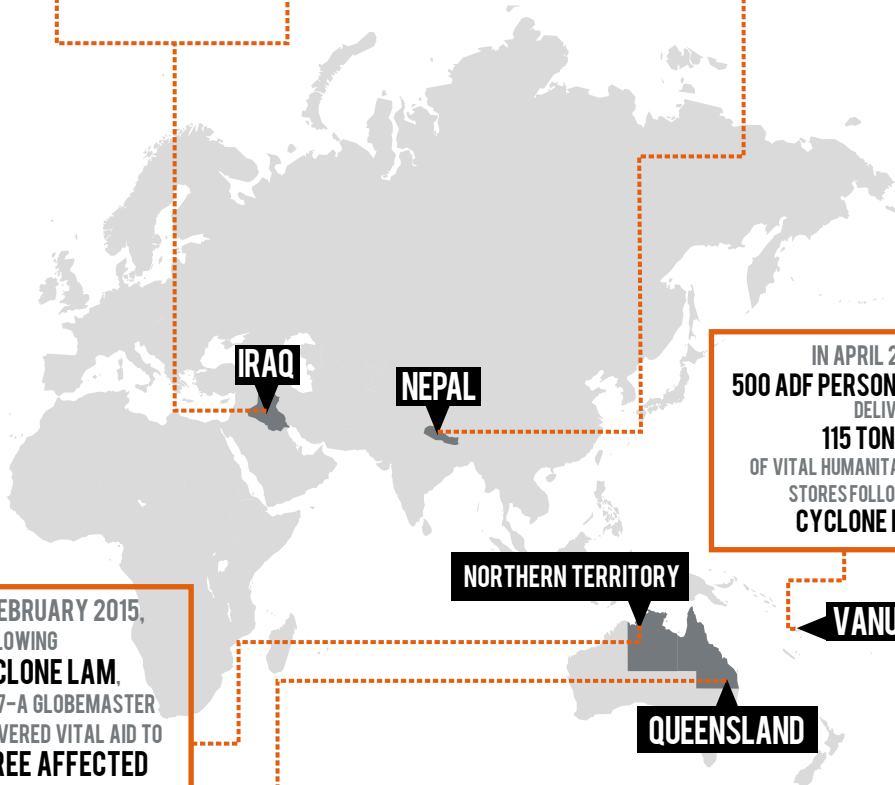
# HUMANITARIAN AID

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04

IN AUGUST 2014,  
AN RAAF C-130J HERCULES  
DELIVERED  
**15 BUNDLES** OF AID  
TO ISOLATED CIVILIANS  
IN THE NORTHERN  
IRAQI TOWN OF **AMIRLI**

IN NOVEMBER 2014,  
AN RAAF C-130J HERCULES  
DELIVERED  
**32 TONNES** OF AID  
TO DISPLACED CIVILIANS  
ON **MOUNT SINJAR**  
IN NORTHERN IRAQ

IN APRIL AND MAY 2015,  
TWO C-17A GLOBEMASTERS DELIVERED  
**15 TONNES** OF AID FOLLOWING THE  
DEVASTATING EARTHQUAKES IN **NEPAL**



IN FEBRUARY 2015,  
FOLLOWING  
**CYCLONE LAM**,  
A C17-A GLOBEMASTER  
DELIVERED VITAL AID TO  
**THREE AFFECTED**  
COMMUNITIES ON  
**ELCHO ISLAND** AND IN  
**ARNHEM LAND**

IN APRIL 2015,  
**500 ADF PERSONNEL**  
DELIVERED  
**115 TONNES**  
OF VITAL HUMANITARIAN  
STORES FOLLOWING  
**CYCLONE PAM**

**NORTHERN TERRITORY**

**VANUATU**

**QUEENSLAND**

IN FEBRUARY 2015, FOLLOWING **CYCLONE MARCIA**, THE ADF PROVIDED THE FOLLOWING  
HUMANITARIAN ASSISTANCE IN **NORTHERN QUEENSLAND**

**19 ARMY RESERVISTS**  
FROM **11TH BRIGADE**  
PROVIDED CLEARANCE AND  
CLEAN-UP ASSISTANCE IN  
**YEPPON**

AN RAAF AP-3C ORION  
MARITIME PATROL AIRCRAFT  
AND A KA350 KING AIR  
PROVIDED WIDE AREA  
SURVEILLANCE OF THE REGION

**200 SOLDIERS** FROM  
**TOWNSVILLE'S**  
**3RD BRIGADE**  
PROVIDED  
ENGINEERING SUPPORT

# 5

## CHAPTER FIVE

### Outcome 3



## Outcome 3: Support for the Australian community and civilian authorities as requested by the Government

### Summary

Outcome 3 focuses on the ability of the ADF to contribute to national support tasks in Australia (Programme 3.1) where directed by the Government, both in emergency and non-emergency situations.

Emergency assistance in Australia is provided and managed using the government emergency management plans and arrangements maintained by Emergency Management Australia. The ADF has developed standing plans for short-notice Defence contributions to national support tasks, and continues to train and exercise to maintain selected force elements at preparedness levels should these plans be activated.

All deliverables and key performance indicators for Outcome 3 were met.

Table 5.1: **Total cost of Defence Outcome 3<sup>[1]</sup>**

	2014–15 budget estimate <sup>[2]</sup> \$'000	2014–15 revised estimate <sup>[3]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000	%
<b>Programme 3.1: Defence Contribution to National Support Tasks in Australia</b>					
Revenue from other sources	–	–	–	–	–
Departmental outputs	67,740	67,740	42,058	–25,682	–38
<b>Total resourcing</b>					
Total departmental outputs	67,740	67,740	42,058	–25,682	–38
Total departmental revenue from other sources	–	–	–	–	–
<b>Total resources for Outcome 3</b>	<b>67,740</b>	<b>67,740</b>	<b>42,058</b>	<b>–25,682</b>	<b>–38</b>

#### Notes

1. This table excludes capital payments for outcomes.
2. As published in the *Portfolio Budget Statements 2014–15*, Table 40.
3. As published in the *Portfolio Budget Statements 2015–16*, Table 41.

# Programme 3.1

## Defence Contribution to National Support Tasks in Australia

National support tasks undertaken by the ADF include maintaining the security of the Australian coastline against illegal immigration, smuggling, quarantine evasion and other intrusions to Australian sovereignty, counter-terrorism responses, search and rescue, and natural disaster relief.

The ADF contributes to Maritime Border Command through Operation Resolute, providing maritime surveillance and response assets that are routinely tasked in accordance with the Government's direction.

Operation Parapet, the ADF's contribution to security and response for the G20 Leaders' Summit in Brisbane, included ground security forces and F/A-18 aircraft patrolling the airspace over the meeting venue. Additionally, ADF maritime assets intercepted a Russian task group in the Coral Sea.

In January 2015, RAAF Edinburgh provided fuel and water for contracted fire-fighting aircraft to Country Fire Service personnel responding to a 180-kilometre fire front in the Adelaide hills.

In February 2015, Army Reserve personnel from 13th Brigade were called in to help Western Australian emergency officials respond to a major bushfire in the Northcliffe region of south-west Western Australia. RAAF Pearce was opened to civil aircraft to allow refuelling and access to water resupply.

Also in February, Cyclone Lam damaged more than 100 houses in three communities on Elcho Island and across Arnhem Land. Following a request from the Northern Territory Government, an RAAF C-17A Globemaster III was deployed to airlift stores and supplies for a 300-bed tent camp to the Northern Territory.

In response to Cyclone Marcia crossing the Queensland coast on 20 February 2015, Emergency Management Queensland officials requested support from the ADF for post-disaster assessment and recovery operations in Yeppoon and Rockhampton. An RAAF AP-3C Orion maritime patrol aircraft and an RAAF King Air conducted wide area surveillance of cities, towns, infrastructure and roads while Army personnel, supported by MRH-90 Taipan multi-role helicopters, conducted clean-up and repair work in Rockhampton, Byfield, Yeppoon and Biloela.

Table 5.2: Programme 3.1 deliverables

Deliverable			Status
Operation	Commenced	Objective	
Resolute	2006	Contribute to the whole-of-government maritime surveillance and response.	<div><div></div><div></div><div></div><div></div></div>
Parapet	2013	Contribute security assistance to the whole-of government effort as host of the G20 Summit in 2014.	<div><div></div><div></div><div></div><div></div></div>
Hawick	2014	Contribute to the whole-of-government Operation Bring Them Home, the search and recovery effort for Malaysia Airlines flight MH17.	<div><div></div><div></div><div></div><div></div></div>

Table 5.3: Programme 3.1 key performance indicators

Key performance indicator	Status
Defence's contribution to national support tasks in Australia meets government directives.	<div><div></div><div></div><div></div><div></div></div>
Defence's response to requests for Defence Force aid to the civil authority is effectively managed, sustained and reported.	<div><div></div><div></div><div></div><div></div></div>
Defence's response to requests for Defence assistance to the civil community is effectively managed, sustained and reported.	<div><div></div><div></div><div></div><div></div></div>

● Met
 ● Substantially met
 ● Partially met
 ● Not met
 | See 'User guide' on page ii for full explanation.

## FEATURE

## Defence helps out during Australia's high-risk weather season

The Australian Defence Force (ADF) continued to prove its responsiveness to local emergencies across the 2014–15 high-risk weather season by providing support to civil authorities during bushfires in Western Australia's south-west and near Adelaide, and cyclones in the Northern Territory and on the central Queensland coast.

In January, RAAF Edinburgh supported South Australian Country Fire Service personnel responding to a 180-kilometre fire front in the Adelaide Hills by providing fuel and water for contracted fire-fighting aircraft.

In February 2015, Army Reserve personnel from 13th Brigade were called in to help Western Australian emergency officials respond to a major bushfire in the Northcliffe region of south-west Western Australia. RAAF Pearce was opened to civil aircraft to allow refuelling and access to water resupply.

Later in February, concurrent cyclones passed across the Northern Territory and Queensland coastlines, isolating remote communities and causing flood and wind damage.

Cyclone Lam damaged more than 100 houses in three communities on Elcho Island and in Arnhem Land. Following a request from the Northern Territory Government, an RAAF C-17A Globemaster III was deployed to RAAF Richmond to airlift stores and supplies for a 300-bed tent camp in the Northern Territory.

In response to Cyclone Marcia, Emergency Management Queensland requested support from the ADF with post-disaster assessment and recovery operations in Yeppoon and Rockhampton. An RAAF AP-3C Orion maritime patrol aircraft and a King Air conducted wide-area surveillance of cities, towns, infrastructure and roads, while approximately 19 Army Reservists from a Rockhampton-based 11th Brigade unit provided



Australian Army engineers of the 3rd Combat Engineer Regiment use a JD450 Bulldozer and chainsaws to clear debris in the aftermath of Cyclone Marcia, 25 February 2015. They were part of the emergency support force operating in the remote community of Byfield near Yeppoon, Queensland.

debris clearance and clean-up assistance at Yeppoon State High School.

These troops were followed by the Engineering Support Group, a task group of about 200 soldiers from Townsville's 3rd Brigade, along with specialist liaison and command staff supported by Taipan multi-role helicopters, which were used for reconnaissance and liaison tasks.

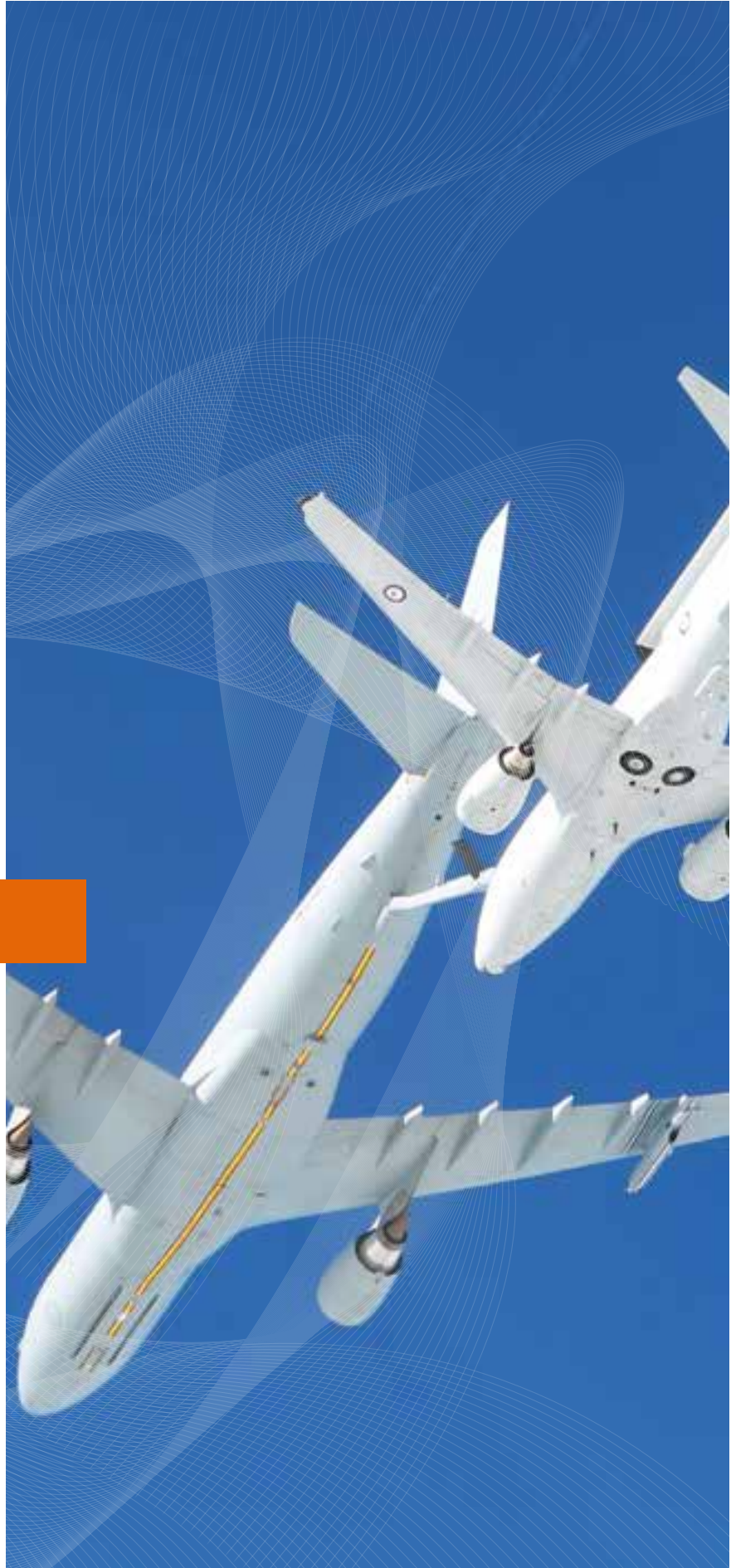
During the three-week mission, the Engineering Support Group completed the following tasks:

- clean-up and clearance at 15 schools in Rockhampton, Byfield and Yeppoon
- clean-up and clearance at the Rockhampton Botanical Gardens, the Rockhampton Zoo and the Kershaw Botanical Gardens, all of which suffered severe damage in the cyclone
- clearance of more than 5 kilometres of strategic and tactical firebreaks in the Byfield area
- clean-up and clearance of 18 major road culverts in Rockhampton and Biloela
- clean-up, clearance and minor repairs at a Byfield wildlife sanctuary.

# 6

## CHAPTER SIX

### Defence Materiel Organisation



## Overview

### Review by the Chief Executive Officer

The 2014–15 Annual Report represents the last for the Defence Materiel Organisation (DMO) as it was officially delisted as a listed entity on 1 July 2015 and transitioned to form the Capability Acquisition and Sustainment Group within the Department of Defence. Given this move from a separate listed entity, this overview reflects on the many achievements brought about by the dedicated people of the DMO, who have worked tirelessly over many years to equip and sustain the ADF.

In reviewing what the DMO has achieved over the past 15 years, it is clear that the organisation has made a significant difference in ensuring that the ADF has been well supported and that the required equipment and sustainment support to be combat ready has been available. There are many success stories that DMO staff can proudly reflect on, and they all have one common thread—they all improved Australia's defence capability and the safety of our warfighters. Since being prescribed in 2005, the DMO has delivered more than 170 projects, and for the most part those projects were delivered within budget and to the required capability level.

Recent examples of ADF capability enhancements include the Air-to-Air Refueller and Wedgetail, both of which are currently being used with significant effect in operations overseas. By all accounts, these are the platforms of choice for our allies. Both capabilities were previously on the 'Projects of Concern' list; however, thanks to the collective expertise and determination of many within the DMO and our industry partners, these projects were remediated and now provide the ADF with world-class capabilities. Another worthy example is the Australian-designed CEA Technologies phased-array radar, currently installed on our Anzac class frigates.

The Government recently gave second pass approval for LAND 2072 Phase 2B Battlespace Communications Systems to provide the ADF with the next generation of battlespace telecommunications network capability. Approval of this project is a critical milestone in achieving a modern, networked Army.

The JP 2048 Phase 4A/4B Amphibious Deployment and Sustainment project will provide the ADF with an increased amphibious deployment and sustainment capability through the acquisition of two landing helicopter docks (LHDs) and associated supplies and support. One of those vessels—HMAS *Canberra*—has already been delivered and commissioned. Together, these 27,000-tonne LHDs will be able to land a force of more than 2,000 personnel by helicopter and watercraft, along with all their weapons, ammunition, vehicles and stores.

We have been equally effective at sustaining capability and there are many examples where we have driven effective and innovative sustainment solutions, in particular by extending the life of various air, land and maritime fleets. The Smart Sustainment Reform Programme has resulted in approximately \$2 billion worth of savings since 2009, while the introduction of performance-based contracting has resulted in significant improvements in sustainment efficiency and productivity by industry. Our Anzac and guided missile frigate (FFG) naval vessels are benefiting from this innovative business model, as is our AIR9000 helicopter training programme.

Aside from project and sustainment achievements, work by our commercial group staff in areas such as contracting, procurement, legal, industry engagement, reform and business operations provided a solid foundation for the DMO, allowing acquisition and sustainment functions to operate successfully.

Continuous reform has always been important to the DMO and the First Principles Review reinforces this reform agenda.

Finally, the achievements of the past years would not have been possible without the tremendous DMO staff who have contributed so much over the years. My thanks to all current and previous DMO staff for their hard work, dedication and commitment; the DMO has delivered great outcomes, which all DMO staff should be proud of.

## DMO role and functions

During 2014–15, the DMO was responsible for the acquisition and sustainment of the materiel elements of capability for the ADF.

## Performance against DMO strategic priorities

Driven by four strategic priorities in 2014–15, the DMO continued to provide the materiel equipment and sustainment elements of capability for the ADF in an effective, efficient, economical and safe manner. Its strategic priorities ensured that the focus of the DMO remained on sustainably delivering the outcomes agreed with capability managers, without compromising safety and within available resourcing. The four strategic priorities were:

### **1. Deliver acquisition and sustainment more efficiently**

The DMO's achievement of operating more effectively is reflected in its successful delivery of an increased acquisition and sustainment workload with 464 fewer people in its workforce and \$28.249 million less operating expenditure than in 2013–14.

### **2. Interact with reviews**

The DMO engaged proactively with the First Principles Review and turned its focus to implementation of a new operating model and smart buyer function.

### **3. Streamline internal processes**

Significant progress was made on streamlining and simplifying the DMO's internal processes under the 'One Quality Management System' reform programme, as well as improving procurement processes, and a greater reliance on the delivery of enabling support functions under the Defence shared service model.

### **4. Reform the DMO**

The DMO's continuous reform programme has been focusing on more effective work outcomes, enabled by increased productivity from rationalising and streamlining internal processes while also pursuing opportunities to better automate work practices.

## DMO financial performance

The DMO receives approximately 92 per cent of its funding from Defence under agency agreements. The remaining 8 per cent of its funding is provided through a direct appropriation and own-source revenue. The DMO's audited 2014–15 financial statements are included in Volume Two of this report.

An assessment of DMO financial performance in 2014–15 against budget estimates is provided online.

Table 6.1: DMO resource statement 2014–15

		Actual available appropriations for 2014–15 \$'000	Payments made 2014–15 \$'000	Balance remaining 2014–15 \$'000
		(a)	(b)	(a–b)
<b>Ordinary annual services<sup>(1,2)</sup></b>				
<b>Departmental appropriation</b>				
Departmental appropriation <sup>(1,2)</sup>		879,592	879,592	–
<b>Total departmental appropriation</b>	<b>A</b>	<b>879,592</b>	<b>879,592</b>	<b>–</b>
<b>Special accounts (departmental and administered)</b>				
Opening balance		241,773	–	–
Appropriation receipts <sup>(1,2)</sup>		879,592	–	–
Appropriation receipts		–	–	–
– other agencies <sup>(3)</sup>		11,712,220	–	–
– adjustment for other agencies <sup>(3,4)</sup>		159,397	–	–
Non-appropriation receipts to special accounts		894	–	–
Adjustment for non-appropriation receipts to special accounts <sup>(5)</sup>		338,331	–	–
Interest <sup>(6)</sup>		–	–	–
Payments made <sup>(7)</sup>		–	13,115,982	–
Appropriation reduction		–	–	–
<b>Closing balance</b>		<b>–</b>	<b>–</b>	<b>216,225</b>
<b>Total special accounts</b>	<b>B</b>	<b>13,332,207</b>	<b>13,115,982</b>	<b>216,225</b>
Less appropriations drawn from annual or special appropriations above and credited to special accounts	<b>C</b>	879,592	879,592	–
<b>Total resourcing and payments (A+B–C)</b>		<b>13,332,207</b>	<b>13,115,982</b>	<b>216,225</b>

**Notes**

1. Appropriation Bill (No. 1) 2014–15 and Appropriation Bill (No. 3) 2014–15.
2. Reported as \$879.683 million estimated actual in the *Portfolio Budget Statements 2015–16*. The variation is because the planned appropriation reduction will not occur until the relevant Appropriation Acts are repealed by Parliament.
3. Appropriation receipts from Defence credited to DMO's special accounts.
4. Adjustment is variance between estimated actuals as at *Portfolio Budget Statements 2015–16* and actual available appropriations for 2014–15 as at 30 June 2015.
5. Adjustment is variance between estimated actuals as at *Portfolio Budget Statements 2015–16* and actual receipts for 2014–15 as at 30 June 2015.
6. Administered interest received from overseas bank accounts which is remitted to the Official Public Account.
7. Excludes GST.

## Appropriations and other resources

The DMO workforce and operating expenses (along with industry programmes) are directly appropriated by government through Appropriation Bill (No. 1). The DMO has flexibility over the allocation of its workforce across the various programmes it delivers. Variations for programmes from the revised budget to the actual result may reflect ongoing changes to activity levels prescribed by Defence, budgeted cash flow adjustments for movements in foreign exchange rates or delivery of programmes with fewer resources.

Programmes 1.1 and 1.2 were largely funded by payments from Defence for goods and services provided, as set out in the materiel acquisition agreements. Programme 1.3 was funded largely through a direct appropriation.

Table 6.2: Budgeted expenses and resources for DMO outcome

<b>DMO outcome: Contributing to the preparedness of the Australian Defence organisation through acquisition and through-life support of military equipment and supplies</b>	<b>Revised budget 2014–15 \$'000</b>	<b>Actual result 2014–15 \$'000</b>	<b>Variation<sup>[1]</sup> \$'000</b>
<b>Programme 1.1: Management of Capability Acquisition</b>			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill Nos 1 and 3)	295,258	187,113	–108,145
Special accounts	5,628,793	5,316,001	–312,792
Expenses not requiring appropriation	7,191	4,858	–2,333
<b>Subtotal for Programme 1.1</b>	<b>5,931,242</b>	<b>5,507,972</b>	<b>–423,270</b>
<b>Programme 1.2: Management of Capability Sustainment</b>			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill Nos 1 and 3)	487,238	501,743	14,505
Special accounts	5,682,951	5,395,063	–287,888
Expenses not requiring appropriation	15,259	13,026	–2,233
<b>Subtotal for Programme 1.2</b>	<b>6,185,448</b>	<b>5,909,832</b>	<b>–275,616</b>
<b>Programme 1.3: Provision of Policy Advice and Management Services</b>			
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill Nos 1 and 3)	97,096	122,994	25,898
Special accounts	894	0	–894
Expenses not requiring appropriation	11,261	10,774	–487
<b>Subtotal for Programme 1.3</b>	<b>109,251</b>	<b>133,768</b>	<b>24,517</b>
<b>Total departmental expenses for DMO outcome</b>	<b>12,225,941</b>	<b>11,551,573</b>	<b>–674,370</b>

### Note

1. The variation is between the actual result as disclosed in the DMO's audited 2014–15 financial statements and the revised budget published in the *Portfolio Additional Estimates Statements 2014–15*.

*Further information on the DMO's financial performance is available online.*

# DMO outcome: Contributing to the preparedness of the Australian Defence organisation through acquisition and through-life support of military equipment and supplies

## Summary

The DMO has three programmes:

- Programme 1.1: Management of Capability Acquisition
- Programme 1.2: Management of Capability Sustainment
- Programme 1.3: Provision of Policy Advice and Management Services.

## Programme 1.1

### Management of Capability Acquisition

Through Programme 1.1, the DMO acquires and delivers to Defence, in a transparent and accountable manner, specialist military equipment to enable the delivery of military capability to the Government. Equipment is purchased by DMO acquisition projects in accordance with materiel acquisition agreements between Defence and the DMO. The agreements define what is to be delivered, how much it is to cost and when it is to be delivered.

At 30 June 2015, the DMO was managing 206 active major and minor projects worth \$96.3 billion in total.

Programme 1.1 accounted for around 48 per cent of the DMO's expenses in 2014–15. This generates around \$4.8 billion of military assets for Defence; non-capitalised project expenses were about \$0.6 billion.

Table 6.3: **Programme 1.1 deliverables for top 30 major projects**

Deliverable	Performance summary
<b>General Manager Joint, Systems and Air</b>	
<b>Aerospace Systems</b>	
Growler Airborne Electronic Attack Capability—AIR 5349 Phase 3	<p>This project will deliver an airborne electronic attack capability based on the E/A-18G Growler aircraft, including the ALQ-99 Tactical Jamming System, anti-radiation captive training missiles, additional air-to-air missiles, simulators and other training devices. Aircrew and maintenance training will also be delivered.</p> <p>Production on all 12 aircraft has begun, with the first two scheduled for completion at Boeing in the third quarter of 2015. Aircrew training in the United States is also well underway, as is key software development and test activity. The ALQ-99 and training missile production continued throughout the financial year.</p>
Maritime Patrol and Response Aircraft System—AIR 7000 Phase 2	<p>This project provides a maritime patrol and response aircraft and associated supported systems and services to replace, in part, the AP-3C fleet.</p> <p>The project, through a cooperative programme with the United States Navy, contracted procurement of the aircrew training systems, two deployable mission support systems and long-lead-time components for the first four aircraft produced. The project continued to mature support arrangements with the US Navy, including ordering initial aircraft spares and support and test equipment. Initial aircrew training has commenced in the United States.</p>

Table 6.3 (continued)

Deliverable	Performance summary
Battlefield Airlift—Caribou Replacement— AIR 8000 Phase 2	<p>This project is acquiring 10 C-27J Spartan joint cargo aircraft to replace the retired Caribou.</p> <p>The first three aircraft, spares and support equipment were delivered to Waco, Texas, United States, to enable training. The US-based training of Air Force personnel also began at the end of 2014.</p> <p>The first aircraft delivery to 35 Squadron at RAAF Richmond, New South Wales, is due to be achieved in July 2015.</p>
Air to Air Refuelling Capability— AIR 5402	<p>This project will deliver five Airbus A330 multi-role tanker transport aircraft, known as the KC-30A in Air Force service, and the associated through-life support infrastructure for the fleet.</p> <p>The project has completed the aerial refuelling boom system flight test programme and has delivered three fully capable KC-30A aircraft to the Air Force. The remaining two KC-30A aircraft will undergo modification and be delivered in final configuration during 2015–16.</p> <p>This project has been removed from the projects of concern list.</p>
Airborne Early Warning and Control System—AIR 5077 Phase 31	<p>This project provides Defence with an airborne early warning and control capability, including six E-7A Wedgetail aircraft and associated ground and support systems.</p> <p>All remaining elements of the E-7A aircraft and support systems were delivered, including the final remediation software for the radar; mission computing and communication subsystems; and selected changes to the electronic support measures subsystem. Full operational capability was declared in May 2015. This project was a project of concern.</p>
C-17 Globemaster III —AIR 8000 Phase 3	<p>This project provides a global heavy airlift capability, based around the Boeing C-17A Globemaster III aircraft.</p> <p>The project progressed the delivery and transition of remaining C-17A sustainment support requirements, including the C-17A cargo compartment trainer and remaining C-17A spares, role expansion equipment, ground support equipment and materiel handling equipment. Residual project tasks have transitioned, as planned, to in-service management.</p>
Lead-in Fighter Capability Assurance Programme— AIR 5438 Phase 1A	<p>The project will deliver an upgraded lead-in fighter training system, which includes an upgrade to the fleet of 33 Hawk 127 aircraft, procurement of new full mission simulators, and procurement of additional air combat manoeuvring instrumentation pods.</p> <p>The project began flight testing of the trial aircraft and support systems and is finalising requirements for service release of the capability in 2017, including commencement of the modification programme for the remainder of the Hawk fleet.</p> <p>Software issues and delays to initial flight testing have resulted in delays to the programme; however, initial operating capability dates are still on schedule to be achieved.</p> <p>Procurement of simulators and air combat manoeuvring instrumentation pods continued, with the construction of simulator facilities now underway.</p>
<b>Electronic Systems</b>	
Battlefield Command Systems—LAND 75 Phase 4	<p>This project, in close cooperation with JP 2072 Phase 3 Battlespace Communications Systems, will continue to digitise and enhance the command, control and communications systems for land tactical forces. The project will seek to complete the provisioning of the initial digitised brigade, begun under LAND 75 Phase 3.4 Battle Management System, and introduce equipment into a second brigade.</p> <p>This project began provisioning of vehicle installations based on installation designs delivered under LAND 75 Phase 3.4, and implemented first to second pass risk reduction activities that will generate the information required for a future project approval consideration by government.</p> <p>This project is well advanced in the completion of the design for the M113 (armoured personnel carriers) and protected mobility vehicle—air defence variant, with the manufacture of kits and installation of systems into selected protected mobility vehicles begun.</p>
Battlespace Communications Systems (LAND)— JP 2072 Phase 3	<p>The first work package of this project continued to support the digitisation of the command, control and communications systems for land tactical forces. The project delivered all the tactical data and voice radio equipment required for vehicle installations by project LAND 75 Phase 4 Battlefield Command Systems, with the final deliveries of minor ancillaries due in 2015–16.</p> <p>The second work package involved a request for tender to provide the digital backbone for the Army land communications tactical environment. Tender responses will be evaluated in 2015–16.</p>

Table 6.3 (continued)

Deliverable	Performance summary
Battlespace Communications Systems (LAND)—JP 2072 Phase 2A	<p>This project has delivered new digital radios to the Army units for use in the dismounted role, with some specialist ancillaries yet to be supplied. Withdrawal of legacy analogue radio fleets will occur as the new equipment is introduced into service.</p> <p>A performance-based support contract for the Harris family of products has been established and evaluation of tenders for support of the tactical data radio systems has begun. These contracts will provide life-of-type support of the new radios acquired by JP 2072 phases 1, 2A and 3 (Work Package-A) and additional procurements by other major projects during 2014–15.</p>
Anzac Electronic Support System Improvements—SEA 1448 Phase 4A	<p>This project will provide the Anzac class frigates with an improved tactical electronic support mission system for improved passive situational awareness and early threat warning. The project includes the provision of a mission system and emulators for training and a ground-based support segment for mission system programming.</p> <p>The project has completed the required system reviews, including a preliminary design review and critical design review; and has begun system-level testing.</p> <p>The project completed factory acceptance testing of three systems, installed one system in the shore support facilities, installed one system on an Anzac class frigate and progressed installation on another three Anzac class frigates.</p>
Battle Management System—LAND 75 Phase 3.4	<p>This project delivered battle management systems, including command post systems to the ADF, in cooperation with LAND 125 Phase 3A (Dismounted Systems) and JP 2072 Phase 1 (Combat Radio System). Final materiel release and final operational capability were achieved in early 2015. All designs were finalised and all physical vehicle installations and training were delivered to the Army.</p>
Joint Command Support Environment—JP 2030 Phase 8	<p>This project delivered information computer technology capability solutions and improvements to the following capability need groupings: situational awareness; joint operations planning and management; preparedness and special operations combat net radio interface. Operational test and evaluation has begun in support of a planned declaration of final operational capability in late 2015.</p> <p>The key risk for this project is maintaining the schedule of activities required to support a declaration of final operational capability in late 2015.</p>
C-130J Large Aircraft Infra Red Countermeasures (LAIRCM)—AIR 5416 Phase 4B2	<p>This project will provide the Air Force C-130J with the large aircraft infra-red countermeasures system, enhancing the electronic warfare self-protection capabilities of the fleet. The design for the system's incorporation, the system hardware, and the modification of the first four aircraft in the United States, are all being provided through a foreign military sales arrangement. The remaining eight aircraft will be modified in Australia.</p> <p>Project systems engineering reviews began, ahead of the first aircraft induction planned for late 2015. The risk to the aircraft modification schedule is reducing as the design is confirmed and quality issues with the aircraft modification kits are resolved. The project anticipates the first four aircraft will be modified ahead of schedule and under budget, with achievement of initial operational capability still scheduled for the second quarter of 2017.</p>
Replenish Nulka Warstock—SEA 1397 Phase 5A	<p>This project acquires Nulka rounds to replenish the Navy Nulka off-board anti-ship missile decoy inventory (warstock).</p> <p>The project took final delivery of rounds ordered under Batch 3 and initial delivery of rounds ordered under Batch 4.</p>
High Frequency Modernisation—JP 2043 Phase 3A1	<p>This project delivered a high-frequency communications system for Defence long-range communications. The fixed network component comprises four high-frequency stations, together with primary and backup network management facilities in Canberra. The fixed network capability has been provided in two major stages, core and final. The core system replaced the Navy and the Air Force high-frequency systems from November 2004, with the final system taking over support to ADF operations in October 2009.</p> <p>In 2014–15, this project executed the contract for procurement of the direction-finding and signal enhancement (Nullarbor) capability. In addition, a programme of remediation for identified obsolescence issues, including replacement of the 10 kilowatt transmitters, was initiated.</p> <p>During 2015–16, procurement of the Nullarbor capability will continue as programmed, along with work to address obsolescence issues resulting from delays to delivery of the final system. The Nullarbor capability will enhance communications and signal reception in a noisy high-frequency environment.</p>

Table 6.3 (continued)

Deliverable	Performance summary
<b>Helicopters, Tactical Unmanned Weapon Systems and Guided Weapons</b>	
Future Naval Aviation Combat System Helicopter—AIR 9000 Phase 8	<p data-bbox="334 405 1170 449">The 24 MH-60R 'Romeo' Seahawk helicopters to be acquired by the project will replace the current fleet of 16 S-70B-2 Seahawk 'Classic' helicopters.</p> <p data-bbox="334 456 1116 519">The acquisition of the Romeos will enable the Navy to provide eight helicopters concurrently embarked in Anzac class frigates and the new Hobart class destroyers. The remainder will be based at HMAS Albatross, New South Wales, conducting training and maintenance.</p> <p data-bbox="334 527 1157 614">The Navy's 725 Squadron completed its initial training and consolidation on the Romeo in the United States, returning to Australia in December 2014. Twelve Romeos have now been delivered, one of which will remain with the US Navy Test Squadron at Patuxent River, Maryland, United States, for prototype installation and testing of approved upgrades.</p> <p data-bbox="334 622 1166 708">The HMAS Albatross facilities are complete, with the training facility accepted in October 2014 and the Squadron facility accepted in December 2014. The training system has been established, with courseware, maintenance training devices and the first of two tactical operational flight simulators commissioned. Australia-based Romeo training at HMAS Albatross has begun.</p> <p data-bbox="334 715 1170 778">The Romeo has been awarded its Australian Military Type Certificate and service release. Two Anzac class frigates have been modified to accept the Romeos, one helicopter flight has embarked and the first ship trial has been completed.</p> <p data-bbox="334 786 821 807">The project remains ahead of schedule and under budget.</p>
Multi Role Helicopter—AIR 9000 Phase 2	<p data-bbox="334 833 1163 896">The project is acquiring a total of 47 multi-role helicopters (MRH-90) for the Army and the Navy. Phase 2 acquires 12 Army MRH-90 for an additional air mobile squadron; Phase 4 replaces Army's Black Hawks; and Phase 6 replaces the Navy Sea Kings.</p> <p data-bbox="334 904 1163 1012">The project accepted a further four aircraft in the mature configuration, inducted the final four early configuration aircraft for upgrade to the latest production standard and accepted the second full-flight and mission simulator into operational service. Initial operational capability milestones for the Army and the Navy were declared and the project continued to support the activities required to achieve the remaining operational milestones in the lead-up to final operational capability.</p>
Medium Lift Helicopter (Additional Chinook Helicopter Project)—AIR 9000 Phase 5C	<p data-bbox="334 1039 1157 1144">The project is acquiring seven CH-47F Chinook helicopters to replace the current Army fleet of six CH-47D Chinook helicopters. The CH-47F Chinook will enable the Army to continue to provide medium-lift battlefield support. The new helicopters will be fitted with a rotor brake to allow embarked operations from the new Canberra class landing helicopter dock ships. The helicopters will be based at the 5th Aviation Regiment, RAAF Townsville, Queensland.</p> <p data-bbox="334 1151 1150 1237">The project delivered the first four aircraft and the second of two transportable flight proficiency simulators. A Special Flight Permit was issued in March 2015 and initial materiel release was achieved in June 2015. Other key activities undertaken included working-up to Australian Military Type certification, aircrew and maintainer training, and transition to service activities.</p> <p data-bbox="334 1245 861 1266">The project continues to deliver to schedule and under budget.</p>

Table 6.3 (continued)

Deliverable	Performance summary
Bridging Air Combat Capability— AIR 5349 Phase 2	<p>This project is delivering air-to-air and air-to-ground guided weapons and countermeasures integrated with the F/A-18F Super Hornet.</p> <p>The project finalised the delivery of AGM-154 Joint Stand-Off Weapons, further progressed the procurement of new air-to-air missiles, and worked with the United States Air Force and the United States Navy to achieve integration.</p>
<b>Joint Strike Fighter</b>	
Joint Strike Fighter Aircraft—AIR 6000 Phase 2A/2B	<p>This project is approved to acquire 72 Joint Strike Fighter aircraft and supporting elements to form three operational squadrons and one training squadron. This comprises 14 aircraft approved in 2009 and 58 approved in April 2014. Contracting began for Australia's next eight Joint Strike Fighter aircraft, due for delivery in 2018.</p> <p>The Joint Strike Fighter Programme continues to make steady progress. In December 2014, the programme delivered its first two aircraft to the International Pilot Training Center at Luke Air Force Base, Phoenix, Arizona, United States. In April 2015, Australia's first pilot was qualified on the F-35, after completing Joint Strike Fighter flying training at Eglin Air Force Base, Florida, United States. Australia's second pilot has begun training at Luke Air Force Base.</p> <p>The project's facility programme gained government approval on 29 October 2014. Work has now begun on the F-35 RAAF Williamstown, New South Wales, facilities.</p> <p>On 18 December 2014, the United States Government announced that Australia would provide airframe and engine maintenance, repair, overhaul and upgrade capability to F-35 aircraft in the Asia-Pacific region.</p> <p>Defence completed its community consultations supporting the Environmental Impact Statement for F-35A flying operations. The final report was submitted to the Department of the Environment for consideration and ministerial approval in March 2015. An approval decision is expected to be published in July 2015.</p>
<b>General Manager Land and Maritime</b>	
<b>Air Warfare Destroyer</b>	
Air Warfare Destroyer Build— SEA 4000 Phase 3	<p>The project is being delivered under an alliance-based contracting arrangement between the Commonwealth (Defence), ASC AWD Shipbuilder Pty Ltd and Raytheon Australia. The project will deliver three Hobart class destroyers and their support systems to the Navy.</p> <p>Key activities for 2014–15 included the launch of Ship 01, HMAS <i>Hobart</i>, following the installation of the SPY1D(V) and horizon search radars, Mark 45 gun and vertical launch system modules. The final blocks for Ship 02, HMAS <i>Brisbane</i>, were delivered to Adelaide from Newcastle, New South Wales and Williamstown, Victoria. Consolidation progressed from five blocks in July 2014, to 22 of the 31 blocks in June 2015. For Ship 03, HMAS <i>Sydney</i>, construction began on the last of the blocks in preparation for keel-laying. Crew training for the combat system and platform system continued.</p> <p>The implementation of the interim phase of the AWD reform strategy began in December 2014 with the announcement of the insertion of additional shipbuilding expertise into ASC to improve productivity and begin remediation of the shipbuilder's cost and schedule overruns. A limited tender process began in May 2015 to seek a long-term solution for AWD shipbuilding as part of the reform strategy.</p> <p>This project is still being managed as a project of concern.</p>
<b>Land Systems</b>	
Field Vehicles and Trailers—Overlander Programme— LAND 121 Phase 3A/5A	<p>The project is delivering approximately 2,150 unprotected lightweight and light Mercedes-Benz G-Wagon vehicles, 540 specialist modules and 1,800 Haulmark trailers, to provide tactical mobility for ADF training and the flexibility to undertake a wide range of tasks in difficult off-road conditions.</p> <p>The issue of production vehicles, modules and trailers to units continued as well as the refinement of through-life support, including maintenance training. At the end of June 2015, more than 1,500 vehicles and 1,220 trailers had been delivered into service Australia-wide.</p>

Table 6.3 (continued)

Deliverable	Performance summary
Overlander— Medium/Heavy Capability, Field Vehicles, Modules and Trailers— LAND 121 Phase 3B	<p>This project will deliver approximately 2,707 medium and heavy vehicles in a number of variants, including recovery trucks, integrated load handling systems and flatbeds, in both protected and unprotected configurations. To complement the acquisition, 3,858 modules and flattracks will be supplied and 1,704 trailers will be acquired to increase payload-carrying capacity.</p> <p>The prime contractors are currently in the design and verification phase for trucks, modules and trailers, and prototype testing has begun. Introduction into service is on schedule to begin in the second half of 2016.</p>
Bushmaster Protected Mobility Vehicles—LAND 116 Phase 3	<p>This project will deliver 1,052 vehicles, across its five production periods, in seven variants. The vehicles provide protected land mobility to Army combat units and Air Force airfield defence guards. The delivery of Production Period 5 vehicles began in July 2013 and will conclude in 2016.</p> <p>The project delivered a further 66 of the 214 Production Period 5 vehicles.</p> <p>The fitment of external composite armour mounting points to previously manufactured vehicles has begun.</p>
<b>Maritime Systems</b>	
Amphibious Deployment and Sustainment— JP 2048 Phase 4A	<p>This project is scheduled to deliver two Canberra class landing helicopter dock (LHD) vessels and associated LHD support systems comprising configuration information training, spares, documentation and test equipment.</p> <p>The project delivered the first LHD, HMAS <i>Canberra</i>, to the Navy, and progressed the production and testing of the second and final LHD, NUSHIP <i>Adelaide</i>, in preparation for delivery in the last quarter of 2015. The LHD support system has been established, with the creation of the LHD Systems Programme Office, a capability support coordinator contract signed with KBR and a transitional in-service support contract signed with BAE Systems.</p> <p>Delays experienced in the set to work of key systems onboard NUSHIP <i>Adelaide</i> have resulted in rescheduling of harbour and sea acceptance testing. Progress has been made in mitigating the risk to delivery, which is within eight weeks of the original forecast.</p>
Anzac Ship Anti-Ship Missile Defence—SEA 1448 Phase 2B1	<p>This project will deliver a phased array radar system to the Anzac class frigates for target indication/tracking, mid-course guidance and target illumination for the Evolved Sea Sparrow Missile, and a new dual navigation radar system to replace the existing navigation radar suite.</p> <p>The project delivered the required systems upgrade in HMAS <i>Anzac</i>. HMAS <i>Warramunga</i> is currently undergoing harbour acceptance trials, and the upgrade in HMA Ships <i>Ballarat</i> and <i>Parramatta</i> is progressing well.</p>
Amphibious Watercraft Replacement— JP 2048 Phase 3	<p>This project will deliver 12 new watercraft to operate with the two Canberra class LHD ships. The watercraft will provide an organic ship-to-shore connection in support of Defence's amphibious capability, operating with the LHD ships to enable transport of personnel and equipment between the LHD ships and the shore, including where there are no fixed port or prepared landing facilities.</p> <p>The first four landing craft were delivered to the Navy, and are now embarked on HMAS <i>Canberra</i>. The second group of four craft were accepted from the prime contractor, Navantia, in February 2015, one month ahead of schedule. Delivery of the second group of landing craft to the Navy is planned for July 2015.</p> <p>The landing craft support systems have been established with the creation of the LHD Systems Programme Office, a capability support coordinator contract signed with KBR and a transitional in-service support contract signed with UGL Limited.</p>
Anzac Ship Anti-Ship Missile Defence—SEA 1448 Phase 2A	<p>This project will upgrade the combat management system and introduce an infrared search and track system to the Anzac class frigates.</p> <p>The project delivered the required systems upgrade in HMAS <i>Anzac</i>. HMAS <i>Warramunga</i> is currently undergoing harbour acceptance trials, and the upgrade in HMA Ships <i>Ballarat</i> and <i>Parramatta</i> is progressing well.</p>

Table 6.3 (continued)

Deliverable	Performance summary
General Manager Submarines	
Future Submarines	
Future Submarine— Acquisition— SEA 1000 Phase 1A	<p>This project will deliver Australia's future submarine capability.</p> <p>During 2014–15, the Government announced the acquisition strategy for the Future Submarine Programme, which involves a competitive evaluation process to select an international partner to work with Australia to develop and deliver the future submarine. DCNS of France, TKMS GmbH of Germany, and the Government of Japan have been engaged under the process as potential international partners. Recognising that a new design will be required to meet Australia's future submarine requirements, the competitive evaluation process will ensure that capability, cost, schedule, and key strategic considerations, along with Australian industry involvement, are carefully and methodically considered, avoiding unnecessary delays. The project is staffed to conduct the competitive evaluation process, with new roles and functions required once the international partner has been selected.</p> <p>The key risk for this project remains the mobilisation of resources across government, industry and academia necessary to manage the Future Submarine Programme with appropriate international support, informed by experience and knowledge of similar programmes.</p>

Programme 1.1 key performance indicators

The key performance indicators for Programme 1.1 are to deliver major and minor capital equipment within the agreed parameters for schedule, scope and budget. The detail varies with each project and is specified in the materiel acquisition agreement for the project.



*'I marched in Melbourne with the Regimental Association of the 2nd/2nd Field Regiment 2AIF in honour of my uncle Jack Fitzpatrick, who served in the first desert campaigns, Greece and Crete. I also marched in memory of my grandfather Bill Fitzpatrick, who served with the 7th Battalion AIF. He was in the second wave of landings at Gallipoli on 25 April 1915. The intermittent drizzle didn't dampen our enthusiasm or that of the crowd. The warmth from the crowd was wonderful—their continuous applause, mixed with yells of encouragement, especially for our veterans, was really moving. As the march progressed I found myself thinking increasingly of my uncle Jack but even more of my grandfather, who one hundred years ago would have been preparing to go ashore in the second wave of landings at Gallipoli.'*

— Andrew McLean, DSTO Maritime Division

## HMAS *Canberra*: a new era for the Australian Defence Force

At the end of October 2014, Australia's first landing helicopter dock ship, known then as NUSHIP *Canberra*, was farewelled from Melbourne as she headed to her home port of Sydney.

The voyage from Melbourne to Sydney was significant in many respects, not least because it represented the first ship of its kind to be delivered to the Navy by the Defence Materiel Organisation (DMO). The commissioning of HMAS *Canberra* on 28 November 2014 marked the completion of a tremendous combined effort signifying a new era for the Australian Defence Force (ADF) in the region.

The 27,000-tonne landing helicopter dock now provides the ADF with one of the world's most capable and sophisticated amphibious assault ships.

Following the commissioning, the ship's company pushed itself to prepare the Navy's largest ship to achieve unit readiness certification. First-of-class flight trials for helicopters were conducted in a variety of weather conditions from Tasmania to Townsville. Landing craft were embarked and teamed with the ship's company of more than 400 sailors, soldiers and airmen and airwomen, who conducted continuous drills as part of the ship's preparation.

During 2015, *Canberra* has conducted hundreds of landings—from both the Taipan multi-role helicopters of 808 Squadron and S-70B-2 Seahawks of 816 Squadron—and refined deck landings and emergency procedures. Her hangar deck is able to accommodate up to eight medium-sized helicopters, the movement, storage and maintenance of which are vital to support the ship's role.



HMAS *Canberra* sails into Sydney Harbour after completion of exercises off the coast of New South Wales.

The ship, along with her sister ship NUSHIP *Adelaide* (when commissioned), will provide the ADF with one of the most capable and sophisticated amphibious deployment capabilities in the world. With four landing craft and embarked helicopters, *Canberra* will be able to quickly deliver up to 1,400 personnel ashore in support of a variety of amphibious operations, and provide humanitarian aid at a level not seen before within the region.

The ship has state-of-the-art medical facilities, including operating theatres, an eight-bed critical care unit, a variety of wards, pathology and radiology services, X-ray and dental facilities, and a pharmacy.

This milestone represented the excellent collaboration between the DMO and BAE Systems Australia, with the commissioning of *Canberra* signifying the first major component of the Navy's modernisation programme.

These two new ships will significantly increase the Navy's ability to contribute to an integrated joint mission for air and missile defence, and signifies the growth of the Navy in strength, agility, intelligence and lethal capacity.

## Programme 1.2

### Management of Capability Sustainment

The objective for DMO Programme 1.2 is to sustain the ADF and its capabilities. Each financial year, the DMO enters into an agency-level bilateral materiel sustainment agreement with each Defence capability manager. The agreement details the level of performance and support required, within an agreed price, as well as key performance indicators by which service delivery will be measured.

In 2014–15, the programme supported 116 sustainment products for Defence, which ranged from high-grade specialised military platforms such as the C-17 Globemaster III heavy airlift aircraft, Super Hornet F/A-18 multi-role aircraft, Anzac class frigates and Seahawk helicopters, to clearance diving systems and patrol boats, as well as commodity-type items such as rifles and ADF clothing.

Support to ADF operations is the highest priority for the DMO. Significant effort is put into ensuring that our forces are effectively deployed and maintained. This task includes ensuring that the forces are supported from the outset, from training and exercise regimes to well-serviced and -maintained platforms, and are equipped with the supplies and support needed to do the job. This outcome is only achieved through planning and implementing efficient procurement activities and maintenance programmes.

Programme 1.2 accounted for approximately 51 per cent of the DMO's expenses in 2014–15.

Table 6.4: **Programme 1.2 deliverables for top 30 sustainment products**

Deliverable	Performance summary
<b>General Manager Joint, Systems and Air</b>	
<b>Aerospace Systems products</b>	
<p>Aerospace Systems Division provides through-life support to a range of fixed wing aircraft types including the F/A-18A/B Hornet and F/A-18F Super Hornet, E-7A Wedgetail (airborne early warning and control), AP-3C Orion, C-17A Globemaster III, KC-30A (multi-role tanker/transport), C-130J Hercules, PC9 and the Heron unmanned aerial system. Aerospace Systems Division also provides through-life support to a number of advanced flight simulators and ground support equipment fleets.</p> <p>The major challenges for sustainment included:</p> <ul style="list-style-type: none"> <li>• implementing efficiency initiatives, including the introduction of performance-based contracts for new and existing aircraft fleets</li> <li>• continuing to manage ageing aircraft issues associated with F/A-18A/B Hornet, AP-3C and PC9 aircraft</li> <li>• supporting operationally deployed weapon systems such as the C-17A, C-130J, E-7A and KC-30A aircraft, and the Heron unmanned aerial system</li> <li>• supporting the operational deployment and rotation of the F/A-18A Hornet and the F/A-18F Super Hornet</li> <li>• contributing to the development of acquisition and sustainment strategies for future aerospace projects, including maritime patrol and response capabilities (P8 aircraft) and the new pilot training systems</li> <li>• continuing with the refurbishment and transfer of C-130H aircraft to Indonesia</li> <li>• taking delivery of and preparing for the introduction into service of the first C-27J aircraft</li> <li>• rationalising ground support equipment fleets and introducing the new aircraft cargo loader capability into service</li> <li>• supporting the expansion of Heron operations to include civilian airfields such as Rockhampton, Queensland.</li> </ul>	

Table 6.4 (continued)

Deliverable	Performance summary
F/A-18 Hornet Weapons System (CAF02)	<p>This system comprises the fleet of 71 aircraft and associated training systems that continue to be supported by a range of commercial and foreign military support arrangements and in-house Air Force workshops. The major challenge in supporting the F/A-18A/B Hornet is the increased maintenance requirements of an ageing aircraft fleet with the focus on sustaining a higher flying rate of effort and operational tempo associated with the deployment of the F/A-18A/B Hornets to Operation Okra.</p> <p>In addition, several commercial arrangements were adjusted to achieve aircraft life of type and to support operations. These commercial arrangements included:</p> <ul style="list-style-type: none"> <li>• completion of the radar support extension contract with Raytheon</li> <li>• establishment of a new Classic Hornet hydraulics and undercarriage support contract with RUAG Australia</li> <li>• expansion of scope in the Boeing Defence Australia deeper maintenance contract to include additional deeper maintenance services to support Operation Okra.</li> </ul>
Airborne Early Warning and Control System (CAF20)	<p>This system comprises six aircraft, fixed and deployable mission support systems, flight and mission simulators, and software development laboratories sustained through a combination of Defence and contracted support arrangements. The capability achieved full operational capability in May 2015.</p> <p>Sustainment levels agreed with the Air Force were substantially achieved, including the successful stand-up and ongoing provision of logistic support to aircraft deployed on Operation Okra. Contracted support arrangements continue to mature. The first annual performance improvement programme, which underpins annual rolling-wave extension of the in-service support contract, was successfully completed, realising ongoing sustainment system savings.</p>
F/A-18F Block II Super Hornet Weapons System (CAF21)	<p>This system comprises 24 F/A-18F Block II Super Hornet aircraft which are operated in support of air combat capability requirements. Extensive engineering and logistic support was provided to six F/A-18F aircraft rapidly deployed to Operation Okra.</p> <p>The deeper maintenance activity, known as 'periodic maintenance interval', in the F/A-18F fleet has begun. This six-yearly maintenance activity is essential to preserving the fleet condition until withdrawal and to prevent impacts to aircraft serviceability at the operational squadrons.</p>
P-3C/AP-3C Orion Weapons System (CAF04)	<p>This system comprises the P-3 fleet of 16 Orion aircraft and associated ground-based systems which remain subject to complex, resource-intensive structural 'safety-by-inspection' and obsolescence management programmes. New T-56 engine support arrangements are in place and will realise savings.</p> <p>Two aircraft (A09-755, A09-758) were disposed of in accordance with the approved disposal plan. Components recovered from these aircraft were retained to support future AP-3C operations. The airframes were destroyed and recycled.</p>
C130J-30 Weapons System (CAF06)	<p>This system comprises 12 aircraft and one Level 5 simulator.</p> <p>The fleet consistently achieved high levels of availability and reliability and a number of key capability enhancements were achieved, including:</p> <ul style="list-style-type: none"> <li>• the successful trial of a satellite communications system for the C-130J fleet</li> <li>• upgrade to the global terrain data in the full flight simulator</li> <li>• service release of the new carbon brake and wheel assemblies.</li> </ul> <p>C-130J propulsion system support was also successfully transitioned to a new performance-based contract with Standard Aero Limited, which is accountable for full propulsion system performance from April 2015.</p>
Lead-In Fighter Hawk 127 Weapons System (CAF03)	<p>This system comprises 33 Hawk Mark 127 aircraft; a full-scale fatigue test article; mission planning systems; a computer-based training system; and a tactical weapon system training system.</p> <p>BAE Systems Australia provides all in-service support to the fleet of Hawk aircraft under a performance-based contract, with the exception of operational maintenance, which is currently performed by the Air Force. A contract change proposal was signed with BAE Systems Australia that will see the operational maintenance transition from the Air Force to BAE Systems.</p> <p>The fleet corrosion control and re-paint programme has continued throughout the year and remains ongoing, with an expected completion in November 2015.</p>

Table 6.4 (continued)

Deliverable	Performance summary
KC-30A Weapons System (CAF22)	<p>This system comprises five aircraft and a training system.</p> <p>The fleet remains in transition from the project phase to sustainment, with reduced fleet availability due to acquisition-generated modification programmes. KC-30A has commenced boom operations and will achieve full capability in early 2016. One aircraft has been continually deployed on operations to the Middle East since September 2014. Despite the reduced aircraft numbers, an increased rate of effort has been achieved, primarily associated with operations. Defence is working with key suppliers to enhance the KC-30 support system to improve performance and reduce through-life costs.</p>
C-17 Heavy Air Lift Weapons System (CAF19)	<p>This system comprises six aircraft and a training system, with primary support through a foreign military sales arrangement with the United States Air Force.</p> <p>The C-17 Heavy Air Lift weapons system is mature and performing to expectations. A fixed satellite antenna providing fast onboard broadband capability was installed on a C-17 under Plan Jericho. Continued focus was on a number of ongoing reforms to sustainment, training and maintenance support involving changes to industry participation in the weapon system support. These reforms will result in a better balanced and effective sustainment organisation. An increased rate of effort resulted from the engagement of the C-17 aircraft in support of current operations.</p>
Special Purpose Aircraft (CAF09)	<p>The fleet consists of two Boeing business jets and three Bombardier Challenger CL604 aircraft. The aircraft are secured under a commercial lease arrangement with General Electric Capital Holdings and maintained by Northrop Grumman Integrated Defence Services.</p> <p>The special-purpose aircraft fleet successfully completed its most significant heavy maintenance programme while continuing to deliver high levels of service to the Government. Defence continues to work with the Government to identify options for a replacement capability.</p>

#### Electronics Systems products

Electronic Systems Division provides through-life support to a range of command and control systems, communications, satellites and tactical interoperability systems, airspace surveillance and control systems and electronic warfare systems.

In 2014–15, Electronic Systems Division continued to meet the challenges of delivering required sustainment outcomes against increased obsolescence and a growth in demand.

Key achievements included:

- sustained the joint counter improvised explosive device capability protecting Australian personnel deployed in the Middle East Area of Operations
- achieved further programme savings for all ADF large aircraft infrared countermeasures systems, covering multiple current and future airborne programmes
- developed support concepts for narrowband satellite communications control systems
- revised tactical air navigation support strategies and contracts in preparation for possible life of type extension of ageing platforms facing significant obsolescence challenges
- continued development of technology to remediate obsolescence issues within the Jindalee Operational Radar Network
- revised the sustainment of the fleet of combat radio equipment procured under JP 2072 phases 1 and 2A Battlespace Communications Systems
- managed obsolescence in the tactical air defence radar system through the Block 3 upgrade and replacement of the communications system
- initiated a progressive replacement programme for the Navy's global maritime distress and safety at sea system radios
- established preliminary sustainment arrangements for the overhead persistent infra-red capability.

Wide Area Surveillance (CAF13)	Wide area surveillance across the northern sea and air approaches to Australia was provided through a network of three over-the-horizon radars. Capability availability targets were consistently exceeded. Skills retention ensuring priority industry capability continues to be achieved through a programme of work that supports industry capacity while delivering minor capability enhancements and risk reduction for AIR 2025 Phase 6. Sustainment effort has focused on replacing cooling systems that use refrigerant gas (R22) that is not compliant with the Montreal Protocol; progression of the Defence fuel installation audit remediation activities at remote radar sites; and remediation of urgent obsolescence issues.
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Table 6.4 (continued)

Deliverable	Performance summary
Command and Intelligence Systems (CA40)	<p>Sustainment of command and intelligence systems provides support to the Army's operationally deployable command, intelligence and geospatial support systems. These systems consist of hardware and software configured primarily to provide protected and secret deployable networks of varying sizes and configurations for the Army and Special Operations.</p> <p>Significant effort was expended to support the sustainment of ADF command systems in the Middle East region. The introduction into service of the new command and control networks for the Army, the Air Force and Special Operations Command remains on schedule and within budget. In parallel, planning is well advanced for the coordinated withdrawal of those systems that are reaching life of type.</p>
Tactical Electronic Warfare System (CA36)	<p>Tactical electronic warfare systems comprise 26 diverse products that directly support tactical electronic warfare missions. These products deliver electronic warfare effects in the joint, maritime, land and air domains, and are typically electronic systems that are soldier-portable or fitted to military platforms.</p> <p>During 2014–15, the focus was to provide support to military operations and the continuation of technical refresh activities on major air and maritime platforms to address obsolescence issues and changes in target technologies.</p>
Battlespace Communications Systems (CA33)	<p>This capability consists of two primary fleets of communications equipment. The combat net radio fleet is a range of soldier-portable and vehicle-mounted radios for use by ground forces on the battlefield. The battlefield telecommunications network fleet is a satellite and trunking system that provides a voice and data capability to a deployed brigade.</p> <p>These fleets are maintained through sustainment contracts with Thales Australia, Saab Australia and BAE Systems Australia. JP 2072 Battlespace Communications Systems is a major project that is replacing the current generation of battlespace communications systems through a series of project phases.</p> <p>During 2014–15, the focus was on planning and executing the transition of the first phase of the JP 2072 generation of communications equipment from acquisition to sustainment. A major aspect of the transition was the establishment of mature maintenance and support contracts with Harris Corporation and Raytheon Australia. Concurrently there was continued focus on identifying elements of the current fleet that could be rationalised or retired from service. Planning for the timely withdrawal of current fleets as the new radios are introduced into service remains critical to minimising longer-term sustainment costs.</p>

#### Helicopter Systems products

The Helicopters, Tactical Unmanned Aerial Systems and Guided Weapons Division provides through-life support to the Navy rotary wing weapons systems; supports the Army's Shadow 200 tactical unmanned aerial system; and provides and supports all of the guided weapons for the Navy, the Army and the Air Force. Support consists of fleet-wide engineering, repair parts, contract management for deeper-level maintenance, replacement of ageing and obsolescent equipment and, where required, disposal activities.

Achievements included:

- provision of ongoing support to operationally deployed helicopters
- provision of cost-conscious support to Seahawk Classic, Black Hawk and CH-47D Chinook capabilities for training and operations while managing their withdrawal from service
- provision of cost-conscious support to Kiowa and Squirrel training capabilities ahead of their withdrawal from service
- continued effective support to the Shadow tactical unmanned aerial system in Australia
- improved support arrangements for Tiger and MRH-90 fleets to increase their availability and reduce cost of ownership
- good progress on the establishment of support networks for the Seahawk Romeo and CH-47F Chinook
- successfully supported the deployment of three Black Hawk and one MRH-90 to Vanuatu in support of Operation Pacific Assist 2015
- all operational demands for the Navy, the Army and the Air Force were fully met, including the supply of air-to-ground and air-to-air weapons for Operation Okra
- fully meeting all raise, train and sustain demands for the Navy, the Army and the Air Force guided weapons
- achieving critical life extensions for the AIM-132 advanced short-range air-to-air missile, FGM-148 Javelin missile and RIM-162 Evolved Sea Sparrow missile
- remediation of the Harpoon missile inventory continued, including through a sustainment top-up buy of missile and exercise sections
- orders were placed for replacement missile test sets.

Table 6.4 (continued)

Deliverable	Performance summary
Guided Weapons— Air Force, Army and Navy (CN38, CA60, CAF33)	<p>Achievements included support to:</p> <ul style="list-style-type: none"> <li>Navy guided weapon products, including RGM/UGM/AGM-84 Harpoon missile, Standard missile, RIM-162 Evolved Sea Sparrow missile, Mark 48 heavyweight torpedo, Mark 46 lightweight torpedo, MU90 lightweight torpedo, Encapsulated Harpoon Certification test vehicle, Danish mine disposal charge and Stonefish exercise mine</li> <li>Army guided weapons products, including FGM-148 Javelin missile, RBS70/Bolide missile and AGM-114 Hellfire missile</li> <li>Air Force guided weapon products, including AIM-132 advanced short-range air-to-air missile and AIM-120 advanced medium-range air-to-air missile.</li> </ul>
Multi Role Helicopter (CA48)	<p>MRH-90 acceptances increased the fleet size to 33 aircraft of 47 to be acquired in total. In-service support is provided under contract by Airbus Group Australia Pacific. The MRH-90 fleet is presently operated across four locations: the 5th Aviation Regiment in Townsville, Queensland; the Army Aviation Training Centre in Oakey, Queensland; 808 Squadron in Nowra, New South Wales; and a retrofit programme running with Airbus Group Australia Pacific in Brisbane.</p> <p>Measurable improvements in sustainment to improve enabling technical services and supply and engineering support required for the Navy and the Army to meet their key capability milestones were achieved.</p>
Armed Reconnaissance Helicopter Weapons System (CA12)	<p>All 22 Tiger armed reconnaissance helicopters are now in service in the final mature configuration and in-service support is provided under contract by Airbus Group Australia Pacific.</p> <p>A strategic review of the through-life support contract was completed, which culminated in a deed of agreement that became effective in January 2015. The deed introduced a repair-by-the-hour arrangement and a new performance management framework. Though measurable progress is already evident, it will take time to fully implement the support improvements, which will improve spares availability, significantly reduce the cost of through-life Tiger capability and enable the Army to generate increasing flying rates of effort to support capability milestones.</p>
S-70A-9 Black Hawk Weapons System (CA11)	<p>The Army's fleet of Black Hawk helicopters provides support to air mobile and special operations capabilities.</p> <p>The operational fleet reduced to 18 aircraft and sustainment was optimised to ensure that the fleet continued to provide the required level of operational availability until the Black Hawks are replaced by the MRH-90.</p>
MH-60R Seahawk Weapon System (CN35)	<p>The number of MH-60R Seahawk helicopters delivered grew to 12. The Romeo will contribute to the Navy's anti-surface and anti-submarine warfare capabilities, replacing the S-70B-2 Seahawk Classic in service.</p> <p>Through-life support is provided by a contract with the Maritime Helicopter Support Company, a Lockheed Martin/Sikorsky Aircraft Corporation joint venture, which is administered through a United States foreign military sales sustainment case. The financial arrangements for the case are now better understood and will provide a firmer basis on which budget estimates can be based and disbursements tracked.</p> <p>The Navy's 725 Squadron has now taken occupancy of the new Romeo facilities for its operations and is stepping up its training and rate of effort to meet future requirements.</p>
S-70B-2 Seahawk Weapons System (CN03)	<p>The S-70B-2 Seahawk, operated by the Navy's 816 Squadron, was supported successfully to maintain a viable embarked helicopter capability in advance of the new Seahawk Romeo capability being introduced. The S-70B-2 Seahawk was able to achieve an increased rate of effort through the careful management of spares and servicing, while four S-70B-2 Seahawk aircraft were withdrawn from flying operations as part of the transition process.</p> <p>The 816 Squadron co-located with the new Romeo 725 Squadron in the new Romeo facilities toward the end of 2014–15 to realise operating, maintenance and administrative efficiencies as 816 Squadron prepares to transition to the Romeo helicopter.</p> <p>The S-70B-2 Seahawk is an ageing aircraft with a number of mission system-related obsolescence issues that have remained under careful management.</p>

Table 6.4 (continued)

Deliverable	Performance summary
<b>General Manager Land and Maritime</b>	
<b>Land Systems products</b>	
<p>Land Systems Division is responsible for the sustainment of the following materiel, managed in conjunction with the Navy, the Army, the Air Force and Joint Health Command as the capability managers:</p> <ul style="list-style-type: none"> <li>armoured fighting, combat support and field engineering vehicles</li> <li>logistic service support and commercial vehicles</li> <li>radar, surveillance, electrical and simulation systems</li> <li>small arms and weapon systems</li> <li>medical and dental equipment, health systems and combat rations</li> <li>ADF clothing and personal combat equipment</li> <li>ADF munitions.</li> </ul> <p>Land Systems Division continued to meet the support requirements of forces on operations and delivered eight operational procurements including up-armoured vehicles.</p> <p>The agreed level of support to the ADF was delivered within budget and comprehensive equipment fleet performance reviews were conducted with Defence capability managers.</p> <p>Training and professionalisation of sustainment staff were conducted to improve skills and staff agility.</p> <p>Trial results from the vehicle health and usage monitoring systems have been incorporated into final designs. Automatic transfer of data will allow better analysis and improved sustainment decision-making.</p>	
Explosive Ordnance—Air Force, Army and Navy (CAF32, CA59, CN37)	<p>Munitions Systems Programme Office is responsible for the acquisition and sustainment of non-guided explosive ordnance employed by the Navy, the Army and the Air Force, including ammunition, installed explosive ordnance and countermeasures.</p> <p>Achievements include:</p> <ul style="list-style-type: none"> <li>transitioned out of the current arrangements for domestic manufacture of munitions, propellants and high explosives</li> <li>executed the strategic munitions interim contract for the operation of the Benalla and Mulwala, Victoria munitions, propellants and high-explosives facilities from 1 July 2015</li> <li>ensured timely supply of serviceable munitions in support of operations in the Middle East region</li> <li>improved ADF munitions inventory management to better align with the Services' requirements.</li> </ul> <p>All munitions demands in support of operations were met within the required timeframes. Navy, Army and Air Force requirements for munitions in support of training were met with minimal exceptions. The exceptions were the result of unforeseen supply chain disruptions and were predominantly associated with a reduction in global munitions production. The exceptions were managed in conjunction with the Navy, the Army and the Air Force to minimise their impact on training.</p>
Australian Defence Organisation Commercial Vehicles Fleet (CA19)	<p>The Defence Commercial Vehicle Programme uses commercially available motor vehicles for administrative purposes. Currently, the fleet has around 5,400 vehicles and trailers under management. The fleet ranges from passenger sedans through to heavy rigid trucks, touring coaches and prime movers. The whole-of-government fleet services provider, sgfleet, supports the fleet.</p> <p>The fleet continued to focus on improving asset utilisation. A number of under-utilised vehicles were identified for possible reallocation or disposal.</p> <p>The delivery of six touring coaches was completed. The delivery of 20 commercial prime movers was also completed. These vehicles will provide an interim heavy transport solution until the delivery of the enduring capability through LAND 121 Phase 3B Overlander-Medium/Heavy Capability, Field Vehicles, Modules and Trailers.</p> <p>Approximately 1,350 commercial vehicles were delivered and more than 1,600 disposed of, as part of the routine replacement programme.</p>

Table 6.4 (continued)

Deliverable	Performance summary
General Service B Vehicle Fleet (CA45)	<p>The general service vehicle fleet consists of approximately 8,000 light, medium and heavy-wheeled vehicles and trailers, including protected (up-armoured) and unprotected variants, used in Australia and on operations overseas. Defence is progressively replacing the majority of the current general service vehicle fleet under LAND 121 Overlander Programme and JP 2097 Enhancements to Special Operations Capability.</p> <p>The gradual phase-out of the Land Rover fleet continued, as the delivery of Mercedes-Benz G-Wagons to ADF units continued. Approximately 120 all-terrain vehicles were delivered to replace aged capabilities across the ADF. Remediation of vehicles returning from overseas operations also continued.</p>
ADF Clothing (CA39)	<p>ADF clothing comprises approximately 23,000 line items of personal clothing, footwear and other items manufactured by the textile, clothing and footwear industry.</p> <p>New clothing lines were introduced, including a new general-purpose jacket for the Navy, a new combat boot and the Australian multicam camouflage uniform for the Army.</p> <p>Continuing procurement and logistics support was provided for the introduction into service of the Army parade boot and the general-purpose jacket for the Army and the Air Force, the Air Force's general purpose uniform, and meeting the ADF's ongoing clothing and footwear requirements for operations as well as for raise, train and sustain activities.</p>
<b>Maritime Systems products</b>	
<p>The Maritime Systems sustainment concept is to support maritime capability through cost-effective materiel design, maintenance engineering and logistic support to platforms, equipment and systems. The provision of these sustainment services is under a structure of system programme offices that are co-located regionally with the Navy forces and groups by ship class, and that manage the delivery of services through a variety of outsourced commercial contracts.</p> <p>In December 2014, a comprehensive programme was begun to deliver improvement in the divisional, structural, cultural and performance activities in waterfront outcomes; effectiveness of configuration management, maintenance planning and execution; a shift to governance-focused business; and the creation of a managed workforce to support sustainable operations.</p> <p>An ongoing sustainment reform programme for the Armidale class patrol boat seeks to improve the materiel support delivery to the ships and optimise the required outcomes of availability, reliability and total cost of ownership.</p> <p>Other achievements included:</p> <ul style="list-style-type: none"> <li>• A dock operation and reticulated services contract for the Captain Cook Graving Dock and the Garden Island Defence Precinct, Sydney was signed in May 2014. Combined with the Garden Island stakeholders planning forum, this ensured that services were available in 2014–15 for dockings, production berthing, and home porting at Fleet Base East.</li> <li>• The guided missile frigate class (FFG) Group 2 maintenance contract began operation in August 2014 and, combined with the newly formed FFG enterprise, comprising the DMO, industry and the Navy, is working together to provide materially seaworthy FFG ships.</li> <li>• ADV <i>Ocean Shield</i> transferred to the Australian Customs and Border Protection Service on 1 July 2014.</li> <li>• In-service support arrangements were established for the HMAS <i>Canberra</i> and the Guided Missile Destroyer support concept was progressed in consultation with the related acquisition project managers.</li> <li>• Mature in-service support arrangements were developed for HMAS <i>Choules</i>.</li> </ul>	
Fuels and Lubricants—Air Force, Army & Navy (CN26, CA43, CAF18)	<p>Petrol, oil and lubricant products are procured under long-term contracts and provided to Defence operational and support elements and visiting foreign forces.</p> <p>Fuels and Lubricants—Navy, Army and Air Force transferred to Defence Fuels Services Branch on 1 February 2015. The ongoing assistance with the materiel remediation of fuel installations, development of long-term contracts, and fuel card contract arrangements is being progressed by Defence Fuels Services.</p>

Table 6.4 (continued)

Deliverable	Performance summary
Anzac Class Frigate (CN02)	<p>The support objective is to maintain the materiel capability of the Anzac class frigates through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.</p> <p>The anti-ship missile defence (projects SEA 1448 Phase 2A and 2B) refit and upgrade programme continued, with HMAS <i>Anzac</i> delivered and HMAS <i>Warramunga</i> in the final stages of harbour acceptance trials. HMA Ships <i>Parramatta</i> and <i>Ballarat</i> entered the programme and are progressing well. The MH60R helicopter (Project AIR 9000 Phase 8) was integrated into HMAS <i>Perth</i> with successful first-of-class flight trials completed. The electronic support measure system (Project SEA 1448 Phase 4A) was installed in shore facilities and HMAS <i>Warramunga</i> has sea trials planned in the second half of 2015.</p> <p>Planning continues for the Block Upgrade Programme, scheduled to commence in 2017, incorporating the Platform Systems Remediation programme, the Maritime Communications Modernisation Project (SEA 1442 Phase 4) and proposed Anzac Air Search Radar Replacement (SEA 1448 Phase 4B).</p> <p>Effort has begun to consolidate the major support contracts under the Group 3 Group Maintenance Contract and the ANZAC Ship Integrated Materiel Support Programme Alliance into a total asset management arrangement.</p>
Adelaide Class Frigate (CN01)	<p>The support objective is to maintain the materiel capability of the Adelaide class frigates through the provision of materiel support and ongoing maintenance of the ships and associated equipment, systems and operator training facilities.</p> <p>The operation of HMAS <i>Sydney</i> as the alongside harbour training ship was achieved, and initial activities required to achieve HMAS <i>Sydney</i>'s planned withdrawal from service in December 2015 were commenced.</p>
Canberra Class (LHD) Sustainment (CN34)	<p>The scope of this product addresses the sustainment of two Canberra class landing helicopter dock (LHD) platforms, 12 LHD landing craft, and associated shore-based systems and facilities, as these are introduced into service.</p> <p>The first of two Canberra class landing helicopter dock ships, HMAS <i>Canberra</i>, was introduced into Navy service. In addition, the first of three batches of four LHD landing craft were also brought into service. HMAS <i>Canberra</i>, inclusive of its four embarked landing craft, performed well throughout the year.</p> <p>The LHD Systems Programme Office established key commercial arrangements with Australian defence industry partners providing LHD and landing craft, maintenance, engineering and supply support services. In addition, asset management, governance support and independent assurance services were also established.</p>
Huon Class Mine Hunter Coastal (CN14)	<p>The support objective is to maintain the materiel capability of the Huon class mine hunter coastal vessels and associated training equipment through the provision of materiel support and ongoing maintenance of the in-service ships.</p> <p>Ship maintenance activities for operational ships were progressed and completed as planned. The combat system upgrade is in the final stages of installation, progressing on time and on budget, with completion of the detailed design for the upgrade of the ships' fire-fighting system achieved.</p>
Auxiliary Oiler Replenishment (CN13)	<p>The support objective is to maintain the materiel capability of the underway replenishment tanker HMAS <i>Success</i> through the provision of materiel support and ongoing maintenance of the ship and associated equipment and systems.</p> <p>HMAS <i>Success</i> support was achieved through a scheduled maintenance period conducted in the period September–October 2014. In November 2014, the ship began a five-month deployment in support of Operation Manitou, returning to Australia in June 2015 for preparations prior to a major refit commencing in July 2015.</p>

Table 6.4 (continued)

Deliverable	Performance summary
<b>General Manager Submarines</b>	
<b>Collins Submarines Programme</b>	
<p>The objective of the Collins Programme is to sustain the Collins class submarine materiel capability, including the associated escape and rescue capability, minimise the logistic costs of ownership, and provide sustainable and cost-effective design, engineering and logistics support for Collins class platform and combat systems and support for associated submarine training, escape and rescue systems through long-term, and increasingly performance-based, agreements with industry partners, including ASC Pty Ltd (ASC), Raytheon Australia, Thales, BAE Systems and other providers.</p>	
Collins Submarines Programme (CN10)	<p>Recommendations from the Coles Review of November 2012 are now largely implemented, with some long-term Coles initiatives being carried forward as normal business consistent with their implementation timeframes.</p> <p>As recommended by Coles, the DMO, the Navy and ASC have established an enterprise approach with the following goals:</p> <ul style="list-style-type: none"> <li>• delivering required capability at benchmark availability</li> <li>• building an enterprise workforce with sustained submarine knowledge embedded in a collaborative working environment</li> <li>• participants collaborating in a successful enterprise with aligned objectives and interests</li> <li>• reducing sustainment costs over time through productivity improvements.</li> </ul>

## Programme 1.2 key performance indicators

Programme 1.2 key performance indicators vary with each sustainment product and are specified in the relevant materiel sustainment agreements.

*Further information on deliverables for programmes 1.1 and 1.2 is available online.*

# Programme 1.3

## Provision of Policy Advice and Management Services

**Programme performance:** The objective of Programme 1.3 is to meet government, ministerial and departmental expectations and timeframes for the provision of policy, advice on capital acquisitions, sustainment activities, procurement and contracting. Programme 1.3 also manages the support and delivery of industry support programmes.

Industry programmes with a total budget of around \$27 million were successfully delivered, including skilling, business advice and grants programmes, as well as key measures designed to enhance Australian industry competitiveness and facilitate Australian companies' entry into global supply chains. Current programmes have been extended to ensure continuity until new industry policy is released in the second half of 2015. Defence continued to facilitate opportunities for Australian industry to showcase its capabilities to multinational defence contractors and foreign governments, while also generating further interest for trade and investment opportunities in Australia, through a series of international exhibits and trade missions under the Team Defence Australia initiative. Defence's responsibilities and processes with regard to facilitating international sales and equipment disposals were also significantly matured and enhanced.

**Programme highlight:** Working with industry partners, Defence, through the Australian Military Sales Office, the Counter Improvised Explosive Device Task Force and the Defence Science and Technology Organisation, developed two systems to counter the threat of radio-controlled improvised explosive devices: one for use by dismounted troops and one fitted to light vehicles.

With industry partners Microe, Ultra Electronics Australia, Associated Electronic Services, AXIOM Precision Manufacturing and Lintek supporting an accelerated production schedule, deliveries to the Afghan National Defense and Security Forces began in January 2015.

Table 6.5: Programme 1.3 deliverables

Deliverable	Performance information
Specialist legal, procurement and contracting policy and services	High-quality and timely commercial law and contracting support was provided to DMO projects, system programme offices and other business areas. Significant work was done to maintain the currency of, and continue to improve, Defence procurement policy and contracting templates.  Significant work was also done to simplify and streamline procurement policy and practice, with an emphasis on improving the commerciality of procurement outcomes and reducing the costs of doing business with Defence.
Acquisition and sustainment advice	High-quality and timely advice was provided through regular reports, ministerial correspondence and briefings on acquisition and sustainment issues.
Defence industry programmes, engagement and advice to both the Defence portfolio and the Government	The DMO provided advice to Defence and the Government on industry capacity and capability. Defence's industry programmes continued to be delivered, providing targeted assistance in a range of areas, including skilling, export support and commercialisation of new technologies.

## DMO governance and accountability

A Ministerial Directive issued on 28 July 2008 outlines the accountability of the Chief Executive Officer (CEO) to the Minister for Defence to achieve the following outcomes:

- timely, accurate and considered advice in the CEO's role as principal adviser to the Minister on equipment acquisition and fleet sustainment
- efficient and effective acquisition and through-life support of materiel for Defence capabilities
- sound management of financial and other resources, operating within the budget and meeting statutory requirements for preparing financial statements
- an appropriately skilled and experienced workforce while providing a working environment that attracts and retains people
- high-quality governance and management, implementing agreed reform initiatives and embedding continuous improvement within business processes
- savings and efficiencies for reinvestment in priority areas in Defence
- appropriate representation of Australia internationally in the CEO's role of National Armaments Director.

## DMO Senior Committees

Three senior committees provided internal advice and direction and oversaw performance within the DMO (Figure 6.2). These are:

- the Executive Committee
- the Council Chairs' Forum
- the Materiel Audit and Risk Committee.

### Executive Committee

The Executive Committee advises the CEO on directing the DMO. The committee is chaired by the CEO and meets monthly to review strategic direction and performance. As required, the committee meets as the Strategic Budget Committee to focus on strategic investment and budget management.

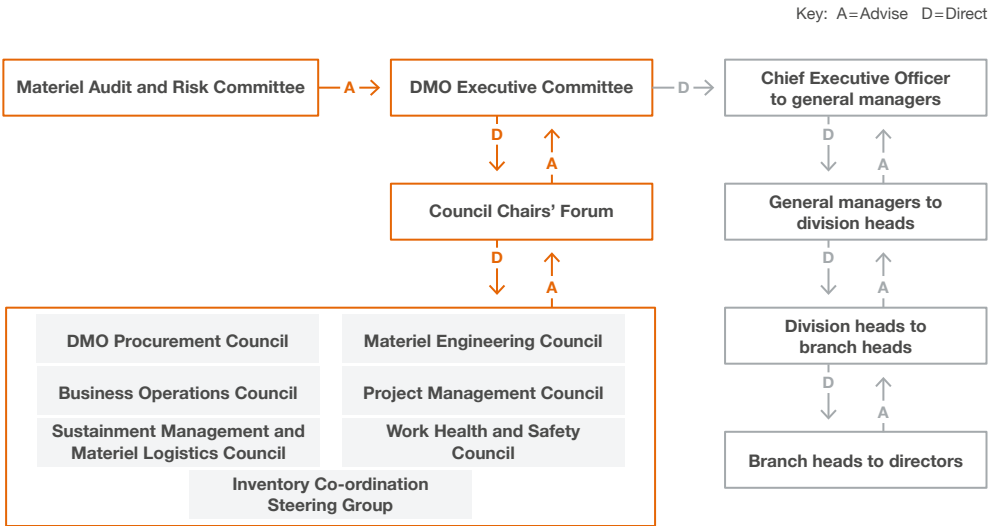
### Council Chairs' Forum

The Council Chairs' Forum is held quarterly and addresses DMO enterprise business performance risks and issues against the DMO's functions of procurement, finance management, project management, materiel engineering, sustainment management and materiel logistics, work health and safety, human resources, industry engagement and administration.

### Materiel Audit and Risk Committee

The independent Materiel Audit and Risk Committee allows the CEO to meet obligations under the *Public Governance, Performance and Accountability Act 2013*. The committee monitors and recommends improvements to the DMO's governance, risk management, internal controls and financial reporting. Following the release of the First Principles Review and the recommendation to disband the DMO on 30 June 2015, the committee ceased operation on 30 June 2015.

Figure 6.1: DMO senior committees as at 30 June 2015



## Projects of concern

The projects of concern regime is a proven process for the senior management of seriously underperforming projects. Once listed, the primary objective of the regime is to remediate these projects by implementing an agreed plan to resolve any significant commercial, technical, cost and/or schedule difficulties. Projects of concern receive targeted senior management attention and are required to report more regularly to the Government.

Significant changes to the projects of concern list in 2014–15 included:

- successful remediation of the Air-to-Air Refuelling Capability (AIR 5402) and subsequent removal of the project from the list
- addition of the ADF Satellite Communications Terrestrial Enhancements project (JP 2008 Phase 3F) to the list.

Table 6.6: Current projects of concern as at 30 June 2015

Project name	Project number/phase	Date added
Collins class submarines sustainable and projects	CN10	November 2008
Multi-role helicopter (MHR-90)	AIR 9000 Phase 2, 4, 6	November 2011
Direct fire support weapons	LAND 40 Phase 2	December 2012
Mulwala redevelopment project	JP 2086 Phase 1	December 2012
Air Warfare Destroyer Build	SEA 4000 Phase 3	June 2014
Australian Defence Satellite Communications Capability Terrestrial Enhancement	JP 2008 Phase 3F	September 2014

*A list of current and former projects of concern by expenditure is available online.*

## PROFILE: Bronwyn Madge



Bronwyn Madge with husband Deane Katsoolis at Anzac Cove on 25 April 2015.

## Emotions run high at centenary commemorations in Gallipoli

Bronwyn Madge works in the Defence Support and Reform Group managing ministerial support and training coordination. She attended the Dawn Service at Gallipoli in this centenary year along with her husband after being successful in the ballot for places at the ceremony.

Bronwyn is a direct descendant of a World War I veteran; her great-grandfather was 18 years old when he landed at Gallipoli in May 1915 as part of the 1st Light Horse Brigade. He survived and went on to re-enlist in World War II.

'The dawn service was very emotional; to be part of the experience was very special', Bronwyn said.

'Even limited sleep and cool temperatures didn't dampen the experience. Being part of the wider Defence and public service family, I was also able to appreciate the behind-the-scenes work that went into this event.'

Travelling with her whole family, Bronwyn was thrilled to be able to return to Gallipoli the next day so her mother could see, for the first time, where her grandfather was posted. Bronwyn's young children were also able to connect to the area.

'Even my six-year-old knows the story of Simpson and his donkey. To be able to show them his grave and walk along Anzac Cove provided our three children with a special opportunity to get a real feel for the origins of Anzac Day.'

## Anzac nurses—a remarkable but rarely told story

More than 3,000 Australian civilian nurses volunteered for active service during World War I. Twenty-five died during their service and eight received the Military Medal for bravery. However, theirs is a story rarely told.

From the first Allied landings at Gallipoli on 25 April 1915, Australian nurses cared for hundreds of casualties in hospital and on transport ships anchored offshore. Working in often gruelling conditions, with limited medical supplies and a desperate lack of fresh water, they tended to a seemingly endless stream of wounded and sick soldiers for the duration of the campaign.

Reflecting on her work in the hospital ship *Sicilia*, Sister Lydia King wrote in her diary:

I shall never forget the awful feeling of hopelessness on night duty. It was dreadful. I had two wards downstairs, each with more than 100 patients, and then I had small wards upstairs—altogether about 250 patients to look after, and one orderly and one Indian sweeper. Shall not describe their wounds, they were too awful. One loses sight of all the honour and the glory in the work we are doing.

The Australian Army Nursing Service (AANS) was formed in 1903 as part of the Australian Army Medical Corps. During World War I, 2,000 of its

members served overseas alongside Australian nurses from other organisations, such as Queen Alexandra's Imperial Military Nursing Service and the newly formed Red Cross.

Many AANS nurses served as part of the 3rd Australian General Hospital, which was set up on the island of Lemnos in the Aegean Sea in response to a request from the British War Office. The hospital treated large numbers of wounded soldiers from all Allied armies. The conditions on Lemnos were far from idyllic.

The weather on the island was terrible—it was bitterly cold, with strong winds and rain. The nurses' diets contained no fruit or vegetables, and they received butter and eggs only once a month.

There were a number of reasons a nurse may have volunteered for service in World War I: the chance to travel; the chance to be involved in the war; the opportunity to be closer to a serving loved one or help troops in need; or the allure of independence. Whatever the reason, by the time the war came to an end, it had become clear that nurses were essential to military medical service.

From its inception on Lemnos in August 1915 until January 1916, the 3rd Australian General Hospital treated 7,400 patients, of whom only 143 died.



Nurses of the 3rd Australian General Hospital form up to follow a piper into their camp under the leadership of their matron, Miss Grace Wilson, and second in command of the hospital, Lieutenant Colonel JA Dick, at Mudros West, Lemnos.

## TRIBUTES

‘Their [Australian nurses during World War I] dedication to duty and unwavering compassion and care in the grimmest of times and in the harshest of environments cannot fail to inspire. Their persistent and exceptional delivery of health care is still the basic tenet of what we do today.’

Lieutenant Paula Evans,  
Nursing Officer, Joint Health Command



‘The absolute selflessness that saw them volunteer for service and the dedication to duty for the duration of the war is a testament to the strength and character of those amazing women. It is these women who formed the basis of my “vision” of nursing in that light.’

Lieutenant Colonel Natalie Leaver,  
Nursing Officer, 7th Brigade Headquarters

‘The Australian Army Nursing Service has a long history of supporting ADF operations. Although nursing has changed over the past 100 years, the legacy of the nurses who served in World War I continues.’

Flight Lieutenant Bernard Clarke, Nursing Officer,  
1 Expeditionary Health Squadron Townsville



‘They paved the way for nurses, and women in general, to be considered equal to men and professionals in their own right. The core duties of military nurses have not changed, and I do not think that my reason for becoming a nurse—to care for the sick and wounded—would have been any different to those who signed up to go to Lemnos, Egypt or board a hospital ship.’

Flight Lieutenant Alex Hardingham,  
Nursing Officer, Joint Health Command



# PART THREE

GOVERNANCE AND ACCOUNTABILITY



# 7

## CHAPTER SEVEN

### Reform



First Principles Review

# CREATING ONE DEFENCE

## First Principles Review

Defence is an organisation with a long and proud history. Its evolutionary journey from separate single Service agencies into the Australian Defence Force (ADF) and further into an increasingly integrated Defence organisation began in the 1970s. The First Principles Review set out the next phase of change for Defence.

On 5 August 2014, the then Minister for Defence announced the First Principles Review team, which comprised Mr David Peever (Chair), the Hon Robert Hill, AC, the Hon Lindsay Tanner, Lieutenant General Peter Leahy, AC (Retd), and Mr Jim McDowell. The review team was to ensure that Defence is fit for purpose and able to promptly respond to future challenges.

The review team conducted an end-to-end holistic review of Defence based on the outcomes required of Defence and founded on the following first principles:

- *Clear authorities and accountabilities that align with resources:* decision-makers are empowered and held responsible for delivering on strategies and plans within agreed resourcing
- *Outcome orientation:* delivering what is required with processes, systems and tools being the 'means not the end'
- *Simplicity:* eliminating complicated and unnecessary structures, processes systems and tools
- *Focus on core business:* Defence doing only for itself what no one else can do more effectively and efficiently
- *Professionalism:* committed people with the right skills in appropriate jobs
- *Timely, contestable advice:* using internal and external expertise to provide the best advice so that the outcome is delivered in the most cost-effective and efficient manner
- *Transparency:* honest and open behaviour which enables others to know exactly what Defence is doing and why.

The First Principles Review's report, *Creating One Defence*, was released on 1 April 2015 by the Minister for Defence. When its recommendations are implemented, Defence will be positioned to best meet future demands.

The review and its supporting analysis led the review team to recommend transformational change to an organisation that they believed had drifted from contemporary best practice. In combination, the review's recommendations will change the structure, governance arrangements, accountabilities, processes and systems of Defence. They are designed to operate as a whole and will need to be implemented as such in order to be most effective.

The combined result will be a more unified and integrated organisation that is more consistently linked to its strategy and clearly led by its centre. This has been called the One Defence approach, and has four key features:

- a stronger and more strategic centre able to provide clear direction, contestability of decision-making, along with enhanced organisational control of resources and monitoring of organisational performance
- an end-to-end approach for capability development with capability managers having clear authority and accountability as sponsors for the delivery of capability outcomes to time and budget, supported by an integrated capability delivery function and subject to direction setting and contestability from the centre
- enablers that are integrated and customer-centric with greater use of cross-functional processes, particularly in regional locations
- a planned and professional workforce with a strong performance management culture at its core.

Effective implementation is essential to achieving the One Defence model and to generating the efficiencies the review has identified. An integrated implementation plan has been developed. Successful delivery of the review's intent requires a unified leadership team willing to drive change and a behavioural shift; a sense of urgency and a willingness to push the pace of change; and sufficient planning, oversight and commitment to delivering the full intent of the review's recommendations.

The One Defence transformation is an opportunity for Defence to establish better relationships with the Government, ministers, external stakeholders, central agencies, and its own leadership and workforce. It is an opportunity for Defence to reset and reposition itself as a truly integrated agency that consistently produces the best public value, and is able to meet current and future demands on it. Most importantly, it will allow Defence to effectively deliver on its primary focus: to protect and advance Australia's strategic interests through the provision of appropriately prepared and equipped armed forces.

## Service delivery reform programme

In 2014–15, the service delivery reform programme moved from being a standalone programme to an element of the Enablers work stream in the First Principles Review.

The service delivery reform programme, initiated by the Secretary and the Chief of the Defence Force in April 2014, focuses on developing a service delivery approach which ensures that Defence makes the best use of its resources for delivering the core capabilities needed to achieve its outcomes.

The programme involved developing an agreed service delivery framework for Defence, fully implementing shared services, standardising services, removing duplication of functions and ensuring that there are single, clear lines of ownership and accountability. This approach is consistent with work that is happening across the public sector on implementing shared services for corporate and enabling functions.

The service delivery reform programme functions include:

- administration, coordination and governance
- APS education and training
- audit and assurance
- communication and public affairs
- financial services
- human resource services
- information and communication technologies
- information management
- legal services.
- non-materiel procurement
- regional services
- security

The service delivery reform programme was examined by the First Principles Review team. The review team noted that it is critical for the development of the One Defence system that the shared services model be fully implemented.

The review team recommended, consistent with the One Defence model, that the service delivery reform programme, including full integration of the DMO's corporate functions, be completed.

## Base services contractual reform

After several years of hard work, the base services retender procurement activity was completed in August 2014, with five contracts signed on 10 July 2014, and five additional contracts signed on 10 August 2014. Transition to these new contracts began progressively from July 2014; the national transition was completed on 1 December 2014.

The 10 new nationally focused base services contracts replaced 21 smaller regionally focused contracts. The contracts have a combined value of \$1.1 billion a year and deliver services that maintain the Defence estate including non-major capital facilities works and services that enable Defence capability.

The base services contractual reform is the result of a once-in-a-decade opportunity to deliver services under an outcome-based model rather than paying for availability. By retendering the 21 previous contracts through a single procurement process, Defence has improved its value-for-money outcomes by leveraging its national volume, increasing the level of standardisation and better managing supply and demand.

### Service delivery

The new base services contracts are enabling core Defence capability and activities across all bases. The focus is now on continuous and service delivery improvements. Product and services managers are working in consultation with Service and Group representatives to address performance and conformance issues as they arise.

### Performance management

The new base services contracts have a comprehensive performance management framework that focuses on strategic and operational performance management, and abatement and reward mechanisms.

Defence continues to monitor the performance of its base services contractors through the contract performance management framework. This framework includes a process of contractor self-reporting, Defence assurance activities and an external assessment of the contractors' performance management framework.

### Contract governance

A contract governance framework, underpinned by staffing restructures, business rules and processes, is in place for all base services contracts. These arrangements were developed based upon Australian National Audit Office (ANAO) better practice guidance and taking into consideration recommendations made by the ANAO in its 2009 audit of Defence garrison support services contracts.

An internal shared service has been established for the processing of contract amendments, abatements and other contractual notices. The internal shared service was developed to provide better governance, and to ensure that Commonwealth and Defence accountability requirements are met and that base services contracts continue to deliver value for money and Defence control over the total cost of ownership.

## Cultural change

March 2015 marked the third year of the *Pathway to Change: Evolving Defence Culture* implementation. As at 30 June 2015, 159, or 91 per cent, of the 175 Pathway to Change key actions and recommendations from the six culture reviews have been finalised.

As Defence transitions from implementation of recommendations to cultural programmes and initiatives, the focus has moved to cultural reinforcement and evaluation to ensure that Pathway to Change effectively achieves Defence's goal of cultural reform.

On 1 July 2014, Defence began a four-year collaboration with the Australian Human Rights Commission to support the achievement of cultural reform and the intent of Pathway to Change in Defence.

In this, the first year of the collaboration, the Commission visited eight ADF bases. In each case the Commission reviewed data on incidents, unacceptable behaviour, offences and other matters; conducted meetings with command and staff members; conducted focus groups and interviews with personnel; and, after each visit, provided feedback and suggestions to the Service or command on the progress of cultural reform at the establishment.

Defence recognises that, to realise enduring cultural change, a sustained effort from all Defence staff and, in particular, Defence leaders will be required over many years. An evaluation framework has been developed to capture the success of Pathway to Change. The framework aligns Pathway to Change levers with the various measures and metrics currently available within Defence, including internal surveys of employee attitudes and behaviour and Defence census data.

Initial observations indicate that positive cultural change is occurring under the six key Pathway to Change levers for cultural change and reinforcement. Examples for each lever are summarised below:

- *Leadership and accountability:* Perceptions of Defence commitment to creating a diverse workforce remain high.
- *Values and behaviours:* Perceptions of adherence to Defence values remain steady, particularly in the areas of integrity, loyalty and teamwork.
- *Right from the start:* There is an increased perception of command chain intolerance of unacceptable behaviour in training establishments—most trainees and cadets agree that their supervisor/instructor leads by example.
- *Practical measures:* The proportion of women recruited to the ADF is increasing, with an increasing proportion of women attending the Centre for Defence and Strategic Studies.
- *Corrective processes:* Defence is addressing the time it takes to resolve unacceptable behaviour cases. There are some positive results in the percentage of unacceptable behaviour cases that have been finalised in less than six months. Progress in this area will continue now that better complaint-reporting processes and infrastructure arrangements are in place.
- *Structure and support:* Perceptions of workplace flexibility requests being accommodated by supervisors are increasing.

## FEATURE



Defence Secretary Dennis Richardson (centre) on a visit to Gallipoli Barracks, Queensland. With him are (from left) Director-General People Strategy and Culture Justine Greig, Major Daniel O'Brien, Help Enterprises' Coordinator of Post-School Services Susan Coleman, Julianne Lazarus, Emma Doran, Asif Musa, Elizabeth McCourtie, Priya Narayan, Jeremy Gawne, Andrew Hall, Cody Billington, Anthony Whinnall, Simon Wright, Major Russell Hamsey and Leigh Richmond.

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07

## Championing equal opportunity for people with disability

Defence is committed to supporting all its members with a disability through programmes, reasonable adjustments, assistive technology, and networks such as mentoring and disability champions.

It is a focus that the Head of People Policy and Culture and senior disability champion, Richard Oliver, believes has the potential to revolutionise what people with disability can achieve in the workplace.

'The nature of disability is widely misunderstood and there are a variety of misconceptions about disability and people with disability', Richard said.

'Not only can our staff continue to achieve at work if their circumstances change, but we have recruitment programmes that provide meaningful employment for those with disability.'

One such programme is the Defence Administration Assistance Programme (DAAP), which began service delivery out of Gallipoli Barracks in Queensland in September 2014. This programme offers administrative support services to Defence within south-east Queensland.

The programme is delivered by a local not-for-profit organisation, Help Enterprises, which employs people with an intellectual disability. Tasks

performed by employees include, but are not limited to, photocopying, shredding, mail-outs, packaging, compiling and other administrative tasks.

For most of the staff, this is their first opportunity to participate in mainstream employment.

'The programme plays a significant role in alleviating some of the administrative pressures for Defence employees in the south-east Queensland region, while at the same time providing a valuable employment opportunity to people with disability', Richard said.

Help Enterprises' Coordinator of Post-School Services, Susan Coleman, says the young people in her service have enormous potential and, when given the opportunity, have a rich and important contribution to make.

'Providing administrative support to Gallipoli Barracks is paid employment for the DAAP participants who, more often than not, tend to be restricted to volunteer work in the community', Susan said.

DAAP participants Cody Billington and Emma Doran enjoy working for Defence.

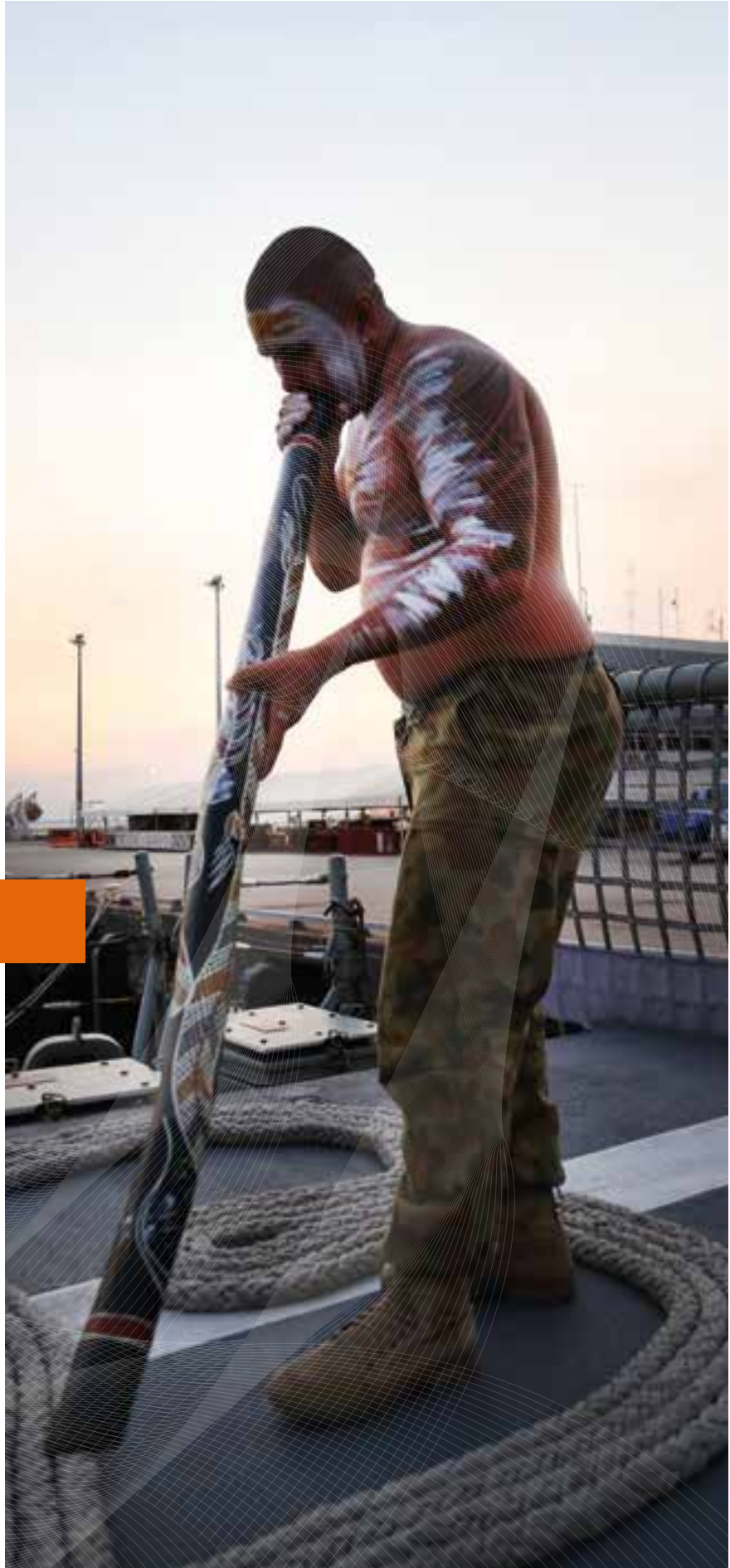
'I like the people at Defence because they talk to me; they are helpful and nice', Cody said. 'I like the work, especially the mailroom job, and I like earning money so I can buy things.'

'I love the Defence Force because I like the people there. It's fun and everyone helps me out', Emma said. 'I like getting money to buy books I love.'

# 8

## CHAPTER EIGHT

### People



## Workforce summary

Defence budgets for its ADF workforce on a funded strength basis and the APS workforce on a full-time equivalent (FTE)—that is, paid—basis. Defence uses actual FTE—that is, paid strength on a particular date—as the most accurate indicator of current staffing levels. Workforce planning is based on average funded strength and FTE respectively for the financial year. These averages, while suitable for planning and budgeting purposes, are lag indicators against the actual end-of-year figures.

Defence records some statistical data by headcount; that is, all personnel are counted equally regardless of the number of hours worked, and the figures include all personnel recorded as on duty or on leave, full-time or part-time, with or without pay. This statistical basis is used for gender information, employment categories and location. Defence does not base its workforce planning on headcount figures.

By way of comparison, ADF and APS staffing figures for 2014–15, and for 2013–14, are shown in tables 8.1 and 8.2 against the three measures.

**Table 8.1: Australian Defence Force—staffing figures, 2013–14 and 2014–15**

ADF staffing measure	2013–14	2014–15	Variation
<b>For workforce planning purposes</b>			
Actual funded strength (paid strength as at 30 June)	56,922	57,718	+796
Average funded strength (over the financial year)	56,364	57,512	+1,148
<b>For other statistical data</b>			
Permanent strength (headcount) (on duty or leave and paid or unpaid)	57,035	57,404	+369

### Notes

Funded strength figures include the ADF Gap Year, which was re-introduced in 2014–15 with 219 participants. For consistency with other tables in this chapter, the headcount figures do not include the Gap Year.

Funded strength figures do not include the Reserve workforce other than those on continuous full-time service, who are paid through the same mechanism as permanent force members. For consistency with other tables in this chapter, the headcount figures do not include Reserve members.

**Table 8.2: Australian Public Service—staffing figures, 2013–14 and 2014–15**

APS staffing measure	2013–14	2014–15	Variation
<b>For workforce planning purposes</b>			
Actual FTE (paid strength as at 30 June)	19,988	18,787	–1,201
Average FTE (over the financial year)	20,496	19,342	–1,154
<b>For other statistical data</b>			
Headcount figure (on duty or leave, full-time or part-time, paid or unpaid)	21,191	19,967	–1,224

### Note

Figures include both ongoing and non-ongoing APS members.

## Workforce planning

This section provides information on the average workforce strength during 2014–15.

### ADF permanent force

Table 8.3 details ADF permanent force average funded strength for 2014–15 and the previous year. ADF strength was 57,512 in 2014–15, an increase of 1,148 from 2013–14. This includes ADF Reservists on continuous full-time service. Average funded strength for continuous full-time service was 888 (comprising Navy 380, Army 424 and Air Force 84)—an increase of 161 from 2013–14 and the previous year.

The ADF permanent force grew significantly from 2007 to 2011 due to initiatives such as the Hardened and Networked Army, the Enhanced Land Force, the Defence Capability Plan and initiatives from the 2009 Defence White Paper, with a recruitment surge between 2007 and 2010. After peaking in 2010–11, strength trended downwards until January 2014. It has been increasing since then, and further growth towards the approved allocation is expected in future years.

Table 8.3: ADF permanent force average funded strength, 2013–14 and 2014–15

	2013–14 actual	2014–15 budget estimate <sup>[1]</sup>	2014–15 revised estimate <sup>[2]</sup>	2014–15 actual	Variation <sup>[3]</sup> Number	%
Navy	13,862	14,318	14,125	14,070	–55	–0.4
Army	28,568	30,383	29,463	29,366	–97	–0.3
Air Force	13,934	14,138	14,100	14,076	–24	–0.2
<b>Total average funded strength</b>	<b>56,364</b>	<b>58,839</b>	<b>57,688</b>	<b>57,512</b>	<b>–176</b>	<b>–0.3</b>

#### Notes

Figures in this table are average strengths; they are not a 'headcount'. Reservists undertaking full-time service are included in the figures. Employees on forms of leave without pay are not included.

1. As published in the *Portfolio Budget Statements 2014–15*.
2. As published in the *Portfolio Additional Estimates Statements 2014–15*.
3. Figures are the difference between 2014–15 revised estimate and 2014–15 actual.

### ADF enlistments and separations

The permanent ADF strength (headcount) increased by 369 in 2014–15; this figure reflects the net difference between enlistments and separations.

The ADF enlisted 5,577 permanent members, made up of 4,550 men and 1,027 women, for the 12 months to 30 June 2015. This was 777 fewer than in 2013–14.

ADF enlistments can be categorised as *ab initio* (those with no prior military service) or prior service enlistments. Of the 5,577 permanent members enlisted, 691 entrants had prior military service in the Reserves, the Gap Year programme, another Service or another country, or had previous permanent force service. There were 4,886 *ab initio* entrants.

Tables 8.4 and 8.5 provide comparative information about separations over the last two years.

Table 8.4: **ADF permanent force, 12-month rolling separation rates, 30 June 2014 and 30 June 2015**

	12-month rolling separation rate (%)	
	30 June 2014	30 June 2015
Navy	8.4	7.9
Army	12.4	11.3
Air Force	5.5	5.7
<b>Total ADF permanent force</b>	<b>9.7</b>	<b>9.1</b>

Table 8.5: **ADF permanent force separations, 2013–14 and 2014–15**

		Voluntary separations <sup>[1]</sup>	Involuntary separations <sup>[2]</sup>	Age retirement	Trainee separations	Total
<b>2013–14<sup>[3]</sup></b>						
Navy	Officers	104	23	1	40	168
	Other ranks	564	184	1	228	977
Army	Officers	212	84	11	139	446
	Other ranks	1,666	872	5	564	3,107
Air Force	Officers	123	32	13	17	185
	Other ranks	399	93	15	88	595
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>439</b>	<b>139</b>	<b>25</b>	<b>196</b>	<b>799</b>
	<b>Other ranks</b>	<b>2,629</b>	<b>1,149</b>	<b>21</b>	<b>880</b>	<b>4,679</b>
	<b>Total</b>	<b>3,068</b>	<b>1,288</b>	<b>46</b>	<b>1,076</b>	<b>5,478</b>
<b>2014–15</b>						
Navy	Officers	110	33	4	68	215
	Other ranks	512	196	2	174	884
Army	Officers	211	77	26	154	468
	Other ranks	1,427	747	10	650	2,834
Air Force	Officers	157	44	15	36	252
	Other ranks	347	97	27	84	555
<b>Total ADF permanent force</b>	<b>Officers</b>	<b>478</b>	<b>154</b>	<b>45</b>	<b>258</b>	<b>935</b>
	<b>Other ranks</b>	<b>2,286</b>	<b>1,040</b>	<b>39</b>	<b>908</b>	<b>4,273</b>
	<b>Total</b>	<b>2,764</b>	<b>1,194</b>	<b>84</b>	<b>1,166</b>	<b>5,208</b>

**Notes**

Figures in this table show permanent force employee numbers (substantive headcount). Reserves undertaking continuous full-time service are not included. Classifications are not mutually exclusive, and an individual is placed in only one group.

The order of classifications is as follows: cadets and trainees, then age retirement; the remainder are classified as voluntary or involuntary. Employees commencing leave or leave without pay are not included.

1. 'Voluntary' includes voluntary redundancies and resignations.

2. 'Involuntary' primarily comprises members who are medically unfit, who are unsuitable for further duty, who died while serving or who fell into the 'Management initiated early retirement' category.

3. Some 2013–14 figures have been adjusted from what was reported in the *Defence Annual Report 2013–14* to account for retrospective transactions.

## ADF Reserves

Table 8.6 shows the number of Reservists who rendered paid service during 2014–15 and the previous year. The number of days each Reservist works in a year can vary substantially depending on personal circumstances and organisational need.

In 2014–15, 19,362 Reservists undertook paid service, which is 379 fewer than in 2013–14. While this appears to suggest lower participation in Reserve service, it is significant that the number of Reserve members who served 20 or more days in the year increased by almost 500 over the previous financial year (the final figures for Reserve service in 2014–15 were not known at the time of publication because they are compiled as Reservists submit their attendance records, which some Reservists do only occasionally).

Table 8.6: **ADF Reserve paid strength**

	2013–14 actual	2014–15 budget estimate <sup>[1]</sup>	2014–15 revised estimate <sup>[2]</sup>	2014–15 actual	Variation <sup>[3]</sup> Number	%
Navy	2,021	2,150	2,150	2,073	–77	–3.6
Army	14,662	15,250	14,200	14,301	+101	+0.7
Air Force	3,058	3,100	3,100	2,988	–112	–3.6
<b>Total paid Reserves</b>	<b>19,741</b>	<b>20,500</b>	<b>19,450</b>	<b>19,362</b>	<b>–88</b>	<b>–0.5</b>

### Notes

As the number of days or hours worked by Reserve members can vary greatly, figures in this table are headcount rather than average strength. Reservists on full-time service in the permanent force are not included in this table: they are included in Table 8.3. Figures include the High Readiness Reserve Force, Active Reserve Force and Specialist Reserve Force.

1. As published in the *Portfolio Budget Statements 2014–15*.

2. As published in the *Portfolio Additional Estimates Statements 2014–15*.

3. Figures are the difference between 2014–15 revised estimate and 2014–15 actual.

## Project Suakin

The ability to attract and retain the right people, in the right numbers, is fundamental to the sustainment of the ADF's future capability. Project Suakin has designed the ADF Total Workforce Model to support capability by enabling the ADF to draw on the skills and experience of its entire workforce in a more sophisticated and integrated way. The Total Workforce Model supports the optimal use of ADF permanent and reserve members, providing greater strategic and organisational flexibility. The Total Workforce Model will, at the same time, afford ADF members increased workplace flexibility, encouraging them to make service in the ADF a longer-term career.

During 2014–15, Project Suakin undertook a range of 'test and learn' activities to finalise the design of the Total Workforce Model. Amendments to Defence legislation, necessary to allow permanent ADF members access to flexible service arrangements, were introduced into Parliament in June 2015. Project Suakin also delivered new and revised policies, procedures and tools to enable the Services to begin implementation of the Total Workforce Model in 2015–16.

## APS workforce

Table 8.7 shows details of the APS average strength, expressed as average FTE, for 2014–15 and the previous year. APS average strength was 19,342 in 2014–15. This was a decrease of 1,154 from the 2013–14 figure of 20,496. The decrease in 2014–15 was 1,201 FTE, from 19,988 to 18,787 (Table 8.8). The reduction was due to continuing reforms to Defence's business practices, and will continue in 2015–16 with the implementation of the recommendations of the First Principles Review.

**Table 8.7: Civilian (APS and contractor) average full-time equivalent, 2013–14 and 2014–15**

	2013–14 actual	2014–15 budget estimate <sup>[1]</sup>	2014–15 revised estimate <sup>[2]</sup>	2014–15 actual
APS—Defence	15,280	14,883	14,426	14,861
APS—DMO	4,812	4,777	4,539	4,075
APS—DMO—ADF backfill <sup>[3]</sup>	404	432	406	406
<b>Total APS</b>	<b>20,496</b>	<b>20,092</b>	<b>19,371</b>	<b>19,342</b>
Defence contractors	340	445	319	350
DMO contractors	18	48	48	11
<b>Total contractors</b>	<b>358</b>	<b>493</b>	<b>367</b>	<b>361</b>
<b>Total civilian workforce</b>	<b>20,854</b>	<b>20,585</b>	<b>19,738</b>	<b>19,703</b>

### Notes

These figures are average FTE; they are not a headcount.

1. As published in the *Portfolio Budget Statements 2014–15*.
2. As published in the *Portfolio Additional Estimates Statements 2014–15*.
3. The DMO manages its workforce under a combined ADF, APS and contractor model. Under this arrangement, it can use funding from unfilled ADF positions to fill and resource positions with APS staff.

**Table 8.8: APS end-of-year full-time equivalent, 2013–14 and 2014–15**

	2013–14 actual	2014–15 budget estimate <sup>[1]</sup>	2014–15 revised estimate <sup>[2]</sup>	2014–15 actual
<b>Total APS</b>	<b>19,988</b>	<b>19,700</b>	<b>18,950</b>	<b>18,787</b>

### Notes

Figures in this table are actual FTE for the last payday of 2014–15. Employees on forms of leave without pay are not included. The figures differ from those in Table 8.7, as that table shows the average FTE across the full year.

1. As published in the *Portfolio Budget Statements 2014–15*.
2. As published in the *Portfolio Additional Estimates Statements 2014–15*.

## APS recruitment and separations

Defence recruited 452 APS employees during 2014–15, including 195 as part of the graduate programme.

The APS (headcount) decreased by 1,224; this reflects the net difference between recruitment and separations. The separations are shown in Table 8.9; the majority of separations were due to resignation or retirement from Defence.

Table 8.9: APS separations, 2013–14 and 2014–15

	Voluntary redundancy <sup>[1]</sup>	Involuntary separations <sup>[2]</sup>	Resignation/ retirement <sup>[3]</sup>	Transfers <sup>[4]</sup>	Total
<b>2013–14</b>					
Senior Executive Service	3	–	7	6	16
Executive levels	66	17	252	47	382
Other staff	89	77	728	97	991
<b>Total APS (2013–14)</b>	<b>158</b>	<b>94</b>	<b>987</b>	<b>150</b>	<b>1,389</b>
<b>2014–15</b>					
Senior Executive Service	–	–	10	8	18
Executive levels	93	18	303	42	456
Other staff	148	51	833	170	1,202
<b>Total APS (2014–15)</b>	<b>241</b>	<b>69</b>	<b>1,146</b>	<b>220</b>	<b>1,676</b>

### Notes

Figures in this table show ongoing and non-ongoing employee numbers (substantive headcount).

1. Voluntary redundancies are those that are programme initiated.
2. Involuntary figures include breach of the Code of Conduct, invalidity retirement, involuntary redundancy, lack of qualifications, non-performance, term probation and death.
3. Resignation/retirement figures include resignation, retirement (minimum age and Senior Executive Service) and completion of non-ongoing contract term.
4. Transfers are those who have transferred to other government departments. Movements between Defence and DMO are not included.

## Remunerating people

### Summary

Defence remuneration is a key component of the Defence employment offer. It attracts people to join Defence, develop personally and professionally, and choose to stay. The offer provides for fair and competitive remuneration, consistent with the parameters laid down by government.

The distinct features of the ADF and APS remuneration structures are explained further in this section.

### ADF remuneration

The independent Defence Force Remuneration Tribunal established under section 58H of the *Defence Act 1903* is responsible for setting pay and pay-related allowances for ADF members. In 2014–15, a new ADF Workforce Remuneration Arrangement, together with simplified salary and allowance structures for members, produced better and simpler pay outcomes for ADF members.

The ADF Workplace Remuneration Arrangement 2014–17 is a key component of the ADF remuneration framework. The arrangement is part of the ADF remuneration initiative aimed at attracting and retaining military personnel. It forms a significant part of the Defence offer to the ADF.

The Workplace Remuneration Arrangement increases pay and pay-related allowances. Other conditions of service are determined by the Minister for Defence under section 58B of the Defence Act. The current arrangement expires on 1 November 2017. Table 8.10 details salary ranges for permanent ADF members as at 30 June 2015.

Table 8.10: Permanent ADF salary ranges as at 30 June 2015

Rank	Salary range	
	Minimum	Maximum
<b>Officer of the permanent force (equivalent)</b>		
General (E) <sup>[1]</sup>	\$535,100	\$764,420
Lieutenant General (E) <sup>[1]</sup>	\$358,400	\$537,600
Major General (E) <sup>[2]</sup>	\$222,006	\$270,736
Brigadier (E) <sup>[2, 3]</sup>	\$153,090	\$247,578
Colonel (E) <sup>[2, 3, 4]</sup>	\$137,710	\$236,359
Lieutenant Colonel (E) <sup>[2, 4]</sup>	\$118,431	\$224,912
Major (E) <sup>[2, 4]</sup>	\$82,962	\$202,607
Captain (E) <sup>[2, 4]</sup>	\$64,977	\$192,306
Lieutenant (E) <sup>[5]</sup>	\$54,015	\$113,224
2nd Lieutenant (E) <sup>[5]</sup>	\$50,466	\$105,699

Table 8.10 (continued)

Rank	Salary range	
	Minimum	Maximum
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	\$73,579	\$113,246
Warrant Officer Class 2 (E)	\$67,770	\$104,933
Staff Sergeant (E)	\$65,497	\$101,230
Sergeant (E)	\$58,561	\$96,812
Corporal (E)	\$50,605	\$88,526
Lance Corporal (E)	\$46,549	\$82,282
Private Proficient (E)	\$45,587	\$81,321
Private (E)	\$44,644	\$80,381

**Notes**

1. General (E) and some Lieutenant General (E) rates are set by the Remuneration Tribunal.
2. Includes rates for Medical Officers.
3. Includes rates for Chaplains.
4. Excludes Medical Procedural Specialist.
5. Includes transitional rates for other rank appointed as officer.

**ADF Super and ADF Cover**

Defence has established a new superannuation package for the military, called ADF Super. ADF Super will become the default superannuation fund for all new permanent ADF members and members of the Reserves on continuous full-time service from 1 July 2016. The new superannuation arrangements will provide more flexible and portable superannuation that recognises the unique nature of military service for Australia's service men and women.

ADF Super have an employer contribution rate of 16.4 per cent. From 1 July 2016 ADF members will be able to transfer their accumulated ADF Super benefits to a fund of their choice at any time, including if they leave the ADF.

ADF Cover, the statutory death and invalidity scheme that will apply to ADF Super members and those who choose another fund, does not require any personal contributions and is consistent with the cover provided by the Military Superannuation and Benefits Scheme.

**APS remuneration**

The Defence Enterprise Collective Agreement sets out most of the terms and conditions of employment—including remuneration, performance management and working arrangements—for Defence's non-SES APS employees. The legal framework that underpins the agreement includes the *Fair Work Act 2009* and the *Public Service Act 1999*. The agreement is developed through extensive consultation with Defence employees and their representatives and is negotiated consistent with that legislation and broader government policy.

Work undertaken in 2014–15 on a new collective agreement for Defence's APS employees will continue in 2015–16, with the aim of reaching a mutually agreeable package of remuneration and conditions.

Through the agreement, Defence provides its APS employees with an attractive employment package and, in return, employees and supervisors have a range of responsibilities (including mutual responsibilities) that must be fulfilled as part of their employment.

Table 8.11 reflects Defence APS salary arrangements as at 30 June 2015. The majority of Defence employees receive salaries within the standard salary range; however, some employees with specialist skills receive higher salaries that reflect individual arrangements or recognised technical skill sets. These are covered under the Defence Enterprise Collective Agreement.

Remuneration arrangements need to be flexible enough to allow Defence to develop, attract and retain employees with the necessary skills and knowledge. The Secretary and any employee covered by the Defence Enterprise Collective Agreement may agree to make an individual flexibility arrangement to vary the effect of some specified terms of the agreement.

**Table 8.11: APS salary ranges at 30 June 2014**

	Broadband salary range		
Classification	Minimum	Maximum	Individual arrangements <sup>[1]</sup>
SES pay arrangements			
SES Band 3	\$228,846	\$272,659	\$491,008
SES Band 2	\$184,037	\$222,173	\$254,003 <sup>[2]</sup>
SES Band 1	\$151,665	\$177,964	\$195,760
Collective agreement <sup>[3]</sup>			
Executive Level 2	\$111,559	\$133,905	\$179,276 <sup>[4]</sup>
Executive Level 1	\$96,084	\$108,382	\$133,905 <sup>[5]</sup>
APS Level 6	\$76,023	\$86,844	\$89,463 <sup>[6]</sup>
APS Level 5	\$69,395	\$74,331	\$74,904 <sup>[7]</sup>
APS Level 4	\$63,236	\$69,038	\$69,038
APS Level 3	\$55,825	\$61,512	\$61,512
APS Level 2	\$49,009	\$55,096	\$55,663 <sup>[8]</sup>
APS Level 1	\$43,306	\$48,613	\$48,613

#### Notes

1. Maximum salary paid under an individual remuneration arrangement shown.
2. Includes rates for Medical Officer Class 6.
3. Salary ranges provided under the Defence Enterprise Collective Agreement.
4. Includes rates for EL2.1, EL2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
5. Includes rates for Public Affairs and Legal specialist structures and Medical Officer Class 1 and 2.
6. Includes rates for Public Affairs Grade 2 retained pay point.
7. Includes rates for Senior Technical Officer Grade 1 retained pay point.
8. Includes rates for Technical Assistant Grade 2 retained pay point.

## Senior Leadership Group remuneration

**ADF:** All ADF senior officers (excluding statutory office-holders) are remunerated under the ADF Workplace Remuneration Arrangement 2014–17. Other conditions of service are determined by the Minister for Defence under section 58B of the Defence Act.

**Statutory officers:** Statutory office-holders, including the Secretary and the Chief of the Defence Force, are remunerated under determinations of the Remuneration Tribunal, made under the *Remuneration Tribunal Act 1973*.

**APS:** SES employees' conditions are set by a single determination made for them under section 24(1) of the Public Service Act and supplemented by individual common law agreements. As Defence operates in a values-based employment framework, mutual responsibilities on issues such as accountability, performance and productivity are set out in these instruments.

## Performance pay

Performance-related pay is available to non-SES employees under the current Defence Enterprise Collective Agreement. Subject to performance, employees may be eligible to progress to a higher pay point within the salary band for their classification or, for those at the top of the range, be paid a 1 per cent lump-sum payment. The salary advancement is not considered performance pay; however, the lump-sum payment to employees at the top of the pay band is considered to be a form of performance pay.

An SES employee may be paid non-superannuable bonuses. A performance bonus may be paid as an incentive and reward for exceptional performance during the performance cycle. Payment of a performance bonus is dependent on the Secretary's assessment of the SES employee's performance. A retention bonus may be paid as an incentive to remain in an identified role.

Performance-based pay is not a feature of any existing ADF remuneration framework. Career development opportunities, including promotion, are the key recognitions of performance.

## Productivity gains

The Australian Government requires improved remuneration and conditions for APS employees to be underpinned by improved productivity and performance. In accordance with the government Public Sector Workplace Bargaining Policy, Commonwealth agencies are required to ensure that they are able to demonstrate that proposed improvements to the terms and conditions of employment for agency employees are underpinned by quantifiable productivity initiatives.

## Managing and developing APS staff

Defence continued to make progress in the ongoing development of its APS workforce in Defence. In 2014–15, Defence defined a comprehensive leadership development pathway for APS employees, with an approved corporate menu of leadership training, including courses sourced through the Australian Public Service Commission.

The suite of management and administration courses covering core skills was reviewed to best align with APS values, *Pathway to Change: Evolving Defence Culture*, diversity and inclusion, and managing change.

Three mandated corporate development programmes were reviewed, comprising the New Starters, First Time Manager and First Time Supervisor programmes. They continue to inform and assist employees at key career points. New courses were developed to address skill gaps for existing APS managers and supervisors, providing them with ongoing support and learning opportunities.

A range of new training was developed and introduced, including courses in online awareness for cyber security and implementation of the *Public Governance, Performance and Accountability Act 2013*.

Defence has developed a leading for reform programme, primarily for Executive Level staff in the Defence enabling groups. This programme aims to equip the cohort with the skills to successfully lead and deliver across a range of reform activities associated with the First Principles Review.

Defence continued to implement the work arising from the APS Job Families Project. This included identifying and documenting key job family-specific skills, knowledge and qualifications for more than 1,200 occupations in the Defence APS workforce. The results will inform the professional development of more than 15,500 non-SES APS employees.

In early 2015, Defence began a work value review programme to assess APS positions within Defence work units, in order to determine whether the allocated APS classification assigned to each role was correct. To date, this work has been applied to the Defence People Group and the Capability Development Group, and will continue as part of implementation of the First Principles Review.

## Complaint handling and resolution

Defence personnel have the right to complain if they are aggrieved by matters related to their employment. ADF members (permanent and reserve) may apply for redress of grievance under the provisions of Part XV of the Defence Force Regulations 1952. APS members may seek a review of actions under the Public Service Act.

## Reporting on sexual misconduct

In 2014–15, Defence's Sexual Misconduct Prevention and Response Office (SeMPRO) continued to develop, deliver and refine a wide range of services and outcomes in support of the Defence population.

SeMPRO's mandate encompasses a range of important work in relation to sexual misconduct prevention and response, including operating a 24/7 telephone response capability for anyone who seeks support; the development and evaluation of sexual ethics education and primary prevention programmes; and delivering face-to-face awareness briefings across Defence. SeMPRO also acts as a central point of data collection for incidents of reported sexual misconduct as well as providing expert practical and policy-based advice to assist personnel responsible for managing cases of sexual misconduct in Defence.

In 2014–15, SeMPRO assisted more than 310 callers to the 1800SeMPRO telephone service and case-managed 118 SeMPRO clients.

SeMPRO's prevention and education programmes have been a focus this year. In 2014–15, SeMPRO delivered an overarching strategy for sexual ethics education in Defence, which encompasses a growing range of expert-endorsed, cutting-edge education and prevention interventions and programmes that are designed to reduce the incidence of sexual misconduct in Defence.

***Further information about SeMPRO is available online.***

## Unacceptable behaviour

Defence personnel can make a complaint about any incident of unacceptable behaviour they have experienced or witnessed in the workplace. Defence policy requires any complaint of unacceptable behaviour to be reported and recorded on the Defence Complaints Management, Tracking and Reporting System (ComTrack). Guidance and support are available to ensure that complaints are managed and resolved appropriately.

All Defence personnel are required to undertake annual workplace behaviour training, which includes information about expectations of behaviour and guidance on dealing with complaints of unacceptable behaviour.

In 2014–15, 846 complaints of unacceptable behaviour were recorded in ComTrack (Figure 8.1). This is a slight increase on the previous year and reflects the ongoing encouragement of personnel to report any incident of unacceptable behaviour.

Complaints fall into the following six main categories:

- abuse of power
- discrimination
- harassment
- sexual harassment
- workplace bullying
- inappropriate workplace relationships and conflict of interest.

On average, between 10 and 15 per cent of unacceptable behaviour incidents are of a level of seriousness that results in a formal disciplinary or administrative outcome. The majority of complaints continue to be resolved informally. The number of complaints of alleged unacceptable behaviour represent complaints from less than 1 per cent of the Defence workforce.

Figure 8.1: Unacceptable behaviour complaints reported as received and finalised, 2010–11 to 2014–15



## Work health and safety performance

Defence is committed to maintaining a safe, healthy and positive working environment for all workers to enable them to contribute to delivering Defence's capability requirements.

Defence continued to implement the 2012–17 Defence Work Health and Safety (WHS) Strategy to drive continuous improvement of the work health and safety systems across the whole of Defence, including managing hazards and risks through working groups and committees that cover operational areas, Groups/Services (safety boards), and whole-of-defence management (Defence Work Health and Safety Committee).

The Defence WHS Management System is based on the premise that the business owner of any platform, fleet, process, system, place or workforce is responsible for the identification of hazards and control of risks associated with that thing. Responsibilities overlap and business owners are required to communicate, consult and coordinate to ensure that all hazards are identified and risks controlled. Business owners are located in all Groups and Services.

## Sentinel

Defence implemented the first release of a whole-of-Defence WHS information management system (Sentinel) in August 2014. The introduction of Sentinel enabled a common technological platform for the entirety of Defence to manage and share WHS information and introduced a number of new facilities for Defence officers and workers.

The first release included an expanded detail replacement for WHS incident capture and reporting functionality, along with a facility to record and manage hazards. The introduction of Sentinel has improved the availability, timeliness and quality of WHS information for decision-makers.

The second release of Sentinel occurred in January 2015. This release included a range of higher-level governance and assurance functionality to aid in the overall management of WHS across Defence, including a new common risk management and recording methodology.

The introduction of Sentinel supports a key objective from the 2012–17 Defence Work Health and Safety Strategic Plan. Sentinel will provide decision-makers at all levels with access to comprehensive quality WHS information so they can eliminate, or manage, hazards across the Defence lifecycle and upon disposal.

## Hazardous chemicals enforceable undertaking

Defence entered into a voluntary cooperative compliance programme with Comcare following the lifting of the hazardous chemicals enforceable undertaking in November 2013.

The cooperative compliance programme maintained regulator oversight as Defence introduced an ongoing Defence hazardous chemicals reduction programme. The cooperative compliance programme concluded in February 2015. The Defence hazardous chemicals reduction programme that has been implemented aims to eliminate or substitute hazardous chemical use in Defence so far as is reasonably practicable.

## Policy development

A significant number of WHS policies were finalised in 2014–15 and published for use across Defence:

- miscellaneous workplace safety hazards policy and suite of procedures
- heat injury policy
- workplace stress and psychological injury policy
- hazardous chemicals management policy and several related procedures
- electrical safety policy and suite of procedures
- first aid policy and suite of procedures
- fatigue management policy and suite of procedures
- management of major hazard facilities policy
- emergency preparedness and management policy
- management of safety risks policy and several related procedures.

A new manual of corporate WHS policy was developed and is scheduled for release in the second half of 2015.

## Comcare interventions and investigations

Comcare undertakes interventions or inspections based on known high-risk areas. In order to assist Comcare to develop a workable arrangement for its new approach, Defence and Comcare have agreed on a protocol for the management of interventions. The number of proactive interventions is determined by the regulator's strategic focus and available resources.

During 2014–15, the number of Comcare interventions (185) decreased by 20 per cent from the 2013–14 figure (230) (228 in 2012–13).

In addition to partnering with Comcare on interventions and inspections, Defence actively investigates safety incidents. Twelve investigations were conducted in 2014–15. Investigations included reviewing causes of workplace stressors, noise protection and correct use of personal protection equipment. These investigations have led to the development or refinement of associated hazard reduction programmes and a heightened focus on using proper personal protection equipment across Defence.

The number of notifiable incidents continued to decline in 2014–15 (Table 8.12) and Comcare did not issue Defence with any notices in 2014–15 (Table 8.13).

The annual Defence survey checks the cultural aspects of safety and the results for 2014–15 are consistent with those from previous financial years (Table 8.14).

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**Table 8.12: Work health and safety—statistics and notifiable incidents, 2012–13 to 2014–15**

	Total incident reports <sup>[1]</sup>	Comcare— notifiable deaths <sup>[2]</sup>	Comcare— serious injury or illness	Comcare— dangerous incidents	Total Comcare notifiable incidents
2012–13	20,068	15	982	1,493	2,490
2013–14	16,802	5	559	745	1,312
2014–15	13,687	13	592	314	919

### Notes

Defence completes a data quality process each year. For example, the process removes duplicated reports and ensures that reports are recorded in the correct financial year.

1. Events are recorded based on the date of the event. Delays in the reporting of events affect these statistics. A single event may involve multiple people.
2. Comcare notifiable deaths are all deaths, excluding those that were known to be combat related.

**Table 8.13: Work health and safety—Comcare notices, 2012–13 to 2014–15**

Reports	2012–13	2013–14	2014–15
Improvement notices <sup>[1]</sup>	1	1	—
Prohibition notices <sup>[2]</sup>	3	—	—
Do not disturb notices <sup>[3]</sup>	1	—	—
Enforceable undertaking <sup>[4]</sup>	—	—	—
Written request <sup>[5]</sup>	—	—	—

### Notes

1. Improvement notices—based on incidents and occurrences that contravene the WHS legislation.
2. Prohibition notices—issued to remove an immediate threat to the health or safety of workers.
3. Do not disturb notices—issued for a specific period of time to remove a threat to the health or safety of personnel.
4. Enforceable undertakings—Comcare may accept a written undertaking to fulfil an obligation under the WHS legislation.
5. Written request—issued where the employer is to provide particulars of action proposed to be taken as a result of a Comcare report and/or any improvement of prohibition notice.

Table 8.14: **Safety awareness surveys, 2012–13 to 2014–15**

Attitude survey question	ADF			APS		
	2012–13 Agree	2013–14 Agree	2014–15 Agree	2012–13 Agree	2013–14 Agree	2014–15 Agree
Health and safety is treated as an important issue in my workplace.	90%	91%	92%	87%	87%	86%
I know how/where to obtain safety information relevant to my workplace.	92%	92%	92%	87%	87%	89%
When I report an accident/injury/incident/hazard, I believe that appropriate action will be taken.	84%	85%	85%	82%	83%	82%

## Actual staffing

This section provides workforce information as at 30 June 2015 and outlines changes in the workforce that occurred during 2014–15. It includes numbers of people, employment categories, locations and gender information. This information is based on headcount.

At 30 June 2015, Defence had 77,289 permanent employees, comprising 57,404 permanent ADF members and 19,885 ongoing APS employees. An additional 82 APS employees were employed on a non-ongoing basis.

During 2014–15, the permanent ADF strength increased by 369 to 57,404. The growth in the permanent workforce is expected to continue over the next few years until the ADF reaches its average funded strength guidance. The Reserve strength decreased by 798 to 23,157 (including those members on continuous full-time service and Active Reserve). The total ADF workforce was 80,561, and included 18,869 Navy permanent and Reserve members, 42,778 Army permanent and Reserve members and 18,914 Air Force permanent and Reserve members. At 30 June 2015, 1,235 Reservists were also Defence APS employees.

At 30 June 2015, there were 4,536 APS employees in the DMO and 15,431 in the remainder of Defence. This number includes all APS employees recorded as paid, unpaid, full-time, part-time, ongoing and non-ongoing.

*In addition to Tables 8.15–20, further information and statistics on the Defence workforce are available online.*

Table 8.15: Defence workforce headcount, 30 June 2014 and 30 June 2015

	Navy	Army	Air Force	ADF	APS <sup>[1]</sup>
<b>30 June 2014<sup>[2]</sup></b>					
Permanent ADF <sup>[3]</sup>	13,758	29,047	14,230	57,035	–
Department of Defence	–	–	–	–	15,885
DMO	–	–	–	–	5,306
<b>Total at 30 June 2014</b>	<b>13,758</b>	<b>29,047</b>	<b>14,230</b>	<b>57,035</b>	<b>21,191</b>
<b>30 June 2015</b>					
<b>Separations<sup>[3]</sup></b>					
Permanent ADF	1,099	3,302	807	5,208	–
Department of Defence	–	–	–	–	1,298
DMO	–	–	–	–	378
Subtotal	1,099	3,302	807	5,208	1,676
<b>Net transfers<sup>[4]</sup></b>					
Department of Defence	–	–	–	–	483
DMO	–	–	–	–	–483
Subtotal	–	–	–	–	–
<b>Additions</b>					
Permanent ADF <sup>[3]</sup>	1,290	3,448	839	5,577	–
Department of Defence	–	–	–	–	361
DMO	–	–	–	–	91
Subtotal	1,290	3,448	839	5,577	452
<b>Employee numbers</b>					
Permanent ADF <sup>[3]</sup>	13,949	29,193	14,262	57,404	–
Department of Defence	–	–	–	–	15,431
DMO	–	–	–	–	4,536
<b>Total at 30 June 2015</b>	<b>13,949</b>	<b>29,193</b>	<b>14,262</b>	<b>57,404</b>	<b>19,967</b>
<b>Change</b>	<b>191</b>	<b>146</b>	<b>32</b>	<b>369</b>	<b>-1,224</b>

**Notes**

Figures in this table show employee numbers (substantive headcount).

1. Includes paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees.
2. Some 30 June 2014 strength figures have been adjusted from what was reported in the Defence Annual Report 2013–14 to account for retrospective transactions.
3. Figures do not include Reserves or those undertaking continuous full-time service.
4. 'Net transfers' represents the net effect of transfer of APS employees between Defence and DMO. Some of these transfers are the result of movements under the shared services programme.

Table 8.16: Defence workforce by employment location, 30 June 2015

	NSW	Vic. <sup>[1]</sup>	Qld	SA	WA	Tas.	NT	ACT <sup>[2]</sup>	O/S <sup>[3]</sup>	Total
<b>Permanent forces<sup>[4]</sup></b>										
Navy	6,894	1,580	834	103	2,230	15	598	1,538	157	13,949
Army	5,452	3,218	12,069	1,386	864	68	3,124	2,746	266	29,193
Air Force	4,716	976	2,974	2,008	357	7	962	1,979	283	14,262
<i>Subtotal</i>	17,062	5,774	15,877	3,497	3,451	90	4,684	6,263	706	57,404
<b>Reserve forces<sup>[5]</sup></b>										
Navy	1,291	543	732	226	811	133	131	1,049	4	4,920
Army	3,482	2,446	3,179	1,117	1,500	451	518	889	3	13,585
Air Force	1,171	378	1,255	426	291	55	124	951	1	4,652
<i>Subtotal</i>	5,944	3,367	5,166	1,769	2,602	639	773	2,889	8	23,157
<b>Total ADF</b>	<b>23,006</b>	<b>9,141</b>	<b>21,043</b>	<b>5,266</b>	<b>6,053</b>	<b>729</b>	<b>5,457</b>	<b>9,152</b>	<b>714</b>	<b>80,561</b>
<b>APS<sup>[6]</sup></b>										
APS (Defence)	2,041	2,564	1,108	1,951	355	81	268	6,991	72	15,431
APS (DMO)	1,040	1,356	284	255	182		21	1,393	5	4,536
<b>Total APS</b>	<b>3,081</b>	<b>3,920</b>	<b>1,392</b>	<b>2,206</b>	<b>537</b>	<b>81</b>	<b>289</b>	<b>8,384</b>	<b>77</b>	<b>19,967</b>

#### Notes

Figures in this table show employee numbers (substantive headcount).

1. Victorian figures include employees located in Albury, NSW.
2. ACT figures include employees located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Employees posted overseas for reasons including long-term duty, training, exchange and liaison.
4. Includes paid and unpaid employees.
5. Includes Reserves on continuous full-time service.
6. Includes paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees. The figures for APS include 1,235 APS employees who are also counted as Reserve members.

Table 8.17: Star-ranked officers, 30 June 2015

	Total star rank <sup>[1, 2]</sup>			2014–15 promotions <sup>[3]</sup>			2014–15 separations <sup>[4, 5]</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Four star</b>									
Navy	–	–	–	–	–	–	–	–	–
Army	–	–	–	–	–	–	1	–	1
Air Force	1	–	1	1	–	1	–	–	–
<b>Three star</b>									
Navy	3	–	3	–	–	–	1	–	1
Army	2	–	2	1	–	1	2	–	2
Air Force	1	–	1	–	–	–	–	–	–
<b>Two star</b>									
Navy	13	1	14	2	–	2	4	–	4
Army	14	1	15	3	–	3	4	–	4
Air Force	11	–	11	3	–	3	2	–	2
<b>One star</b>									
Navy <sup>[6]</sup>	35	4	39	3	3	6	5	–	5
Army <sup>[6]</sup>	49	6	55	7	1	8	8	1	9
Air Force <sup>[6]</sup>	35	3	38	8	–	8	5	1	6
<b>Total</b>	<b>164</b>	<b>15</b>	<b>179</b>	<b>28</b>	<b>4</b>	<b>32</b>	<b>32</b>	<b>2</b>	<b>34</b>

**Notes**

1. Officers on acting or higher duties are not included.
2. Figures only include those Reserve star ranked officers rendering continuous full-time service.
3. Promotions include those officers promoted between levels and those officers promoted temporarily.
4. Separations include only permanent officers who have separated from Defence or transferred to Reserves.
5. Separations also include those officers promoted temporarily when they revert to their substantive rank.
6. Figures include three Chaplains (one from each Service).

Table 8.18: APS Senior Executive Service employees, 30 June 2015

	Total SES <sup>[1]</sup>			2014–15 engagements <sup>[2, 3]</sup>			2014–15 separations <sup>[2, 4]</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Senior Executive</b>									
Secretary	1	–	1	–	–	–	–	–	–
Band 3	11	2	13	–	–	–	–	1	1
Band 2 <sup>[5]</sup>	20	5	25	2	–	2	5	1	6
Band 1	57	24	81	1	1	2	6	3	9
<b>Chief of Division</b>									
Grade 3	–	–	–	–	–	–	2	–	2
Grade 2	8	3	11	–	–	–	–	–	–
<b>Senior Executive</b>									
Relief staff <sup>[6]</sup>	20	14	34	–	–	–	–	–	–
<b>Total</b>	<b>117</b>	<b>48</b>	<b>165</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>13</b>	<b>5</b>	<b>18</b>

**Notes**

- Figures in this table show actual employee numbers at their substantive level, but not staff on longer-term unpaid leave.
- Gains and losses do not reflect movement of officers between levels in each of the Senior Executive and Chief of Division streams.
- Engagement figures include new engagements and transfers from other agencies only.
- Separation figures include resignations, retirements, redundancies, and promotions and transfers to other departments.
- Senior Executive Service Band 2 includes Medical Officer Grade 6.
- Relief staff indicates non-SES officers who are temporarily acting in SES/Chief of Division positions while the incumbents are taking leave, acting in higher positions or on overseas duty.

Table 8.19: APS personnel by gender, 30 June 2014 and 30 June 2015

	30 June 2014 <sup>[1]</sup>			30 June 2015		
	Full-time	Part-time <sup>[2]</sup>	Total	Full-time	Part-time <sup>[2]</sup>	Total
<b>Ongoing employees</b>						
Men	12,309	216	12,525	11,569	223	11,792
Women	7,453	1,120	8,573	6,929	1,164	8,093
<b>Total ongoing</b>	<b>19,762</b>	<b>1,336</b>	<b>21,098</b>	<b>18,498</b>	<b>1,387</b>	<b>19,885</b>
<b>Non-ongoing employees</b>						
Men	48	9	57	41	18	59
Women	34	2	36	20	3	23
<b>Total non-ongoing</b>	<b>82</b>	<b>11</b>	<b>93</b>	<b>61</b>	<b>21</b>	<b>82</b>
Men	12,357	225	12,582	11,610	241	11,851
Women	7,487	1,122	8,609	6,949	1,167	8,116
<b>Total APS</b>	<b>19,844</b>	<b>1,347</b>	<b>21,191</b>	<b>18,559</b>	<b>1,408</b>	<b>19,967</b>

**Notes**

Figures in this table show employee numbers (substantive headcount). Figures include paid and unpaid employees.

- Some 30 June 2014 figures have been adjusted from what was reported in the *Defence Annual Report 2013–14* to account for retrospective transactions.
- Part-time employees are those with weekly hours less than the standard hours. The category does not relate to employees in part-time positions.

Table 8.20: ADF permanent and Reserve forces and APS by gender, 30 June 2014 and 30 June 2015

	30 June 2014 <sup>(1)</sup>				30 June 2015			
	Men	%	Women	%	Men	%	Women	%
<b>Navy permanent</b>								
<i>Trained force</i>								
Officers	2,031	14.8%	495	3.6%	2,032	14.6%	489	3.5%
Other ranks	7,071	51.4%	1,562	11.4%	7,084	50.8%	1,607	11.5%
<i>Training force</i>								
Officers	608	4.4%	157	1.1%	605	4.3%	158	1.1%
Other ranks	1,486	10.8%	348	2.5%	1,600	11.5%	374	2.7%
<b>Total Navy</b>	<b>11,196</b>	<b>81.4%</b>	<b>2,562</b>	<b>18.6%</b>	<b>11,321</b>	<b>81.2%</b>	<b>2,628</b>	<b>18.8%</b>
<b>Army permanent</b>								
<i>Trained force</i>								
Officers	4,546	15.7%	809	2.8%	4,487	15.4%	816	2.8%
Other ranks	17,458	60.1%	2,023	7.0%	17,863	61.2%	2,150	7.4%
<i>Training force</i>								
Officers	805	2.8%	190	0.7%	827	2.8%	210	0.7%
Other ranks	2,816	9.7%	400	1.4%	2,495	8.5%	345	1.2%
<b>Total Army</b>	<b>25,625</b>	<b>88.2%</b>	<b>3,422</b>	<b>11.8%</b>	<b>25,672</b>	<b>87.9%</b>	<b>3,521</b>	<b>12.1%</b>
<b>Air Force permanent</b>								
<i>Trained force</i>								
Officers	3,354	23.6%	846	5.9%	3,368	23.6%	873	6.1%
Other ranks	7,295	51.3%	1,438	10.1%	7,229	50.7%	1,464	10.3%
<i>Training force</i>								
Officers	529	3.7%	156	1.1%	535	3.8%	190	1.3%
Other ranks	470	3.3%	142	1.0%	473	3.3%	130	0.9%
<b>Total Air Force</b>	<b>11,648</b>	<b>81.9%</b>	<b>2,582</b>	<b>18.1%</b>	<b>11,605</b>	<b>81.4%</b>	<b>2,657</b>	<b>18.6%</b>
<b>ADF permanent</b>								
<i>Trained force</i>								
Officers	9,931	17.4%	2,150	3.8%	9,887	17.2%	2,178	3.8%
Other ranks	31,824	55.8%	5,023	8.8%	32,176	56.1%	5,221	9.1%
<i>Training force</i>								
Officers	1,942	3.4%	503	0.9%	1,967	3.4%	558	1.0%
Other ranks	4,772	8.4%	890	1.6%	4,568	8.0%	849	1.5%
<b>Total ADF permanent</b>	<b>48,469</b>	<b>85.0%</b>	<b>8,566</b>	<b>15.0%</b>	<b>48,598</b>	<b>84.7%</b>	<b>8,806</b>	<b>15.3%</b>

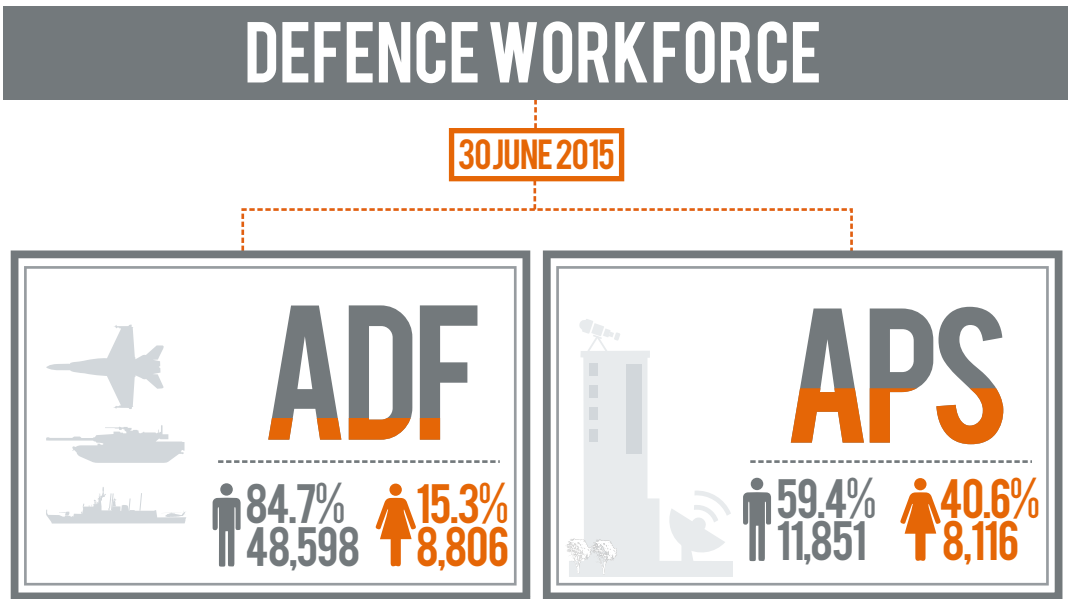
Table 8.20 (continued)

	30 June 2014 <sup>[1]</sup>				30 June 2015			
	Men	%	Women	%	Men	%	Women	%
<b>Reserves<sup>[2]</sup></b>								
Navy	4,005	16.7%	1,035	4.3%	3,908	16.9%	1,012	4.4%
Army	12,625	52.7%	1,925	8.0%	11,752	50.7%	1,833	7.9%
Air Force	3,476	14.5%	889	3.7%	3,709	16.0%	943	4.1%
<b>Total Reserves</b>	<b>20,106</b>	<b>83.9%</b>	<b>3,849</b>	<b>16.1%</b>	<b>19,369</b>	<b>83.6%</b>	<b>3,788</b>	<b>16.4%</b>
<b>APS<sup>[3]</sup></b>								
APS (Defence)	9,009	42.5%	6,876	32.4%	8,669	43.4%	6,762	33.9%
APS (DMO)	3,573	16.9%	1,733	8.2%	3,182	15.9%	1,354	6.8%
<b>Total APS</b>	<b>12,582</b>	<b>59.4%</b>	<b>8,609</b>	<b>40.6%</b>	<b>11,851</b>	<b>59.4%</b>	<b>8,116</b>	<b>40.6%</b>

**Notes**

Figures in this table show employee numbers (substantive headcount). Percentages are calculated against the individual Service totals. Percentages may not sum due to rounding.

1. Some 30 June 2014 figures have been adjusted from what was reported in the *Defence Annual Report 2013–14* to account for retrospective transactions.
2. Reserves include all active members (training, deployed and other part-time military work commitments) and those on continuous full-time service.
3. Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees. The 30 June 2015 figures for APS include 1,235 APS employees who are also counted as Reserve members.



## FEATURE

## Australian Defence Force Gap Year programme

The Australian Defence Force (ADF) Gap Year programme aims to give Australian school-leavers and young adults an exposure to the military way of life, and the roles and opportunities on offer in the ADF. First implemented in 2007, the Gap Year programme was re-introduced in 2015 with an intake of 260 members, made up of 200 Army and 60 Air Force entrants.

Categories open to Gap Year entrants include artilleryman, driver specialist, rifleman, and quartermaster in the Army, as well as airbase protection in the Air Force. These categories give Gap Year entrants a wide variety of experiences within the military environment, and also allow for gender-diverse employment roles throughout the Army and Air Force.

Of the 260 entrants in the 2015 intake, 46 (17.7 per cent) were female, 8 (2.7 per cent) identified as coming from an Indigenous Australian background, and 15 (5.3 per cent) were from a non-English-speaking background.



Aircraftwoman Lauren Smith (left) deferred entry to the University of Melbourne to participate in the 2015 Gap Year programme after completing Year 12 and achieving

an Australian Tertiary Admission Rank of 97.8 from her studies of mathematics, physics and chemistry-related subjects.

Originally from Wesley Vale, Tasmania, Lauren is currently posted to Number 2 Security Forces Squadron Detachment, Townsville, Queensland, where she will be employed in airbase security roles.

Joining the ADF was a long-term plan for Lauren. She was intrigued by the 'try before you buy' allure of the Gap Year programme and believed that the programme presented an opportunity

to experience Defence firsthand and to discover more about Defence and the opportunities it offers for future careers.

'While the training was challenging and at times stressful and strenuous, it was also adrenaline-filled', Lauren said. 'I don't believe I'd be able to work the way I do without that training.'

On completion of the Gap Year programme, Lauren intends to study for an aeronautical engineering degree at the Australian Defence Force Academy before undertaking pilot training in the Air Force.



Private Maddison Rio (left) joined the Army Gap Year programme with a view to undertaking a positive and rewarding experience before starting her tertiary studies.

Originally from Townsville, Queensland, Maddison is currently posted to 1 Combat Services Support Battalion in Darwin, where she is employed as an administrative clerk.

'I wanted to do something different and worthwhile before going to university', Maddison said. 'After travelling to Japan and Korea on a military study tour in Year 12, I was inspired and motivated to apply for the Gap Year programme.'

Maddison's family travelled from Townsville to attend her march-out parade at Kapooka, New South Wales, and are very proud of her achievements in the Army. Her mother remarks that 'Maddison is very independent and grown up now'.

On completion of the Gap Year programme, Maddison is interested in studying finance and human resources. She believes that the role of administrative clerk will provide her with good insight into the world of human resources.

## Diversity in Defence

The Defence *Diversity and Inclusion Strategy 2012–2017* articulates the five strategic goals that underpin successful diversity and inclusion in Defence. The strategy also identifies immediate diversity priorities for Defence. These priorities align with each stage of the employment lifecycle of Defence people—attract, recruit, develop, retain and transition. They also reflect those groups in Defence requiring priority attention, including:

- women
- Indigenous Australians
- people from culturally and linguistically diverse backgrounds
- people with disability
- lesbian, gay, bisexual, transgender and intersex people.

Defence's professionalism and capability are underpinned by its ability to remain linked to the broadest cross-section of Australian society. While the diversity profile of the Defence workforce is improving, it does not reflect that of the Australian community. Defence needs to access the available talent in Australia to harness the capability benefit and improved decision-making that a diverse workforce generates.

Defence continues to implement programmes and initiatives that harness the diverse knowledge, skills and attributes of its people. Through diversity, Defence gains the varied perspectives needed to deal with complex problems and develop innovative solutions.

Defence is ensuring that its culture gives confidence to the Australian people that the organisation is just, inclusive and fair-minded.

## Women in Defence

Defence has furthered its efforts to implement changes in the workplace to ensure greater representation of women, specifically in leadership positions. The Secretary and Chief of the Defence Force Gender Equality Advisory Board, composed of public and private sector members, has continued to advise Defence on these issues. The board's main areas of focus in 2014–15 were increasing accountability for gender inclusion and flexible work practices.

### Women in the APS

Over the previous three years, all recommendations from the 2011 *Review of employment pathways for APS women in Defence* have been implemented. The representation of women in the Defence APS has not significantly changed, and is well below that of the wider APS. In 2014–15 further initiatives addressed the structural and cultural barriers preventing women from achieving their full potential and full participation. These initiatives included:

- a Leadership Inclusion Programme, delivered to all SES officers, to raise understanding of the impact of bias, build individual and collective commitment to creating an inclusive workplace, and develop the capabilities required to be an effective and inclusive leader
- targeted marketing of women for Defence graduate programmes and more ambitious gender targets for the recruitment of APS graduates
- mentoring and coaching programmes, including tools and materials available to the Defence workforce through the intranet
- increased representation of women in Executive Level 1 and Executive Level 2 talent programmes
- stronger senior leadership support for flexible work arrangements, including raising the level of approval required for agreement of part-time arrangements to encourage greater access to these arrangements

- promotion of the Male Champions of Change initiative across Defence senior women's mentoring and networking groups
- the development of a gender inclusion kit to use in a workshop-based approach aimed at challenging gender inclusion myths and equipping employees to advance gender equality
- cultural awareness activities in specific areas in Defence to raise understanding of the impact of unconscious bias.

## Women in the ADF

The *Review into the treatment of women in the Australian Defence Force—Phase 2* report, undertaken by Sex Discrimination Commissioner Elizabeth Broderick, established a strong capability imperative to improve the treatment of women and enhance their career opportunities in the ADF. Defence remains committed to a range of strategies and targets required to achieve the recommendations of this review.

The 'Women in the ADF' report is published as an online supplement to the Defence Annual Report for the third time this year. The report addresses elements of Broderick Phase 2 recommendation 3, including women's participation, women's experience and access to flexible work. It is also the mechanism for the Services to report against achievements for recommendation 6—promotional gateways; recommendation 9—recruitment targets; and recommendation 13—flexible work arrangements targets.

The report presents a range of workforce and attitudinal data and compares the current year's data with that of the previous year to gain an indication of the progress Defence has achieved. Data is supplemented by simple commentary and graphics to facilitate an understanding of the current status of these metrics and their movement.

The 'Women in the ADF' report shows that, since the commencement of *Pathway to Change: Evolving Defence Culture* and the implementation of the Broderick Phase 2 recommendations, the ADF has put considerable effort into growing and advancing the female ADF workforce. In 2014–15 the participation rate of women in the ADF reached 15.3 per cent, an increase from 14.3 per cent in June 2013. The report also highlights areas that require more comprehensive analysis, allowing Defence to prioritise further research on gender diversity.

Defence will continue to produce a 'Women in the ADF' report each year. This will enable an accurate measurement of progress on women's employment and experience, identify areas of concern and highlight successful initiatives across the three Services.

***The 'Women in the ADF' report is available online.***

### Removal of gender restrictions from ADF combat role employment categories

Defence is well into the implementation of the removal of gender restrictions from ADF combat role employment categories. Defence will begin direct recruitment into all combat role employment categories by 2016.

A phased implementation plan was endorsed by the Government in June 2012, with progress reflected in Table 8.21. Key milestones fully achieved in 2011–12, 2012–13 and 2013–14 are reported in the Defence annual reports for those years. The final reporting on this initiative will be made following completion of the implementation plan in 2015–16. *Pathway to Change: Evolving Defence Culture*, as an enabling initiative, will continue to be reported separately.

## Integrating the gender perspective in Talisman Sabre 2015

RAAF Williamstown's Wing Commander Louise DesJardins, Executive Officer 41 Wing, will be the first ADF gender adviser on board the USS *Blue Ridge* for the upcoming Defence Exercise Talisman Sabre 2015.

Talisman Sabre is a biennial combined Australian and US training activity, designed to train, and improve combat readiness between, the respective forces.

The inclusion of a gender adviser within the exercise comes as Defence embraces the Australian National Action Plan on Women, Peace and Security 2012–2018. With United Nations Security Council Resolution 1325 on Women, Peace and Security as its blueprint, the plan aims to increase operational effectiveness where conflict affects women and girls.

'In the role, I will be providing advice to the Senior US Commander and his staff to ensure that a gender perspective is incorporated into the conduct of the exercise', Louise said.

'As this is the first time that considerations about women, peace and security have been included in such a large-scale multinational exercise, it will be a learning process at all levels.'

Louise said she expects the role to be both exciting and challenging: 'I'll be expected to have a high-level understanding of women, peace and security, and be ready to recognise situations and scenarios that need consideration within that framework', she said.

'It's incredibly important to have the ear of the commander to enable him to have the right information at the right time so that decisions can be made that have the principles of women, peace and security at their core. There will be gender advisers across the exercise who will

### PROFILE: Louise DesJardins



be looking at how we can learn from it to improve our operational effectiveness for the future.'







Both Australia and the United States have released national action plans, which outline what will be done to integrate a gender perspective within peace and security efforts, protect women's and girls' human rights, and promote their participation in conflict prevention, management and resolution.

'We have to be able to implement that plan in military operations and this exercise is one of the steps in doing so', she said.

'We need to ensure that the women, peace and security perspective eventually becomes business as usual in all our peace and security activities. We can assist in making a sustained difference to the lives of women and girls around the world and a lasting contribution to global peace and security. Australia has a responsibility to ensure that the rights of women and girls are protected and that women are empowered to participate in formal peace and security processes.'

*Original article and photograph courtesy of Nikki Taylor and the Air Force Association Advocate.*

Table 8.21: Progress on removal of gender restrictions in the ADF since June 2012

Key milestone	Status
<b>Corporate</b>	
<i>Pathway to Change: Evolving Defence Culture</i>	 Pathway to Change continues to make considerable progress.
<b>Navy</b>	
New Generation Navy (cultural change programme)	 Ongoing activity. This milestone is due for completion by December 2015.
Support mechanisms developed	 Ongoing activity. This milestone is due for completion by December 2015.
<b>Army</b>	
Implementing cultural change programmes	 Ongoing activity. The milestone is due for completion by December 2015.
Amend policy/procedures and training documents	 Ongoing activity. This milestone is due for completion by December 2015.
<b>Air Force</b>	
Cultural reform initiatives	 Ongoing activity. Specific activities related to inclusion and the removal of gender restrictions are scheduled to be completed by December 2015. Ongoing activities will be rolled into the broader Air Force cultural reform programme.

## Indigenous participation and engagement

Defence continues to make progress against the objectives outlined in the Defence Indigenous Employment Strategy 2012–2017. The organisation provides a range of programmes for Indigenous Australians with the aim of improving individuals' access to employment opportunities and working with remote communities on infrastructure and environmental conditions.

In 2014–15, Indigenous participation in the ADF permanent force increased from 1.3 per cent to 1.4 per cent, while the Defence APS participation rate increased from 1.0 per cent to 1.2 per cent. Table 8.22 gives further details.

Several initiatives from the Defence Indigenous Employment Strategy have advanced, including the greater use of 'affirmative measures' positions across the APS workforce; the development of the Defence Reconciliation Action Plan 2015–17; the Defence Indigenous University Support Programme; and the Australian Indigenous Leadership Centre Certificate IV in Indigenous Leadership course. The Certificate IV course has been introduced to support retention and development of Indigenous personnel. The course aims to provide professional development opportunities for Indigenous personnel by building skills for future career progression.

Through the Australian Public Service Commission's Indigenous Pathways programme, Defence has increased its 2014–15 intakes for the Defence APS traineeship and cadetship programmes. Defence is also participating in the Department of Human Services' Indigenous Apprenticeship (traineeship) programme.

The number of entry-level programme participants for the Defence APS grew from eight in 2013 to 88 in 2015, and is projected to increase to 100 in 2016. Defence is also increasing its APS Indigenous representation through

● Met ● Substantially met ● Partially met ● Not met | See 'User guide' on page ii for full explanation.

advertising up to 135 affirmative measures positions, which will be located across Australia, at the APS 2 to EL 2 level. These roles are important to Defence outcomes and to lifting its cultural capability.

Defence continued to conduct a range of programmes to support the recruitment of Indigenous Australians to the ADF. The most notable are the four Indigenous pre-recruitment courses conducted each year and the three Defence Indigenous development programmes. These courses aim to develop participants' knowledge, confidence and individual skills to prepare them for a career in the ADF or Defence APS. Key components include culture and values; fitness; military training; preparation for the recruiting process; and language, literacy and numeracy skills.

Defence also continues to engage in a number of events across the country during NAIDOC Week and National Reconciliation Week to celebrate Aboriginal and Torres Strait Islander culture.

**Table 8.22: Defence Indigenous employees as at 1 July 2014 and 1 July 2015**

	1 July 2014		1 July 2015	
	Total	%	Total	%
<b>ADF</b>				
Permanent	750	1.3%	832	1.4%
Active Reserve	462	1.9%	440	1.9%
<b>Navy</b>				
Permanent	229	1.7%	264	1.9%
Active Reserve	34	0.7%	34	0.7%
<b>Army</b>				
Permanent	387	1.3%	421	1.4%
Active Reserve	397	2.7%	370	2.7%
<b>Air Force</b>				
Permanent	134	0.9%	147	1.0%
Active Reserve	31	0.7%	36	0.8%
<b>APS</b>				
Ongoing	210	1.0%	237	1.2%
Non-ongoing	1	1.1%	1	1.2%

**Notes**

Active Reserve figures include continuous full-time service.

Data for this table is reliant on self-identification on the Defence HR system. Therefore, the data is likely to under-report actual rates.

Last year's numbers will not match those provided in the report from the same month last year. This is because these numbers are updated to include changes in self-identification that have been made within the last 12 months.

## People from a culturally and linguistically diverse background

In 2014–15, Defence gave greater focus to culturally and linguistically diverse (CALD) communities. Defence is seeking to reflect the community it serves and is currently identifying what Defence's priority capability areas are for CALD engagement; this includes developing initiatives and programmes for both ADF members and APS employees that are aimed at all aspects of the employee lifecycle.

In 2014–15, Defence developed a CALD Action Plan, which has an initial focus on ADF recruitment.

Defence has begun work on attracting individuals from CALD backgrounds into specific ADF employment categories, such as health, engineering and IT. Defence Force Recruiting is also developing a specific media plan to further engage with CALD communities.

Defence's CALD initiatives complement existing Defence efforts to build a diverse and inclusive workforce under *Pathway to Change: Evolving Defence Culture* and the *Defence Diversity and Inclusion Strategy 2012–2017*.

Defence is committed to recognising the importance of people's religious faiths. A significant step in creating an inclusive environment has been the appointment of a Muslim representative to the Defence Religious Advisory Committee to the Services. This will ensure that those ADF members of Islamic faith have appropriate representation and are further supported in their military careers.

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## People with disability

Defence continues to support people with disability, and increase Defence's attractiveness as an employer through a range of programmes and initiatives. These include:

- the Defence Intellectual Disability Employment Initiative, which offers ongoing APS employment opportunities to people with intellectual disability
- the Defence Employee Network, which is open to people with disability, their supervisors, and employees with an interest in disability
- the Reasonable Adjustment Passport, which has been introduced to support people with disability to negotiate the workplace adjustments they require to eliminate barriers to the workplace
- the Defence Administrative Assistance Programme, currently located in Canberra and at Gallipoli Barracks at Enoggera, is being expanded to six other Defence locations to provide employment opportunities for people with disability through community partnerships
- the Defence Paralympian Programme, which offers non-ongoing employment for 12 months to Paralympians
- the APS RecruitAbility Scheme, which continues to be applied to all advertised APS positions in Defence
- the Defence Disability Champion Programme, which has three senior Defence leaders as Disability Champions who provide support, advice and advocacy on issues relating to disability
- the celebration of the International Day of People with Disability on 3 December each year.

## Disability reporting mechanisms

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available on the Australian Public Service Commission's website ([www.apsc.gov.au](http://www.apsc.gov.au)). Since 2010–11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create

a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports was published in 2014 on the Department of Social Services website ([www.dss.gov.au](http://www.dss.gov.au)).

A key aspect of Defence's disability support is to grow its people's confidence to report any disabilities. Like many other agencies, Defence has seen a slow increase in the number of people identifying as having a disability. Comprehensive and accurate disability information will assist Defence to understand the nature of the workforce, provide more targeted disability training, advice and support and focus on improving workforce culture and social inclusion.

Table 8.23 gives details on participation by people with disability in the Defence workforce.

**Table 8.23: Defence employees with disability as at 1 July 2014 and 1 July 2015**

	1 July 2014		1 July 2015	
	Total	%	Total	%
<b>ADF</b>				
Permanent	255	0.4%	262	0.5%
Active Reserve	114	0.5%	117	0.5%
<b>Navy</b>				
Permanent	63	0.5%	65	0.5%
Active Reserve	31	0.6%	32	0.7%
<b>Army</b>				
Permanent	144	0.5%	146	0.5%
Active Reserve	69	0.5%	67	0.5%
<b>Air Force</b>				
Permanent	48	0.3%	51	0.4%
Active Reserve	14	0.3%	18	0.4%
<b>APS</b>				
Ongoing	657	3.1%	658	3.3%
Non-ongoing	–	–	–	–

#### Notes

Active Reserve figures include continuous full-time service.

Data for this table is reliant on self-identification on the Defence HR system. Therefore, the data is likely to under-report actual rates.

Last year's numbers will not match those provided in the report from the same month last year. This is because these numbers are updated to include changes in self-identification that have been made within the last 12 months.

## Lesbian, gay, bisexual, transgender and intersex people

Defence has a number of lesbian, gay, bisexual, transgender and intersex (LGBTI) initiatives in place that enhance inclusiveness and provide additional support and networks for LGBTI people. Defence continues to engage with other government bodies and military organisations, as well as supporting research in the LGBTI space.

Each year, Pride in Diversity Australia issues the Australian Workplace Equality Index (AWEI), a benchmarking initiative that assesses organisations' commitment to LGBTI workplace practices. Participation in this index provides Defence with comprehensive feedback on its LGBTI inclusiveness. At the 2015 AWEI awards, Defence was jointly recognised, with another public sector agency, as the top public sector employer for LGBTI people. Defence was also identified as a Silver status employer for an inclusive workplace.

*Further information on diversity in the Defence workforce is available online.*

## FEATURE

## Masters of their fate

The courage and determination of more than 400 wounded warriors demonstrated the true meaning of the Invictus Games held in London from 10 to 14 September 2014.

The Invictus Games are an international adaptive multi-sport competition for current and former military personnel who have been wounded, injured or become ill in the service of their country.

On the final day of the four-day sporting event, athletes joined a crowd of close to 26,000 at Queen Elizabeth Olympic Park for a concert featuring stars such as the Foo Fighters and James Blunt.

After four days of intense commitment, the Australian team marched onto the stage to receive a medallion commemorating their involvement.

They were joined by athletes from Afghanistan, Canada, Denmark, Estonia, France, Germany, Georgia, Italy, the Netherlands, New Zealand, the United Kingdom and the United States.

His Royal Highness Prince Harry passed on a message from Her Majesty Queen Elizabeth II, who said she had followed the competition and was deeply moved by the courage, determination and talent of the athletes.

'All of you have used the power of sport to enhance your own recovery and to raise wider awareness of the enormous challenges faced by wounded veterans', she said.

'The success of these Games can be measured not by medals won, but by the renewed sense of purpose and confidence in your abilities that you have gained.'



Australian athletes preparing to compete at the Invictus Games gather in Sydney before their departure to London.

Medal tallies were not officially recorded for the Invictus Games, but the combined ADF/RSL team won close to 20 events, including athletics, cycling, archery, swimming and rowing.

The team also made an impression on the other nations with their style and sportsmanship during the wheelchair rugby and wheelchair basketball events.

Prince Harry said the Games shone a 'spotlight on the unconquerable character of servicemen and women and their families—their invictus spirit'.

'These Games have been about seeing guys sprinting for the finish line and then turning around to clap the last man in', he said.

'They have been about teammates choosing to cross the line together—not wanting to come second, but not wanting the other guys to either.'

'These Games have shown the very best of the human spirit.'

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# 9

## CHAPTER NINE

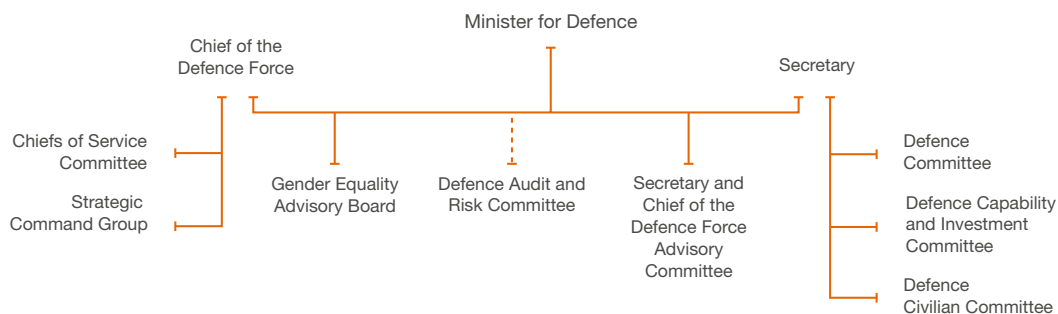
### Corporate governance



## Senior management committees and their roles

Defence operates seven senior committees and one board, each playing an important role in the governance and management of the organisation. Each body has an advisory role, with the chair (or chairs) exercising executive authority.

Figure 9.1: **Senior management committees, as at 30 June 2015**



### Defence Committee

The Defence Committee considers the most significant policy and management issues and drives whole-of-Defence performance through the enterprise management framework, including the corporate planning process. It meets monthly.

The committee is chaired jointly by the Secretary and the Chief of the Defence Force (CDF). Group Heads and Service Chiefs are standing members. Other participants are co-opted as required.

### Secretary and Chief of the Defence Force Advisory Committee

The Secretary and Chief of the Defence Force Advisory Committee is the senior committee for the week-to-week management of Defence. It is the default committee for business that requires the attention of the Secretary and the CDF, providing direction and acting as a decision-making body.

The committee is chaired jointly by the Secretary and the CDF. Other participants are co-opted as required.

### Defence Civilian Committee

The Defence Civilian Committee was established to focus on matters affecting the Defence APS workforce, especially development and training needs, gender, and employment of Indigenous Australians and people with disability.

The committee is chaired by the Secretary. It consists of Group Heads, the Vice Chief of the Defence Force (VCDF), and two division heads and one branch head on a rotational basis.

## Defence Capability and Investment Committee

The Defence Capability and Investment Committee ensures that resourcing, including capital investment and operating costs, is consistent with Defence's strategic priorities and resourcing strategy. Its role includes examining the overall shape of capability and the balance of resource allocation within the Defence Capability Plan, force structure and disposition, through-life costs and whole-of-life affordability.

The committee is supported by the subordinate Defence Capability Committee, which looks at individual projects as well as preliminary programming of the major capital budget. As a general principle, the Defence Capability and Investment Committee will only consider items that cannot be resolved by the lower-level committees.

The committee is chaired by the Secretary. It consists of the CDF, the VCDF, the Associate Secretary, the Service Chiefs, the Chief of the Capability Development Group, the Chief Executive Officer DMO, the Deputy Secretary Strategy and the First Assistant Secretary Capability Investment and Resources.

## Defence Audit and Risk Committee

The Defence Audit and Risk Committee is a central element of governance in Defence. It provides independent advice on governance within Defence to the Secretary and the CDF.

The committee's roles and responsibilities are to review governance and assurance frameworks, including risk management, the internal controls framework, compliance, accountability and audit. A major element of its role is to assist Defence in building effective risk management practices and to advise the Secretary and the CDF on the appropriate limits to Defence's risk exposure. The committee's charter has been reviewed in light of the *Public Governance, Performance and Accountability Act 2013*, which took effect on 1 July 2014.

The committee's membership comprises up to four senior private sector members (one position is currently vacant), the Associate Secretary and the VCDF. Collectively, these members have significant experience in financial management, governance and risk management in both operational and non-operational contexts.

## Chiefs of Service Committee

The Chiefs of Service Committee provides military advice to the CDF to assist in the command of the Australian Defence Force (ADF) and in providing military advice to the Government.

The committee is chaired by the CDF. It consists of the Secretary, the VCDF, the Service Chiefs, the Deputy Secretaries for Strategy and Defence People, the Commander Australian Defence College, the Chief of the Capability Development Group and the Chief of Joint Operations.

## Strategic Command Group

The Strategic Command Group is the primary advisory forum that supports the CDF's role as Commander of the ADF. The Strategic Command Group also serves as an important forum for providing key members of the Defence Senior Leadership with situational awareness of ADF operations, critical incidents and other strategic matters. The CDF uses the Strategic Command Group to issue direction and guidance on ADF matters and to coordinate the ADF response to major critical incidents.

The committee is chaired by the CDF. It consists of the Secretary, the VCDF, the Service Chiefs, the Chief of Joint Operations and the Deputy Secretaries for Strategy and Intelligence and Security.

## Gender Equality Advisory Board

The Gender Equality Advisory Board is a direction-setting and advisory body for driving and shaping the strategic direction of the Secretary's and the CDF's gender equality priorities within the broader Defence cultural reform agenda. The board considers the most significant gender equality issues applicable to the Defence workforce, and monitors and evaluates whole-of-Defence performance in addressing these matters.

The Secretary and the CDF use the board's collective gathering to incorporate community perspectives on how to make Defence a more inclusive organisation and one that proactively aligns its values and accepted behaviour with evolving community standards.

The board comprises members from the public and private sectors and is jointly chaired by the Secretary and the CDF.

## Public Governance, Performance and Accountability Act 2013

On 1 July 2014, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) replaced the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*. The PGPA Act established a system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.

The PGPA Act sets out the main principles and requirements of the Commonwealth Resource Management Framework. The framework includes the PGPA Rule 2014, the Commonwealth Procurement Rules and the Commonwealth Grants Rules and Guidelines. These instruments establish the requirements and procedures necessary to give effect to the governance, performance and accountability measures covered by the Act. Defence complies with the provisions of the PGPA Act and Rule and other instruments relating to financial management through the Accountable Authority Instructions issued by the Secretary and associated departmental guidance.

In 2014–15, the Chief Finance Officer Group arranged for the promulgation of the new financial delegations, Accountable Authority Instructions and associated financial guidance required under the PGPA Act.

## Fraud and ethics

In accordance with the Commonwealth Fraud Control Framework 2014, Defence continues to meet its mandatory obligations to prevent, detect and deal with fraud. Defence has a comprehensive fraud control programme established through the Defence Fraud Control Plan No. 11. Underpinning the plan is a rigorous fraud risk assessment programme focusing on the enterprise-wide vulnerabilities and risk factors within Defence's diverse operating environments.

The ethics and fraud awareness programme continues to be an integral part of Defence's fraud control programme. It comprises face-to-face or e-learning courses, as well as newsletters and an intranet site for information and advice. It is mandatory for staff to participate in the programme at least every two years. In 2014–15, more than 66,000 Defence and DMO personnel completed this programme.

In 2014–15, there were 262 fraud investigations registered within Defence and DMO and 242 investigations completed (some of those completed were registered in previous years). Approximately 21 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, approximately 58 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*.

In 2014–15, the determined fraud loss for completed investigations was \$0.48 million, while monies recovered were just over \$0.16 million. Table 9.1 shows detected fraud over the past five financial years, averaging approximately \$1.02 million a year within a range of \$0.4 million to \$1.7 million.

Table 9.1: **Determined fraud losses and recoveries, 2010–11 to 2014–15**

	2010–11	2011–12	2012–13	2013–14	2014–15
Loss	\$916,419	\$1,102,979	\$835,685	\$1,770,422	\$480,937
Recovery	\$422,691	\$493,210	\$393,902	\$133,457	\$161,693

## Audit

Audit Branch provides assurance to the Secretary and the CDF that controls designed to manage Defence's major risks are in place and are operating in an efficient and effective manner. Audit Branch also assists Defence senior managers in improving the business performance of their organisations.

Audit Branch provided internal audit services in accordance with the audit work programme. The programme is endorsed by the Defence Audit and Risk Committee and approved by the Secretary and the CDF. The programme is developed in consultation with Group Heads and Service Chiefs. It is designed to address areas of high-level risk or activities with potential control deficiencies that could lead to significant financial loss.

Audit Branch also monitors and reports to the Defence Audit and Risk Committee, the Defence Committee and the Minister for Defence on the status of the implementation of recommendations from Audit Branch and the Australian National Audit Office (ANAO).

In 2014–15, Audit Branch issued 23 audit reports and completed eight management-directed tasks. In addition, the ANAO completed six performance audits on Defence, and one cross-portfolio audit involving Defence, to which Audit Branch provided direct support.

## Public Interest Disclosure Scheme

The high number of public interest disclosures allocated to the Defence Public Interest Disclosure (PID) Scheme (which replaced the successful Defence Whistleblower Scheme on 15 January 2014) during this reporting period continues to demonstrate a strong reporting culture within the organisation. The scheme facilitates and encourages reports of suspected wrongdoing; provides support and protection to disclosers; and ensures that suspected wrongdoing is investigated where appropriate.

Defence continues to work closely with the Commonwealth Ombudsman for public interest disclosure reporting purposes, and to ensure continuing improvement in the implementation of the *Public Interest Disclosure Act 2013* within the organisation and, more broadly, within the Commonwealth public sector.

Since the Defence PID Scheme began operations, 471 public interest disclosures have been allocated to Defence: 390 in 2014–15 and 181 in 2013–14.

## Report of the Inspector-General Australian Defence Force

The position of Inspector-General of the Australian Defence Force (IGADF) is established under section 110B of the *Defence Act 1903*. The IGADF provides the CDF with a mechanism for internal audit and review of the military justice system independent of the chain of command and an avenue by which failures in the military justice system may be examined and remedied.

The functions of the Office of the IGADF include oversight of the military justice system, internal audits of military justice arrangements in Defence Force units, ships and establishments; the conduct of inquiries into or investigations of matters concerning the military justice system, including inquiries or investigations into the professional conduct of Service Police; the provision of advice on matters concerning the military justice system, including making recommendations for improvement; and the promotion of military justice values across the Defence Force.

During the reporting period the IGADF also became responsible for a number of additional functions, including the investigation of service-related deaths and select incidents, the conduct of independent reviews of ADF redresses of grievance referred to a Service Chief for final decision, and the responsibility to inquire into or investigate any matter concerning the Defence Force if directed to do so by the Minister for Defence or the CDF.

In addition, the reporting requirements for the IGADF changed. The IGADF is required to prepare and give to the Minister for Defence, for tabling in Parliament, a report on the operations of the Office of the IGADF at the end of each financial year. Previously, the requirement was for the IGADF to give a report to the CDF. These changes are intended to enhance the independence and powers of the IGADF and enable improvements to be made to the investigation of service-related deaths and redress of grievance practice.

During the reporting period the operating tempo in the Office of the IGADF increased significantly, particularly in light of the addition of new functions. There was an increase in the number of submissions received for investigation or inquiry, while there was a slight decrease in the number of military justice performance audits completed into the military justice arrangements of ADF units, ships and establishments.

During the reporting period the IGADF received 62 inquiry submissions, an increase of approximately 3 per cent on the previous year. In recent years the trend has been that submissions disclose issues of greater complexity than in previous years and this trend continued in 2014–15, when the IGADF resolved 56 submissions by way of inquiry, assessment or review.

In addition to these submissions, the IGADF reviewed 34 Service Police professional standards matters. Of these, 25 became the subject of IGADF investigations and seven were referred back to Service Police for further action. Of the 25 matters investigated by the IGADF, three complaints were substantiated and 19 matters were still being investigated at the end of the reporting period.

The IGADF conducted 46 ADF military justice unit audits, representing approximately 10 per cent of all auditable ADF units. In one of those units, potential material deficiencies were identified. In all, a total of 1,336 recommendations and suggestions to improve military justice arrangements, practices and procedures were made during 2014–15. The overwhelming majority of the recommendations and suggestions related to minor compliance or procedural issues.

During the conduct of military justice unit audits, 2,525 ADF personnel participated in focus group discussions. This raised the total number of focus group participants to 27,287 since the pilot programme began in 2004. Focus group survey outcomes in 2014–15 indicate a stronger endorsement and confidence in the military justice system and the chain of command to take action to resolve military justice problems. There remains strong evidence to indicate that incremental cultural change under the *Pathway to Change: Evolving Defence Culture* programme continued to occur within the ADF during the reporting period.

## Select incident review

The Inspector-General ADF established the Directorate of Select Incident Review to conduct and manage the assessment of, and subsequent inquiries into, deaths in service (including those occurring on operations) and other select incidents following transfer of these responsibilities from the former CDF Commissions of Inquiry Cell.

After notification of a death from the member's parent Service, the IGADF assesses each case to inform advice to the CDF as to whether the death appears to have arisen out of, or in the course of, the member's service. These assessments and any inquiry by the IGADF are conducted independently of the chain of command, with the findings and recommendations reported to the CDF. The Defence (Inquiry) Regulations 1985 oblige the CDF to appoint a commission of inquiry into any such case, unless the Minister for Defence specifies in writing that the circumstances do not require it. Under recent amendments to the Defence Act, the responsibility for deciding whether an inquiry into a death in service should take place, and, if so, what form the inquiry should take, was transferred to the IGADF.

In 2014–15, the IGADF initiated 30 preliminary assessments into deaths in service of ADF members. Of this number, nine have been completed and 21 remain in progress. The IGADF has appointed six inquiries into ADF member deaths. Two inquiries were completed and referred to the CDF for action. They are the inquiry into the death of a soldier on operations in Afghanistan in July 2014 and the inquiry into the death of a soldier in New Zealand while conducting mountain and cold weather training, also in July 2014. The four remaining inquiries are nearing completion.

One legacy inquiry from the previous arrangements remains ongoing. The CDF appointed an inquiry officer on 24 June 2014 to examine an artillery ammunition incident at Shoalwater Bay on 18 March 2014. The inquiry was still being finalised as at 30 June 2015—the issues that have been uncovered are complex and involve various aspects of the commercial support and storage chain for artillery ammunition.

During the reporting period, no new commissions of inquiry were appointed. A part-heard inquiry into the single-vehicle roll-over accident at Holsworthy Military Area on 8 October 2012 has been adjourned while criminal prosecution of the driver takes place.

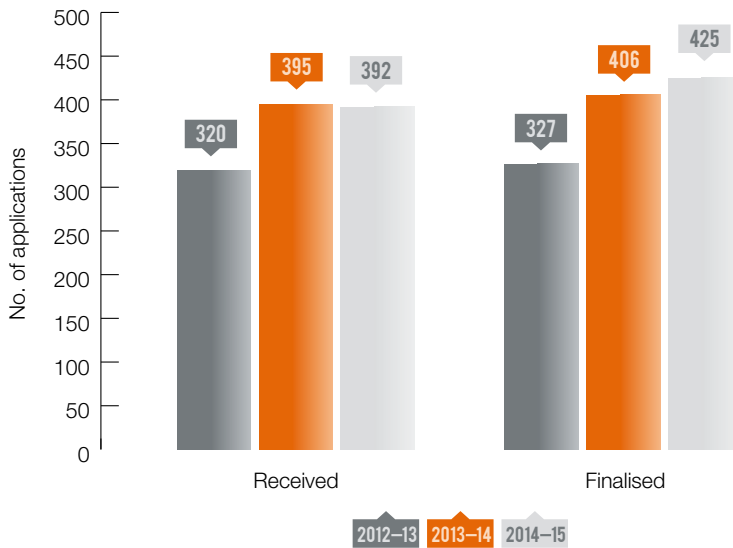
## Military redress of grievance

Three hundred and ninety-two new applications for redress of grievance were received in 2014–15, a slight decrease on the previous year (Figure 9.2). Four hundred and twenty-five applications received during the current and previous reporting periods were finalised at unit level. Of those, 297 (70 per cent) were not granted, were withdrawn or were not reviewable; the remainder were granted or partly granted. The main areas of complaint are still termination of service decisions, career management issues, and conditions of service entitlements.

A proportion of members who are dissatisfied with the redress decision of their commanding officer refer their complaint to their Service Chief or to the CDF for further review. On average, one-third of redress of grievance applicants exercise this entitlement. Under the new arrangements that commenced in July 2014, an independent review of the grievance is now conducted by the IGADF and a brief furnished to the CDF or Service Chief for final decision.

When a redress of grievance is referred to the CDF or a Service Chief, priority is allocated based on the nature of the complaint. Referrals contesting termination of service decisions continue to account for a significant proportion (28 per cent) of referred complaints. These cases are given the highest priority.

Figure 9.2: Applications for military redress of grievance received and finalised, 2012–13 to 2014–15



## Training related to military justice

Over the reporting period, the Office of the IGADF provided inquiry officer and other military justice-related training to 2,902 ADF members, either through face-to-face courses and seminars or through e-learning modules. Twenty-five members attended an advanced inquiry officer course, 1,694 undertook inquiry officer training, 616 completed the complaints handling instruction course and a further 415 completed the quick assessment instruction course. The remaining 152 members undertook the administrative sanctions instruction course.

# 10

## CHAPTER TEN

### External accountability



## Parliamentary business

In 2014–15, Defence provided 10 written submissions to various Senate, House of Representatives and joint committee inquiries. Defence witnesses appeared at 25 hearings, providing evidence on a range of issues; took 134 follow-on questions on notice (18 had not yet been tabled as at 30 June 2015); and either tabled or contributed to seven government responses to parliamentary committee reports throughout the year.

To assist parliamentary committee members to gain a better understanding of Defence issues, Defence also provided private briefings on a range of subjects, including matters related to the 2015 Defence White Paper, national security and capability.

Table 10.1: **Defence's parliamentary contribution, 2012–13 to 2014–15**

Parliamentary contribution	2012–13	2013–14	2014–15
Written submissions	24	8	10
Whole-of-government submissions	–	1	–
Government responses	2	8	7
Public hearings	16	12	25
Private briefings	4	25	12
<b>Total</b>	<b>46</b>	<b>54</b>	<b>54</b>

## Parliamentary committees

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### Joint committees

Table 10.2 provides information on Defence's activities in relation to its involvement in joint committees from 1 July 2014 to 30 June 2015.

Table 10.2: **Defence's involvement with joint committees, 2014–15**

Joint committees
<b>Joint Standing Committee on Foreign Affairs, Defence and Trade</b>
Inquiry into government support for Australian Defence industry exports
Progress report for the inquiry into the care of ADF personnel wounded and injured on operations
Inquiry into the human rights issues facing women and girls in the Indian Ocean and Asia-Pacific region
Review of the <i>Defence Annual Report 2011–12</i>
Review of the <i>Defence Annual Report 2012–13</i>
Review of the <i>Defence Annual Report 2013–14</i>

Table 10.2 (continued)

<b>Joint committees</b>
<b>Joint Parliamentary Committee on Intelligence and Security</b>
Review of Administration and Expenditure No. 13 (2013–2014)
<b>Joint Committee of Public Accounts and Audit</b>
Report 447: EPBC Act, Cyber Security, Mail Screening, ABR and Helicopter Program: Review of Auditor-General's Reports Numbers 32–54 (2013–14)
Report 448: Review of the 2013–14 Defence Materiel Organisation Major Projects Report
Report 443: Review of Auditor-General's Reports Nos 23 and 25 (2012–13) and 32 (2012–13) to 9 (2013–14)
Report 442: Review of the 2012–13 Major Projects Report
Review of ANAO Report No. 50 (2013–14) Cyber Attacks: Securing Agencies' ICT Systems
Review of ANAO Report No. 52 (2013–14) Multi-Role Helicopter Program
Review of ANAO Report No. 19 (2014–15) Management of the Disposal of Specialist Military Equipment
<b>Joint Standing Committee on Public Works</b>
Multi-User Barge Ramp Facility, East Arm, Darwin, Northern Territory
Project AIR 9000 Phase 7—Helicopter Aircrew Training System Facilities Project
Project AIR 7000 Phase 2B—Maritime Patrol Aircraft Replacement
Joint Project 154 Phase 1—Counter Improvised Explosive Device Capability Facilities and Infrastructure Project
Project JP3029 Phase 2—Defence Space Surveillance Telescope Facilities Project
Air 6000 Phase 2A/B—New Air Combat Capability Facilities
Development and construction of housing for Defence at RAAF Base Tindal, Northern Territory
17th Construction Squadron Relocation Infrastructure Project
<b>Joint Standing Committee on Treaties</b>
Report 145: Treaties tabled on 26 August and 2 September 2014

## Senate committees

Table 10.3 provides information on Defence's activities in relation to its involvement in Senate committees from 1 July 2014 to 30 June 2015.

Table 10.3: **Defence's involvement with Senate committees, 2014–15**

Senate committee
<b>Senate Standing Committee on Foreign Affairs, Defence and Trade</b>
Inquiry into the mental health of ADF serving personnel
The potential use by the Australian Defence Force of unmanned air, maritime and land platforms
Australia's future activities and responsibilities in the Southern Ocean and Antarctic waters
Processes to support victims of abuse in Defence
Inquiry into the Defence Legislation Amendment (Military Justice Enhancements—Inspector-General ADF) Bill 2014
<b>Senate Standing Committee on Rural and Regional Affairs and Transport</b>
Inquiry into Australia's transport energy resilience and sustainability
<b>Senate Economics Legislation Committee</b>
Inquiry into the Tax and Superannuation Laws Amendment (2014 Measures No. 6) Bill 2014
<b>Senate Economics References Committee</b>
Inquiry into Australia's innovation system
Inquiry into the future of Australia's naval shipbuilding industry

## Senate Estimates and questions on notice

Defence attended three Senate Estimates hearings before the Senate Standing Committee on Foreign Affairs, Defence and Trade, in October 2014, February 2015 and June 2015. Defence was asked a total of 359 questions on notice from the three hearings.

In relation to questions taken on notice from the Senate and House of Representatives notice papers during 2014–15, Defence was asked a total of 134 questions. One response had not been tabled by 30 June 2015.

Table 10.4 provides information on Defence's activities in relation to the Senate Estimates process from 1 July 2014 to 30 June 2015, and Table 10.5 presents a comparative picture of the number of Defence's responses to parliamentary questions on notice for the last three years.

Table 10.4: Defence's involvement with Senate Estimates, 2014–15

Senate Standing Committee on Foreign Affairs, Defence and Trade	
Supplementary Budget Estimates 2014–15	Defence witnesses appeared at a hearing on 22 October 2014. There were 180 questions, consisting of 1,302 parts, taken on notice during the hearing.
Additional Estimates 2014–15	Defence witnesses appeared at a hearing on 25 February 2015. There were 67 questions, consisting of 275 parts, taken on notice during the hearing.
Budget Estimates 2015–16	Defence witnesses appeared at hearings on 1 and 2 June 2015. There were 112 questions, consisting of 321 parts, taken on notice during the hearing.

Table 10.5 Defence's questions on notice, 2012–13 to 2014–15

Source of questions on notice	2012–13	2013–14	2014–15
House of Representatives/Senate notice paper	167	18	134
Senate Estimates (October, February, June)	440	450	359
Parliamentary inquiries	97	35	134
<b>Total</b>	<b>704</b>	<b>503</b>	<b>627</b>

## Judicial decisions and decisions of administrative tribunals

On 22 September 2014, following a decision on 28 May 2014 of the Federal Court in *Danthanarayana and Another v Commonwealth of Australia and Ors* [2014] FCA 552, the first applicant served a further proposed amended statement of claim against the Commonwealth alleging negligence and contraventions of the *Fair Work Act 2009*. In accordance with the orders of the court on 28 May 2014, the applicant submitted the amended claim to the court and to the Commonwealth for consideration prior to leave being granted to file it. The Commonwealth has opposed leave being granted and is currently awaiting the court's decision on whether the applicant will be allowed to file the further amended statement of claim.

Defence is currently the respondent in six applications to the Administrative Appeals Tribunal where the applicants seek review of decisions by Defence to reject their claims for compensation under regulation 57 of the Defence Force Regulations 1952 in relation to Defence activities at the Salt Ash Weapons Range. The applicants are the lead group of 102 claimants whose claims for compensation under regulation 57 have been rejected by Defence. The hearing of these applications is listed to commence on 26 October 2015.

On 9 December 2014, the Federal Court heard the matter of *Comcare v Commonwealth of Australia* ACD88 of 2013. Comcare commenced the civil breach proceeding against Defence on 30 August 2013, seeking a declaration that Defence had breached its duty of care under the *Occupational Health and Safety Act 1991* by failing to take all reasonably practicable steps to protect the health and safety at work of its employees; and the imposition of a pecuniary penalty and costs. The proceeding arose out of the death of Lance Corporal Mason Edwards and the wounding of another soldier during a training exercise at Cultana, South Australia, in 2009. The court has reserved its decision.

On 19 March 2014, in *Stack v Chief of Army Department of Defence* [2014] FCCA 520, the Federal Circuit Court granted the applicant an extension of time in which to bring an application for judicial review of a decision by the delegate of the Chief of Army in respect of the applicant's retirement from the Army in December 1971. The delegate had determined that grounds did not exist to support the applicant's claim that he could have been retired under the *Defence Forces Retirement Benefits Act 1948* due to invalidity or physical or mental incapacity. The substantive application under the *Administrative Appeals (Judicial Review) Act 1977* alleges that the delegate, in making his decision, was not free from bias, failed to take into account relevant considerations, and took into account irrelevant considerations. Defence opposed the application. The application was heard on 3 November 2014 and the court reserved its decision.

## Auditor-General's reports

In 2014–15, the Auditor-General tabled six performance audit reports relating directly to Defence and the Defence Materiel Organisation, which are listed in Table 10.6, and one report on a cross-portfolio audit involving Defence (Table 10.7).

Table 10.6: Auditor-General's reports on Defence, 2014–15

Report	Objective
Audit Report No. 17: Retention and Recruitment of Specialist Skills for Navy, tabled 18 December 2014	<p>The audit objective was to examine the effectiveness of the Navy's strategy for recruiting and retaining personnel with specialist skills. In particular, the Australian National Audit Office (ANAO) assessed whether:</p> <ul style="list-style-type: none"> <li>this strategy supported the Navy in maintaining and building military capability and carrying out its mission</li> <li>the plans and activities underpinning this strategy were effectively administered and implemented.</li> </ul>
Audit Report No. 19: Management of the Disposal of Specialist Military Equipment, tabled 5 February 2015	<p>The audit objective was to assess the effectiveness of Defence's management of the disposal of specialist military equipment. The audit considered (i) whether Defence has conducted disposals in accordance with applicable Commonwealth legislative and policy requirements and Defence policies, guidelines and instructions; and (ii) where relevant rules have been departed from, the main reasons and consequences. The audit examined Defence records of selected disposals that have occurred over the last 15 years, especially the period from 2005 to 2013, including actions in response to disposals that did not proceed as intended.</p>
Audit Report No. 27: Electronic Health Records for Defence Personnel, tabled 10 March 2015	<p>The objective of the audit was to examine the effectiveness of Defence's planning, budgeting and implementation of an electronic health records solution for Defence personnel. The scope of this audit covered the development and implementation phases of the Defence eHealth System, from project inception in 2009 through to the end of 2014, and included a focus on the quality of Defence's advice to government.</p>
Audit Report No. 30: Materiel Sustainment Agreements, tabled 21 April 2015	<p>The audit objective was to examine Defence's administration of materiel sustainment agreements and the contribution made by these agreements to the effective sustainment of specialist military equipment.</p>
Audit Report No. 45: Central Administration of Security Vetting, tabled 9 June 2015	<p>The audit objective was to examine whether Defence provides an efficient and effective security vetting service for Australian Government entities through the Australian Government Security Vetting Agency.</p>
Audit Report No. 52: Australian Defence Force's Medium and Heavy Vehicle Fleet Replacement (LAND 121 Phase 3B), tabled 25 June 2015	<p>The audit objective was to assess the effectiveness of Defence's management of the acquisition of medium and heavy vehicles, associated modules and trailers for the Australian Defence Force. The audit focused on the acquisition of the medium and heavy vehicle fleet from first pass approval in 2004 through to early 2015.</p>

Table 10.7: Auditor-General’s cross-portfolio report involving Defence, 2014–15

Report	Objective
Audit Report No. 50: Administration of the Defence Home Ownership Assistance Scheme, tabled 10 June 2015	The objective of the audit was to assess the effectiveness of the administration of the Defence Home Ownership Assistance Scheme by Defence and the Department of Veterans’ Affairs.

## Ombudsman’s reports

There were no reports by either the Commonwealth or Defence Force Ombudsman under the provisions of section 15 of the *Ombudsman Act 1976*.

## Information Publication Scheme statement

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme. Each agency must display on its website a plan showing what information it publishes in accordance with the scheme’s requirements.

*Further information is available on the Information Publication Scheme website at [www.defence.gov.au/lips](http://www.defence.gov.au/lips).*

## Freedom of information

Table 10.8 shows the number of requests for information managed under section 15 of the FOI Act in 2014–15. An additional 14 requests, for amendment or annotation of records of personal information, were managed under section 48 of the FOI Act. Defence managed 27 internal reviews of FOI decisions and provided assistance to the Office of the Australian Information Commissioner in relation to 11 external reviews. Defence was also involved in four matters before the Administrative Appeals Tribunal. Defence remained 100 per cent compliant with the legislative deadlines in 2014–15.

The FOI Directorate managed an additional 1,052 requests for information outside the FOI Act. Of these, 454 were requests for access to personnel records. These were processed in accordance with section 15A of the FOI Act, which provides for access to be given in such cases through established administrative channels. Defence received 67 courtesy consultations from other government agencies in 2014–15.

Table 10.8: Requests for access to documents received and completed or otherwise dealt with under section 15 of the FOI Act, 2012–13 to 2014–15

	2012–13	2013–14	2014–15
Number of requests received	414	433	409
Number of requests finalised (including withdrawn and transferred to another agency)	422	420	414
Number of requests withdrawn	121	125	146
Number of requests transferred to another agency	1	13	7
Total requests finalised under section 15	300	282	261
Number of requests outstanding	32	45	40

## A varied and rewarding career

When Caroline Chalker Bradford started her career in Defence in 1999, she could not have imagined the challenging and rewarding opportunities she would experience in the years to follow. From an entry-level job in the Australian Public Service, she has graduated to senior roles that have given her a deep appreciation of this department.

In 2004, Caroline was appointed Strategic Communication Adviser to the then Chief of Air Force, Angus Houston. It was in that role that her appreciation for the military really began. Caroline took the time to learn more about her forebears: those who had fought and died during World War I at Pozieres and Villers-Bretonneux; her great-uncle, who was killed when HMAS *Perth* was torpedoed by the Japanese in 1942 and posthumously awarded a Distinguished Service Medal; and both her grandfathers, World War II veterans—one who served on HMAS *Swan*, and the other with RAF Bomber Command.

Among many other experiences, Caroline's time in Air Force headquarters exposed her to the critical and complex role that the Australian Defence Force (ADF) plays in responding to humanitarian crises; to give just one example, she took part in the initial planning in the days following the 2005 Sumatra earthquake and tsunami.

In 2007, Caroline was selected to attend the Australian Command and Staff College. There, she built on her understanding of the ADF through syndicate participation and studies that related directly to Defence strategy, operational planning, management and leadership.

Caroline then took on the role of Director Strategic Communication for the 2009 Defence White Paper. This brought her into contact with

### PROFILE: Caroline Chalker Bradford



strategy development at the highest levels and offered tremendous insight into the formulation of whole-of-Defence, and indeed whole-of-government, policy as it relates to the ADF.

Seizing the opportunity to broaden her skills and experience, Caroline then moved away from her comfort zone and took up a role within Strategic Policy Division in counter-terrorism and domestic security. This proved to be very rewarding and she learned a great deal from the experience before returning to the public affairs domain as Director Media Operations from 2010 to 2012.

Today, Caroline is back in Strategic Policy Division in a part-time role as Director Woomera Prohibited Area Coordination Office, where she has the chance to once again work with some of her former Air Force colleagues. Caroline continues to enjoy the new and varied experiences that come from a job in Defence.

Caroline's husband also works in Defence and they have a two-year-old daughter.

# 11

## CHAPTER ELEVEN

### Asset management, procurement and capital investment



## Defence asset management

Defence manages \$78.4 billion of total assets. This includes:

- approximately \$42.7 billion of specialist military equipment
- \$25.0 billion of plant, land, buildings and infrastructure
- \$6.5 billion of inventory
- \$1.0 billion of heritage and cultural assets
- \$3.2 billion of other items, including cash, receivables and prepayments.

Defence Groups and Services, including the Defence Materiel Organisation (DMO), are accountable for the underlying business transactions and records that substantiate the reported financial balances of assets under their control.

The Chief Finance Officer Group undertakes accounting processes to enable the accurate and timely reporting of asset balances and ensure that they are consistent with requirements for financial statement reporting defined in the Australian Accounting Standards.

During 2014–15, Defence worked to secure and advance the improvements in financial and asset management achieved in previous years. This was achieved by:

- evolving the shared service delivery model for asset accounting to further enhance financial reporting of assets and deliver standardised policies and processes to support the management of assets
- using a maturing data assurance framework and controls environment to swiftly identify and resolve asset management issues as they occur.

## Defence Materiel Organisation asset management

The DMO manages its assets in accordance with relevant Accountable Authority Instructions, accounting standards and internal DMO guidelines.

The DMO's property, plant and equipment assets, which were valued at \$5 million at 30 June 2015, are subject to an annual stocktake to ensure that records are accurate. Impairment reviews were also undertaken during the year. Valuations are conducted as outlined in note 1.19 of the DMO financial statements in Volume Two of this report.

## Defence procurement

Defence undertakes procurement in accordance with the core purchasing policies and principles as articulated in the 2014 Commonwealth Procurement Rules (CPRs) and Defence policies.

Under non-materiel shared procurement services, high-level procurement advice and support is provided to staff who exercise delegations under the *Public Governance, Performance and Accountability Act 2013* to ensure compliance with the CPRs.

The Defence Annual Procurement Plan is published on the AusTender website ([www.tenders.gov.au](http://www.tenders.gov.au)) to give industry notice of potential business opportunities and to help it prepare for the competitive tendering phase. Defence publishes open tenders on AusTender.

Defence was a major member of the Department of the Prime Minister and Cabinet's cross-agency working group for Indigenous engagement and is also developing Defence's strategy in response to the new Commonwealth Government Indigenous Procurement Policy. The policy, which applies to all Australian government agencies, has two key objectives:

- to stimulate Indigenous entrepreneurship and business development
- to stimulate Indigenous employment.

## Procurement initiatives to support small business

Defence supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise (SME) and small enterprise participation statistics are available on the Department of Finance's website.

Defence also recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small business are available on the Treasury's website.

### Low-risk procurements valued under \$200,000

The Defence Procurement Policy Manual and the Contract Template Selection and Tailoring Guide incorporate and encourage procurement officers to use the Commonwealth Contracting Suite for those procurements determined suitable under the Department of Finance Defence-specific decision tree.

The Chief Finance Officer Group provides finance shared services to Defence, including centralised payment of accounts. In addition, Defence promotes the use of credit cards to facilitate prompt payment.

### Australian industry participation

Under Defence's Australian industry participation policy, Defence requires prime contractors for materiel systems to provide Australian industry with opportunities to compete on merit in major procurements, and requires contractual commitments from suppliers to provide nominated domestic industry through an agreed plan. Under the policy, prime contractors are required to release a public version of the plan to provide industry with enhanced visibility and transparency of local industry commitments and business opportunities in relation to specific Defence procurements.

### Small business engagement principles

Defence is committed to and has established a range of initiatives designed to promote industry engagement (particularly for SMEs) and reduced costs of tendering making Defence business opportunities more transparent and accessible.

- During the reporting period, SMEs were able to access strategic insights and tailored information on opportunities in the national Defence market through the Defence Business Access Office network. Through tailored guidance, visits and briefings, the Business Access Office aids companies' understanding of Defence's capabilities, requirements and procurement processes. In addition, the revised approach (including discounted registration fees) to the Defence + Industry conference (held 29–30 July 2014 in Adelaide) made this keystone event more affordable and accessible to the broader Australian defence industry, particularly for SMEs. The conference provided an opportunity to hear from government and Defence leaders and to connect with other businesses in Defence and related sectors of industry.
- In measures designed to improve the quality and integrity of AusTender data, AusTender provides industry with a single, easy-to-use information portal to new business opportunities with Defence. AusTender also provides companies with ready access to tender documentation and provides a cost-effective and simple electronic tender lodgment process that reduces the time and cost burden on companies when submitting tenders.

## Electronic systems and other processes used to facilitate on-time payment performance

Defence has implemented a mandatory procurement policy on the use of the Defence Purchasing Card as the method of payment for purchases of less than \$10,000 and for certain procurements categorised as low value and low risk over \$10,000. To ensure compliance with the Department of Finance *Resource Management Guide 417—Supplier Pay on Time or Pay Interest Policy*, Defence contracting templates include provisions that require the Commonwealth to make a self-generated interest payment for any late payment (and without the need for any further invoice) for all contracts valued up to \$1 million (GST inclusive).

## Defence Materiel Organisation procurement

The Contracting and Legal Division, Commercial Group, DMO is responsible for providing strategic commercial law advice and contracting services directly to the DMO project and system project offices, and for maintaining and improving Defence's procurement policy, guidance tools and Defence's suite of contracting templates—known as the ASDEFCON templates. The Division also has responsibility for whole-of-Defence procurement training and the professionalisation of the Defence Procurement and Contracting (P&C) Job Family.

Key achievements in 2014–15 included:

- Launch of the Defence P&C Job Family Professionalisation programme, which represents a significant commitment by Defence to provide the P&C Job Family workforce with career development and skilling opportunities consistent with the 70:20:10 learning framework, which comprises 70 per cent on-the-job experience; 20 per cent supervision, coaching and mentoring; and 10 per cent formal education and training. The programme is the result of extensive research and the considered application of global best practice to Defence's unique and challenging procurement and contracting environment.
- Significant progress on a range of major commercial reform initiatives aimed at improving the efficiency and effectiveness of Defence's tendering practices and contracting outcomes. This work included significant updates to the ASDEFCON templates, including changes that reduce information demands on tenderers responding to major procurements, and the release of Defence's third-generation performance-based contracting template—ASDEFCON Support (version 3)—in response to extensive internal and industry feedback.
- Establishment of the Evaluation and Negotiation Centre of Excellence for the purpose of enhancing Defence's capability in activities relevant to the critical evaluation and negotiation phases of a procurement. In 2014 the centre established a standing offer panel that provides project teams with access to a broad range of specialist providers capable of leading, supporting or preparing Defence for complex contract negotiations.

## Approved Major Capital Investment Programme

The Approved Major Capital Investment Programme generally comprises those projects that cost more than \$20 million and which, following approval, have been transferred from the Defence Capability Plan to acquisition areas within Defence to manage the acquisition phase.

Funding for approved major capital equipment projects, including project management and overhead costs, is usually provided by Defence to the DMO under separate materiel acquisition agreements for each project. Funding is also provided to other Groups, such as the Chief Information Officer Group and the Defence Support and Reform Group, to deliver the ICT and infrastructure components of the projects. A small number of projects are led by Groups other than the DMO, such as the Chief Information Officer Group and the Intelligence and Security Group.

Projects costing between \$20 million and \$100 million are jointly approved by the Minister for Defence and the Minister for Finance. Projects costing more than \$100 million are approved by the National Security Committee of Cabinet.

## 2014–15 achievements

In 2014–15, a total of 35 submissions with a combined value of more than \$7 billion were approved. Significant approvals included:

- AIR 7403 Phase 3—Additional multi-role tanker transport aircraft
- AIR 8000 Phase 4—Additional C-17A Globemaster III heavy lift aircraft
- JP 9000 Phase 7—Helicopter aircrew training system
- LAND 2072 Phase 2B.2—Acquisition of an integrated battlefield telecommunications network and the upgrade of current radios and facilities
- SEA 1448 Phase 4B—Anzac air search radar.

## Capital Facilities Programme

The Capital Facilities Programme comprises approved and unapproved major and medium projects.

Major capital facilities projects are defined as having expenditure of more than \$15 million (including GST) and are subject to government approval and review by the Parliamentary Standing Committee on Public Works.

Medium facilities projects have expenditure of between \$500,000 and \$15 million (including GST). Projects of between \$2 million and \$15 million are subject to departmental or government approval and are notified to the Standing Committee on Public Works.

The Capital Facilities Programme develops facilities and infrastructure to support the Approved Major Capital Investment Programme, sustain current and future capability requirements, support other government initiatives, meet legislative obligations and assist initiatives that support Defence personnel. A significant proportion of the programme funding is directed towards the provision of basic engineering and infrastructure services, in support of new projects and upgrades to existing facilities.

*The following information is available online:*

- Major capital investment projects announced by government, 2014–15
- Approved capital facilities projects, by state and federal electorate
- Performance of capital facilities projects, 2014–15
- Status of programme of works foreshadowed for consideration and approval in 2014–15
- Single Living Environment and Accommodation Precinct projects, by state and federal electorates
- Major Defence establishments and bases.

## Championing future Defence capability

Brigadier Kathryn Toohey began her Army career in 1987 when she was chosen to be in one of the first intakes of the Australian Defence Force Academy. She joined the Signals Corps and served in several communications and electronic warfare units. An early career highlight was serving as a Troop Commander on an operational deployment with the United Nations Transitional Authority in Cambodia. She has also served as an instructor at the Royal Military College, as aide-de-camp to the Governor-General and as Director of Defence's Capability and Technology Management College.

Kathryn has enjoyed the diverse challenges in each of her postings, but says she feels especially privileged to be a Director General in the Capability Development Group. In charge of the Integrated Capability Development Branch, she leads an experienced team of people who are analysing and proposing to government the best options for Australia's future defence capability. In particular, Kathryn's team develops options for systems that will be used across all Services and Groups in Defence, such as those providing communications, simulation and operational information.

In addition to championing specific systems, Kathryn also oversees a specialised directorate responsible for guiding and evaluating integration between other projects and systems already in service.

'Defence employs very complex and sophisticated systems in diverse circumstances, and often in conjunction with our allies. The best way we can ensure all these capabilities work together is to consider integration as early as possible in the process, at the point of project initiation and design', Kathryn said.

### PROFILE: Kathryn Toohey



In addition to normalising integration for all projects and driving an attitude of continuous improvement, Kathryn wants her branch to be a workplace of choice.

'Fortunately, most people really want to be here anyway', she said.

'We have a diverse mix of military, public servants and contractors, all with considerable expertise and dedication. They know that the business cases they present to government have the potential to deliver capability that will remain in service and save Australian lives, long after they have retired from their own careers. It is complex work, but very rewarding.'

Kathryn admits to being highly committed to her work, so she is very grateful for the balance provided by her family—she has a husband and three school-age children. She is also a keen runner, basketball player and traveller.

# 12

## CHAPTER TWELVE

### Environmental performance



## Defence environmental performance

Sound environmental policies and processes, particularly Defence environmental impact assessments, underpin the sustainable development of the Defence estate and conduct of all Defence activities, and are in accordance with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

The environmental policies, procedures and support tools published on the Defence Estate Quality Management System, which meets the AS/NZS 9001:2008 international quality management standard, govern the environmental management of the Defence estate.

### Measures taken to minimise the impact of activities on the environment

Defence assessed and managed environmental risks and potential impacts through its ongoing programme of environmental impact assessments. Defence managed its low-risk activities using existing standard operating procedures and plans, and assessed and managed medium-level environmental risks using the Defence Environmental Clearance Certificate process and other mitigation strategies. For higher-risk activities that had a potential significant adverse impact on the environment, Defence completed comprehensive assessments, and referred these for further assessment and approval by the Commonwealth Minister for the Environment.

### Referrals

The EPBC Act requires agencies to refer any action likely to have a significant impact on the environment. Defence referred one action for formal consideration under the EPBC Act, as shown in Table 12.1. Defence had two actions subject to ongoing assessment under the EPBC Act during 2014–15, as shown in Table 12.2.

Table 12.1: Defence actions referred under the EPBC Act, 2014–15

Defence action	EPBC referral number	Date referred	Status
Removal of heritage buildings from RAAF Williamtown, NSW	2014/7324	9 September 2014	Under assessment

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Table 12.2: Defence actions subject to continuing assessment under the EPBC Act, 2014–15

Defence action	EPBC referral number	Status
Flying operations of the F-35 Joint Strike Fighter at RAAF Williamtown and Tindal and the Salt Ash Air Weapons Range	2010/5747	Under assessment
Removal of heritage buildings at RAAF Amberley, Ipswich, Qld	2014/7123	Approved, subject to conditions, on 9 June 2015

## Environmental improvement initiatives and reviews

Defence continued to meet environmental due diligence requirements at operational military bases in the Middle East region during 2014–15. Defence participated in a combined Australia and United States Environmental Monitoring Group for the planning of Exercise Talisman Sabre 2015, to provide environmental advice and assistance to participants on the ground during the exercise.

During 2014–15, Defence continued to develop and implement environmental initiatives and reviews in the following:

- ecologically sustainable development
- energy management
- water and waste management
- land management and biodiversity conservation
- interaction with marine and aquatic environments
- heritage
- climate change
- pollution prevention and contaminated sites management
- national environment protection measures
- ozone-depleting substances and synthetic gases
- Defence Environment and Heritage Panel.

## DMO environmental performance

Achievements in the DMO's environmental management included the following:

- The DMO Environmental Management System was reviewed in 2014. The review identified gaps in the integration of environmental management processes between Defence Groups and Services and those internal to the DMO throughout the capability systems lifecycle. There were also concerns regarding compliance with applicable environmental legislation.
- A project management plan for the implementation of the DMO Environmental Management System was developed to capture all the work that will be involved.
- The DMO is assisting Joint Logistics Command with preparations for Australia's ratification of the Minamata Convention on Mercury, which aims to protect human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds. The DMO advised the defence industry that the Government is in the process of ratification through a communiqué released by the CEO on 25 February 2015.

# Appendix A: Consultancies and contracts

## Overview

Defence engages consultants where it lacks specialist expertise or when independent research and assessment are required. The process for selecting consultants is consistent with Defence procurement policies and the Commonwealth Procurement Rules.

## Consulting contracts

In 2014–15, Defence (including the Defence Materiel Organisation) entered into 465 new consultancy contracts (395 with a value greater than \$10,000) involving total actual expenditure of \$61 million (including GST). In addition, 206 consultancy contracts remained active, involving total actual expenditure of \$20.6 million (including GST).

This annual report contains information about actual expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website. Table A.1 records total expenditure for consulting contracts rather than the full value of the contract.

Table A.1: **Total expenditure on consulting contracts, 2012–13 to 2014–15**

	2012–13 \$m	2013–14 \$m	2014–15 \$m
Defence	37.8	38.3	71.3
DMO	2.9	5.6	10.3

Table A.2 shows a summary sorted by Defence Group of consultancies let in 2014–15 with a contract value greater than \$10,000 (including GST).

Table A.2: **Consultancies let greater than \$10,000, by Group, 2014–15**

Group	Number of contracts let	Total contract value (\$)
Office of the Secretary and CDF	0	0
Vice Chief of the Defence Force Group	14	1,807,976
Joint Operations Command	3	928,354
Navy	0	0
Army	3	275,298
Air Force	4	443,503
Capability Development Group	0	0
Chief Finance Officer Group	12	22,851,300
Chief Information Officer Group	17	3,368,718
Defence Science and Technology Organisation	5	387,552
Defence Support and Reform Group	272	33,364,814
Intelligence and Security Group	18	1,090,824
Defence People Group	14	1,458,476
Defence Materiel Organisation	33	24,849,875
<b>Total</b>	<b>395</b>	<b>90,826,690</b>

## Australian National Audit Office access clauses

The Defence contracting templates include standard clauses providing for Auditor-General access to contractors and major subcontractors' premises, records and accounts. Defence has identified the following contracts that are exempt from the requirement to provide Auditor-General access.

Table A.3: **Contracts that do not include the ANAO access clause, 2014–15**

Group and company	(\$)	Purpose
<b>Navy</b>		
DMS Maritime Pty Ltd	87,000,000	Acquisition of multi-role aviation training vessel
<b>Total for the Navy</b>	<b>87,000,000</b>	
<b>Army</b>		
BAE Systems National Security Solution	400,406	Information technology acquisition
Indigenous Essential Services Pty Ltd	118,146	Electrical work
National Test Pilot School Inc	569,865	Specialist training
National Test Pilot School Inc	1,054,250	Specialist training
Boeing Information Space & Defense Services	460,167	Specialist training
<b>Total for the Army</b>	<b>2,602,834</b>	
<b>Intelligence and Security Group</b>		
Day Hodge Associates Pty Ltd	19,698	AGSVA communication and customer satisfaction research
<b>Total for Intelligence and Security Group</b>	<b>19,698</b>	
<b>Chief Information Officer Group</b>		
Optus Networks Pty Ltd	1,713,357	Blue Force Tracker Off-Platform services
<b>Total for Information Officer Group</b>	<b>1,713,357</b>	
<b>Defence Materiel Organisation</b>		
Foreign Military Sale	103,851	Light weapons and ammunition
Foreign Military Sale	112,457	Explosive ordnance
Foreign Military Sale	145,307	Engineering training
Foreign Military Sale	169,725	Explosive ordnance
Foreign Military Sale	242,985	Explosive ordnance
Foreign Military Sale	350,541	Pharmaceuticals
Foreign Military Sale	402,024	Spare parts for 60 mm mortar capability
Foreign Military Sale	479,879	Explosive ordnance
Foreign Military Sale	497,220	Patrol HF radios
Foreign Military Sale	586,280	Light weapons and ammunition
Foreign Military Sale	604,327	Supply liaison office administration support
Foreign Military Sale	653,680	Equipment and support
Foreign Military Sale	678,478	Explosive ordnance
Foreign Military Sale	761,817	Aircraft spare and repair parts

Table A.3 (continued)

Group and company	(\$)	Purpose
Foreign Military Sale	1,084,697	Aircraft spare and repair parts
Foreign Military Sale	1,116,866	Software support
Foreign Military Sale	1,129,450	Explosive ordnance
Foreign Military Sale	1,283,040	Equipment and support
Foreign Military Sale	1,297,236	Explosive ordnance
Foreign Military Sale	1,422,831	Software support
Foreign Military Sale	1,967,137	Aircraft equipment and services
Foreign Military Sale	2,257,239	Light weapons and ammunition
Foreign Military Sale	2,401,646	Light weapons and ammunition
Foreign Military Sale	3,703,959	Military equipment
Foreign Military Sale	3,862,886	Aircraft equipment
Foreign Military Sale	4,345,494	Management advisory services
Foreign Military Sale	5,411,344	System follow-on engineering and support services
Foreign Military Sale	5,723,450	Aeronautical products
Foreign Military Sale	5,883,120	Equipment and support
Foreign Military Sale	7,038,874	Support acquisition for Triton
Foreign Military Sale	8,429,128	Electronic equipment
Foreign Military Sale	11,226,276	Technical refresh—war vehicles
Foreign Military Sale	13,531,176	Equipment and support
Foreign Military Sale	18,657,814	Explosive ordnance
Foreign Military Sale	19,909,766	Secure communication equipment
Foreign Military Sale	21,768,078	Aircraft components and equipment
Foreign Military Sale	24,354,117	Explosive ordnance
Foreign Military Sale	26,242,295	Acquisition of missiles
Foreign Military Sale	49,165,176	Aircraft maintenance and repair services
Foreign Military Sale	55,029,101	Services, specialist personnel, tooling and parts
Foreign Military Sale	59,431,757	Acquisition of AIM 9X-2 Sidewinder
Foreign Military Sale	103,366,053	Mobile training system
Foreign Military Sale	752,596,622	Acquisition of aircraft
<b>Total for Defence Materiel Organisation</b>	<b>1,219,425,202</b>	

## Contracts exempt from AusTender

In 2014–15, Defence (excluding the DMO) reported a total of 248 contracts, standing offers or variations thereto, with a total value of \$616.1 million which were subject to an exemption under the *Freedom of Information Act 1982*.

## Advertising and market research

Defence conducted recruitment, campaign and other advertising in 2014–15 as detailed in Table A.6. Further information on the advertising campaigns is available at [www.defence.gov.au/Publications](http://www.defence.gov.au/Publications) and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at [www.finance.gov.au/advertising/index.html](http://www.finance.gov.au/advertising/index.html).

Total expenditure relating to advertising and market research paid by, or on behalf of, Defence during 2014–15.

**Table A.4: Total advertising and market research expenditure by type of agency, 2012–13 to 2014–15**

Type	2012–13 (\$)	2013–14 (\$)	2014–15 (\$)
Advertising	11,229,656	11,358,414	16,278,341
Market research	1,260,844	2,391,525	2,282,994
Polling	–	–	–
Direct mail	11,754	22,633	–
Media advertising	21,907,228	51,542,841	43,386,073
<b>Total</b>	<b>34,409,482</b>	<b>65,315,413<sup>1</sup></b>	<b>61,947,408</b>

### Note

1. The figure of \$61.578 million in the *Defence Annual Report 2013–14* was incorrect. It should have been \$65.315 million GST inclusive. The error emerged as the total was not GST inclusive and resulted in a miscalculation of totals.

**Table A.5: Total advertising and market research expenditure by Group, 2012–13 to 2014–15**

Group	2012–13 (\$)	2013–14 (\$)	2014–15 (\$)
Office of the Secretary and Chief of the Defence Force	40,334	33,443	88,102
Navy	81,836	738,163	48,738
Army	40,969	70,044	44,337
Air Force	147,617	265,158	154,324
Intelligence and Security Group	92,640	39,185	31,716
Chief Operating Officer	–	108,806	8,480
Defence Support and Reform Group	458,333	128,467	235,201
Chief Information Officer Group	315,766	323,995	25,671
Defence People Group	32,933,303	63,343,289	60,967,930
Defence Science and Technology Organisation	25,985	23,068	14,927
Vice Chief of the Defence Force Group	25,985	204,036	131,414
Joint Operations Command	–	–	–
Capability Development Group	–	–	–
Chief Finance Officer Group	728	–	–
Defence Materiel Organisation	44,024	37,759	196,569
<b>Total</b>	<b>34,207,520</b>	<b>65,315,413</b>	<b>61,947,408</b>

Details of the persons or organisations paid are provided only for payments of more than \$12,565 (including GST).

Table A.6: **Total advertising and market expenditure by Group, type and company, 2014–15**

Group, type and company	(\$)	Purpose
<b>Office of the Secretary and CDF</b>		
Market research		
Australian National University	38,500	Production of a report on extant opinion poll data on Australian attitudes to defence and security issues
Media advertising		
Mitchell and Partners Australia	18,218	Advertising for public submissions to the White Paper
Mitchell and Partners Australia	22,867	Advertising public submission process
<b>Navy</b>		
Advertising		
Spatchurst Design Associates	11,649	Advertising on panels—Naval Heritage Collection
Media advertising		
Spatchurst Design Associates	2,517	Brochure design for museums
<b>Army</b>		
Media advertising		
APN News & Media Limited	28,419	To inform the community about military activities
<b>Air Force</b>		
Advertising		
Star News Malaysia	20,451	Recruitment advertising
Star News Malaysia	517	Vehicle disposal
Media advertising		
Last Minute Media	46,509	Royal Australian Air Force Museum advertising
<b>Intelligence and Security Group</b>		
Market research		
Day Hodge Associates Pty Ltd	19,698	AGSVA communication and customer satisfaction research
<b>Defence Support and Reform Group</b>		
Advertising		
Mitchell Adcorp Alliance Pty Ltd	33,457	Newspaper advertising for NACC
Countrywide Australia Pty Ltd	69,212	Child Safety Handbook—UXO message
Mitchell Adcorp Alliance Pty Ltd	11,978	Public notices legal
Mitchell Adcorp Alliance Pty Ltd	83,028	Public notices (NSW, ACT, Tas.)
<b>Defence People Group</b>		
Advertising		
Havas Worldwide Australia Pty Ltd	14,191,879	ADF recruitment advertising
Mitchell Adcorp Alliance Pty Ltd	35,705	Online advertising and targetted e-mails for marketing of Defence civilian graduate programmes

Table A.6 (continued)

Group, type and company	(\$)	Purpose
Market research		
GFK Australia Pty Ltd	63,470	Qualitative and quantitative research to maximise ADF recruitment targets
Hall and Partners Open Mind	1,749,336	Qualitative and quantitative research to maximise ADF recruitment targets
Horizon Research	291,774	Qualitative and quantitative research to maximise ADF recruitment targets
Media advertising		
Universal McCann Australia	29,113	Planning and placement of campaign advertising, including dissemination and other fees
Adcorp Australia	83,243	Planning and placement of non-campaign advertising
Mitchell and Partners	39,855,612	Planning and placement of campaign advertising including dissemination and other fees
<b>Defence Science and Technology Organisation</b>		
Advertising		
Mitchell and Partners Australia Pty Ltd	14,927	Advertising the Capability and Technology Demonstrator Programme
<b>Vice Chief of the Defence Force Group</b>		
Advertising		
Mitchell Adcorp Alliance Pty Ltd	13,651	Non-campaign advertising, including dissemination and other fees
Market research		
Newspoll	114,285	Employer research to measure the level of awareness among employers of Reserves and Reserve Service
<b>Defence Materiel Organisation</b>		
Advertising		
YAFFA	27,253	Promote conferences and courses
Media advertising		
Adcorp Australia Pty Ltd	161,097	Promote conferences and courses

## Legal expenses

### Defence

Expenditure on internal and external legal services in 2014–15 is shown in tables A.7 to A.9. Internal expenses include salaries for military and civilian staff, divisional operating costs and military justice reimbursements. External expenses are professional fees, disbursements and legal assistance at Commonwealth expense.

Table A.7: **Estimated expenditure on internal and external legal services, 2013–14 and 2014–15**

Type of legal expenditure	2013–14 (GST inclusive) \$m	2014–15 (GST inclusive) \$m	2014–15 (GST exclusive) <sup>(1)</sup> \$m
Internal	41.8	42.3	42.0
External	21.3	23.6	21.5
<b>Total</b>	<b>63.1</b>	<b>65.9</b>	<b>63.5</b>

**Note**

1. As opposed to previous years, legal compliance reporting to the Attorney-General's Department is now done on a GST exclusive basis.

Table A.8: **Estimated cost breakdown of internal legal expenses, 2013–14 and 2014–15**

Items	2013–14 (GST inclusive) \$m	2014–15 (GST inclusive) \$m	2014–15 (GST exclusive) \$m
Salaries for military lawyers	18.5	19.2	19.2
Salaries for civilian staff	13.3	12.8	12.8
ADF Reserve legal officers	6.8	6.3	6.3
Operating costs of the division	2.9	3.6	3.3
Military justice disbursements	0.3	0.4	0.4
<b>Total</b>	<b>41.8</b>	<b>42.3</b>	<b>42.0</b>

Table A.9: **Estimated cost breakdown of external legal expenses, 2013–14 and 2014–15**

Items	2013–14 (GST inclusive) \$m	2014–15 (GST inclusive) \$m	2014–15 (GST exclusive) \$m
Professional fees—Defence legal panel	19.7	19.6	17.8
Disbursements	1.6	2.8	2.6
Legal assistance at Commonwealth expense	—	1.2	1.1
<b>Total</b>	<b>21.3</b>	<b>23.6</b>	<b>21.5</b>

## Defence Materiel Organisation

DMO expenditure on internal and external legal services is shown in tables A.10 to A.12. Internal expenditure includes salaries for civilian staff and operating costs that are directly related to the provision of legal services by DMO. External expenditure includes professional fees, disbursements and other legal expenditure incurred principally through the Strategic Commercial Legal Panel.

Table A.10: **Estimated expenditure on internal and external legal services, 2013–14 and 2014–15**

Type of legal expenditure	2013–14 \$m	2014–15 \$m
Internal	3.1	2.99
External	11.0	12.16
<b>Total</b>	<b>14.1</b>	<b>15.15</b>

Table A.11: **Estimated cost breakdown of internal legal expenses, 2013–14 and 2014–15**

Items	2013–14 \$m	2014–15 \$m
Salaried legal staff costs	3.0	2.95
Operating costs attributable to legal services	0.2	0.04
<b>Total</b>	<b>3.2</b>	<b>2.99</b>

Table A.12: **Expenditure on external legal services, 2013–14 and 2014–15**

Items	2013–14 \$m	2014–15 \$m
Professional fees—Defence legal panel	11.0	11.87
Professional fees—Attorney-General's Department	–	0.00
Legal expenditure—other	–	0.29
<b>Total</b>	<b>11.0</b>	<b>12.16</b>

# Appendix B: Grants and payments

## List and description of grants

### Defence

Table B.1: **Approved grants, 2013–14 and 2014–15**

	2013–14 actual \$'000 <sup>[1]</sup>	2014–15 actual \$'000 <sup>[1]</sup>
<b>Grants programme</b>		
Army History Research Grants Scheme	52	64
Family Support Funding Programme	1,304	1,443
<b>Other grants</b>		
Afghan National Army Trust Fund Contribution	42,808	104,398
Australia–Canada Security Cooperation Project	18	–
Australian Member Committee of the Council for Security Cooperation in the Asia–Pacific multi-year grant)	55	59
Australian National University—Shedden Professor of Strategic Policy Studies position (multi-year grant)	238	270
Australian Strategic Policy Institute (multi-year grant)	3,196	3,276
Australian Strategic Policy Institute—Africa Dialogue, July 2013	18	–
Fisher House Foundation (multi-year grant)	25	25
International Institute for Strategic Studies	89	–
Kokoda Foundation	160	–
Multinational Force and Observers (multi-year grant)	558	626
Professor Peter Stanley of the University of New South Wales—Indians and ANZACs on Gallipoli project	18	–
Royal United Services Institute of Australia	97	–
Strategic and Defence Centre Post Doctoral Fellowship (multi-year grant)	64	143
Sir Richard Williams Foundation	50	50
United Nations—Peace Operations Training Institute e-Learning for African Peace Keepers	43	51
Yakannarra Community School	3	–
Australian Strategic Policy Institute—North East Asia Defence and Security 1.5 Track Forum	–	136
Australian War Memorial—Official History of Peacekeeping, Humanitarian and Post-Cold War Operations	–	800
Australian War Memorial—Anzac Centenary Travelling Exhibition	–	2,727
Defence Science and Technology Organisation Industry Placement Programme 2015	–	142
United Nations—Department of Peacekeeping Operations review of technologies	–	102
United Nations research projects	–	239

	2013–14 actual \$'000 <sup>[1]</sup>	2014–15 actual \$'000 <sup>[1]</sup>
Kokoda Foundation—Australia – United States Trilogy Dialogue	–	130
Kokoda Foundation—Young Leaders Strategic Programme	–	30
Army and Air Force Canteen Service	–	400
The Australian Sailor Pty Ltd	–	150
Royal Melbourne Institute of Technology—PhD study	–	64
University of Melbourne—PhD study	–	38
<b>Total grants paid</b>	<b>48,796<sup>[2]</sup></b>	<b>115,363</b>

**Notes**

1. Figures are GST exclusive.
2. Total may not add due to rounding.

## Defence Materiel Organisation

Information on recipients of discretionary grants provided by the DMO during the period 1 July 2014 to 30 June 2015 is available online for the Skilling Australia's Defence Industry Programme, the Industry Skilling Enhancement package, the Priority Industry Capability Innovation Programme and the New Air Combat Capability—Industry Support Programme. In 2014–15 more than 140 grants were awarded at a total value of around \$14.3 million (GST inclusive).

Table B.2: **DMO grants paid, 2013–14 and 2014–15**

	2013–14 actual \$'000	2014–15 actual \$'000
Skilling Australia's Defence Industry	7,348	3,441
Priority Industry Capability Innovation Programme	3,545	2,083
Industry Skilling Enhancement	1,478	237
New Air Combat Capability—Industry Support Programme	629	1,169
<b>Total</b>	<b>13,000</b>	<b>6,930</b>

## Payment of accounts

In 2014–15, Defence paid 1,997,627 or 99.2 per cent of all payment transactions by their due date. This result is ahead of the 90 per cent government benchmark. The volume of payments through Defence Purchase and Travel Cards represents more than 79 per cent (2013–14, 80 per cent) of all payments, which continues to have a positive effect on the paid-by-due-date result.

**Table B.3: Accounts paid by due date, 2012–13 to 2014–15**

	2012–13	2013–14	2014–15
Number of accounts paid	1,694,617	1,748,114	2,013,583
Accounts paid by due date	1,675,847	1,736,673	1,997,627
Percentage of accounts paid by due date	98.9	99.4	99.2

## Tactical payment scheme

The tactical payment scheme was legislated on 1 July 2009, under sections 123H and J of the Defence Act. The scheme was introduced in 2009–10 to provide a means for making expeditious non-liability payments resulting from military actions by deployed forces. This scheme is critical for maintaining local community support and thereby ensuring the safety of deployed forces.

In 2014–15, six individual payments totalling \$1,930 were made under the scheme. All six payments were a consequence of minor damage to property from motor vehicles. Further information is outlined in Note 31 in the Defence financial statements in Volume Two of this report.

# Appendix C: Corrections

## 2013–14 Annual Report

### Page 158, paragraph 1 (Parliamentary business)

Defence provided eight written submissions.  
Defence witnesses appeared at 12 public hearings.

### Page 158, Table 10.1 (Defence's parliamentary contribution, 2011–12 to 2013–14)

Written submissions for 2013–14 amended to 8.  
Public hearings for 2013–14 amended to 12.  
Private briefings for 2012–13 amended to 4.  
Total for 2013–14 amended to 54.

### Page 158 and 159 Table 10.2 (Defence's involvement with joint committees, 2013–14)

#### **The following inquiries did not have Defence involvement in the reporting period:**

SEA 4000 Air Warfare Destroyer  
Inquiry into Australia's Relationship with Timor-Leste  
Inquiry into the Review of the Defence Annual Report 2011–12  
Inquiry into Government Support for Australian Defence Industry Exports  
Report 443—Review of Auditor-General's Report Numbers 23 and 25 (2012–13) and 32 (2012–13) to 9 (2013–14).

### Page 158, Table 10.2 (Defence's involvement with joint committees, 2013–14)

#### **Defence involvement with joint committees omitted in error:**

Inquiry into the Development of Northern Australia  
Report 436—Review of the 2011–12 Major Projects Report  
Auditor-General's Report No. 6—Capability Development Reform  
Auditor-General's Report No. 25—Defence's Implementation of Audit Recommendations.

### Page 159, Table 10.3 (Defence's involvement with Senate committees, 2013–14)

#### **Defence involvement with Senate committees omitted in error:**

Public Interest Immunity Inquiry.

## 2011–12 Annual Report

### Page 328, paragraph 2 (The tactical payments scheme)

In 2011–12, 1,041 individual payments totalling \$44,733 were made under the tactical payments scheme.

## Appendix D: List of requirements

Part of report	Description	Requirement	Page
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	iv–v
	Index	Mandatory	199
	Glossary [acronyms and abbreviations]	Mandatory	198
	Contact officer(s)	Mandatory	208
	Internet home page address and internet address for report	Mandatory	208
<b>Defence overview</b>			
Review by Secretary			
	Review by departmental secretary	Mandatory	1–3
	Summary of significant issues and developments	Suggested	1–5
	Overview of department's performance and financial results	Suggested	12–14
	Outlook for following year	Suggested	1–5, 11
	Significant issues and developments—portfolio	Portfolio departments—suggested	1–5
Departmental overview			
	Role and functions	Mandatory	7
	Organisational structure	Mandatory	8–9
	Outcome and programme structure	Mandatory	inside front cover
	Where outcome and programme structure differs from Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio statements accompanying any other additional appropriation bills, details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Portfolio departments—mandatory	8
<b>Performance</b>			
	Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory	23–114
	Actual performance in relation to deliverables and key performance indicators set out in Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio statements	Mandatory	23–114
	Where performance targets differ from the Portfolio Budget Statements, Portfolio Additional Estimates Statements, details of both former and new targets, and reasons for the change	Mandatory	N/A
	Narrative discussion and analysis of performance	Mandatory	23–114
	Trend information	Mandatory	23–114
	Significant changes in nature of principal functions/services	Suggested	N/A
	Performance of purchaser/provider arrangements	If applicable, suggested	175–177

Part of report	Description	Requirement	Page
	Factors, events or trends influencing departmental performance	Suggested	23–114
	Contribution of risk management in achieving objectives	Suggested	23–114
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	163–164
	Discussion and analysis of the department's financial performance	Mandatory	12, 23–114
	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	12, 23–114
	Agency resource statement and summary resource tables by outcomes	Mandatory	12–14, 24–26, 77–79, 87, 93–94

### Management and accountability

#### Corporate governance

Agency heads are required to certify their agency's actions in dealing with fraud	Mandatory	iii
Statement of the main corporate governance practices in place	Mandatory	113–114, 160–161
Names of the senior executive and their responsibilities	Suggested	23–114
Senior management committees and their roles	Suggested	113–114, 160–161
Corporate and operational plans and associated performance reporting and review	Suggested	11, 27, 121–122
Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	160, 162
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	161–162
How nature and amount of remuneration for SES officers is determined	Suggested	52, 133–136

#### External scrutiny

Significant developments in external scrutiny	Mandatory	167–172
Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	170–171
Reports by the Auditor-General, a parliamentary committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	171–172

#### Management of human resources

Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	137
Workforce planning, staff retention and turnover	Suggested	128–132
Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian workplace agreements	Suggested	134–135, 150
Training and development undertaken and its impact	Suggested	137
Work health and safety performance	Suggested	139–142

Part of report	Description	Requirement	Page
	Productivity gains	Suggested	136
	Statistics on staffing	Mandatory	15–16
	Statistics on employees who identify as Indigenous	Mandatory	153–154
	Enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian workplace agreements	Mandatory	134–135
	Performance pay	Mandatory	136
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	175
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	175–177
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website	Mandatory	183, 189–190
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	184–185
Exempt contracts	Contracts exempted from publication in AusTender	Mandatory	177
Small business	Procurement initiatives to support small business	Mandatory	176–177
<b>Financial statements</b>		<b>Mandatory</b>	<b>Volume Two</b>
<b>Other mandatory information</b>			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i> )	Mandatory	139–142
	Advertising and market research (section 311A of the <i>Commonwealth Electoral Act 1918</i> ) and statement on advertising campaigns	Mandatory	186–188
	Ecologically sustainable development and environmental performance (section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )	Mandatory	181–182
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	N/A
	Grant programmes	Mandatory	191–192
	Disability reporting—explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	155–156
	Information Publication Scheme statement	Mandatory	172
	Correction of material errors in previous annual report	If applicable, mandatory	194
	Agency resource statements and resources for outcomes	Mandatory	12–14, 24–26, 77–79, 87, 93–94
	List of requirements	Mandatory	195–197

# Acronyms and abbreviations

Section 5(1)(c) of Attachment A of the *Requirements for annual reports for departments, agencies and FMA Act bodies* (May 2014) states that an annual report must contain 'a glossary to make clear the meanings of any abbreviations and acronyms used'. This list of abbreviations and acronyms fulfils that requirement.

ADF	Australian Defence Force
AGSVA	Australian Government Security Vetting Agency
ANAO	Australian National Audit Office
ANDSF	Afghan National Defense and Security Forces
APS	Australian Public Service
ASD	Australian Signals Directorate
CDF	Chief of the Defence Force
CEO	Chief Executive Officer
DMO	Defence Materiel Organisation
DSTO	Defence Science and Technology Organisation
FOI	freedom of information
FTE	full-time equivalent
GST	goods and services tax
HMAS	Her Majesty's Australian Ship
ICT	information and communication technology
IGADF	Inspector-General of the Australian Defence Force
LGBTI	lesbian, gay, bisexual, transgender and intersex
LHD	landing helicopter dock
MRH	multi-role helicopter
NAIDOC	National Aborigines and Islanders Day Observance Committee
NATO	North Atlantic Treaty Organization
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RAAF	Royal Australian Air Force
RAN	Royal Australian Navy
SeMPRO	Sexual Misconduct Prevention and Response Office
SES	Senior Executive Service
VCDF	Vice Chief of the Defence Force
WHS	work health and safety

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# DEFENCE

ANNUAL REPORT

## 2014–15

Volume Two  
Audited financial statements

Commemorating the  
Centenary of Anzac





# DEFENCE

ANNUAL REPORT

# 2014–15

Volume Two  
Audited financial statements

## **Purpose of the annual report**

This report covers the Department of Defence, the Australian Defence Force and the Defence Materiel Organisation—collectively known as Defence.

Portfolio Budget Statements, Additional Estimates Statements and annual reports are the principal formal accountability mechanisms between the Government, departments and the Parliament. Portfolio Budget Statements set out performance targets for departmental programmes, Portfolio Additional Estimates Statements may contain revised targets, and annual reports describe achievement against the targets. Annual reports are designed to link performance during the year under review with performance and financial forecasts contained in the Portfolio Budget Statements for the following year. This report covers the period 1 July 2014 to 30 June 2015.

## **Report structure**

The report is structured according to annual report requirements published by the Department of the Prime Minister and Cabinet. The report is published in two volumes for ease of access.

### ***Volume One: Performance, governance and accountability***

**Part One** provides an overview of Defence, its structure and its strategic direction.

**Part Two** discusses performance against each of Defence's programmes.

**Part Three** provides details of organisational governance and accountability.

### ***Volume Two: Audited financial statements***

This volume contains the audited financial statements.

## **Online content**

An electronic version of this report and supplementary content that includes additional detailed information can be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports).

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# INSIDE THE REPORT



# Consolidated financial statements

Table CFS1: Consolidated departmental statement of comprehensive income

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Expenses</b>				
Employee benefits	11,133,849	10,875,293	10,871,322	–3,971
Supplier expenses	11,285,820	11,770,597	11,080,721	–689,876
Grants	102,031	106,063	122,247	16,184
Depreciation and amortisation	4,179,463	4,290,082	4,258,738	–31,344
Finance costs	146,644	150,625	128,303	–22,322
Write-down and impairment of assets	828,637	956,605	1,421,948	465,343
Foreign exchange losses	–	–	41,815	41,815
Losses from asset sales	–	–	51,643	51,643
Other expenses	45,389	25,554	116,762	91,208
<b>Total expenses</b>	<b>27,721,833</b>	<b>28,174,819</b>	<b>28,093,499</b>	<b>–81,320</b>
<b>Less:</b>				
<b>Own-source income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services (including cost recovery)	525,483	558,616	364,809	–193,807
Rental income	–	–	219,630	219,630
Other revenue	61,982	59,533	95,583	36,050
<b>Total own-source revenue</b>	<b>587,465</b>	<b>618,149</b>	<b>680,022</b>	<b>61,873</b>
<b>Gains</b>				
Sale of assets	24,906	8,893	–	–8,893
Foreign exchange gains	–	–	–	–
Reversals of previous asset write-downs	339,091	313,518	302,190	–11,328
Other gains	6,354	5,254	37,271	32,017
<b>Total gains</b>	<b>370,351</b>	<b>327,665</b>	<b>339,461</b>	<b>11,796</b>
<b>Total own-source income</b>	<b>957,816</b>	<b>945,814</b>	<b>1,019,483</b>	<b>73,669</b>
<b>Net cost of services</b>	<b>26,764,017</b>	<b>27,229,005</b>	<b>27,074,016</b>	<b>–154,989</b>
Revenue from government	26,764,017	27,229,005	27,177,834	–51,171
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>–</b>	<b>–</b>	<b>103,818</b>	<b>103,818</b>
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>–</b>	<b>–</b>	<b>103,818</b>	<b>103,818</b>
Changes in asset revaluation reserves	–	–	407,115	407,115
<b>Total comprehensive income (loss) attributable to the agency</b>	<b>–</b>	<b>–</b>	<b>510,933</b>	<b>510,933</b>

## Notes

1. As published in the Portfolio Budget Statements 2014–15, Table 66.

2. As published in the Portfolio Budget Statements 2015–16, Table 67.

Table CFS2: Consolidated departmental balance sheet

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Assets held for sale</b>				
<b>Financial assets</b>				
Cash and cash equivalents	130,466	142,732	11,531	–131,201
Trade and other receivables	765,946	806,021	1,108,884	302,863
<b>Total financial assets</b>	<b>896,412</b>	<b>948,753</b>	<b>1,120,415</b>	<b>171,662</b>
<b>Non-financial assets</b>				
Land and buildings	16,282,730	17,375,667	17,654,513	278,846
Specialist military equipment	43,842,701	43,661,175	42,651,237	–1,009,938
Infrastructure, plant and equipment	7,383,431	7,117,855	7,357,372	239,517
Heritage and cultural	1,023,969	1,002,315	1,006,948	4,633
Intangibles	553,916	839,298	818,336	–20,962
Inventories	5,941,559	6,297,113	6,463,531	166,418
Prepayments	1,582,752	1,757,021	3,203,900	1,446,879
<b>Total non-financial assets</b>	<b>76,611,058</b>	<b>78,050,444</b>	<b>79,155,837</b>	<b>1,105,393</b>
Assets held for sale	52,399	28,693	37,684	8,991
<b>Total assets</b>	<b>77,559,869</b>	<b>79,027,890</b>	<b>80,313,936</b>	<b>1,286,046</b>
<b>Liabilities</b>				
<b>Payables</b>				
Suppliers	2,219,847	2,475,061	2,475,680	619
Other	429,357	297,939	353,130	55,191
<b>Total payables</b>	<b>2,649,204</b>	<b>2,773,000</b>	<b>2,828,810</b>	<b>55,810</b>
<b>Interest-bearing liabilities</b>				
Leases	1,321,565	1,427,990	1,440,999	13,009
<b>Total interest-bearing liabilities</b>	<b>1,321,565</b>	<b>1,427,990</b>	<b>1,440,999</b>	<b>13,009</b>
<b>Provisions</b>				
Employee provisions	2,510,632	2,519,722	2,515,237	–4,485
Restoration, decontamination and decommissioning	934,431	957,728	1,001,192	43,464
Other	8,895	5,318	1,363	–3,955
<b>Total provisions</b>	<b>3,453,958</b>	<b>3,482,768</b>	<b>3,517,792</b>	<b>35,024</b>
<b>Total liabilities</b>	<b>7,424,727</b>	<b>7,683,758</b>	<b>7,787,601</b>	<b>103,843</b>
<b>Net assets</b>	<b>70,135,142</b>	<b>71,344,132</b>	<b>72,526,335</b>	<b>1,182,203</b>
<b>Equity</b>				
Contributed equity	21,858,434	22,154,536	22,476,984	322,448
Reserves	14,729,974	14,892,641	15,299,756	407,115
Retained surplus (accumulated deficit)	33,546,734	34,296,955	34,749,595	452,640
<b>Total equity</b>	<b>70,135,142</b>	<b>71,344,132</b>	<b>72,526,335</b>	<b>1,182,203</b>

**Notes**

1. As published in the *Portfolio Budget Statements 2014–15*, Table 67.
2. As published in the *Portfolio Budget Statements 2015–16*, Table 68.

Table CFS3: Consolidated departmental net cost of service (cash)

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Operating activities</b>				
<b>Cash received</b>				
Goods and services (including cost recovery)	525,483	558,603	1,586,101	1,027,498
Net GST received	1,537,528	1,587,216	1,346,239	-240,977
Other cash received	121,613	113,073	89,895	-23,178
<b>Total cash received</b>	<b>2,184,624</b>	<b>2,258,892</b>	<b>3,022,235</b>	<b>763,343</b>
<b>Cash used</b>				
Employees	-11,086,613	-10,830,533	-10,962,174	-131,641
Suppliers	-10,147,584	-10,714,324	-12,051,220	-1,336,896
Net GST paid	-1,537,528	-1,587,216	-676,768	910,448
Grants	-102,031	-106,063	-127,062	-20,999
Other cash used	-45,389	-25,054	-55,337	-30,283
<b>Total cash used</b>	<b>-22,919,145</b>	<b>-23,263,190</b>	<b>-23,872,561</b>	<b>-609,371</b>
<b>Net cash flows from (used by) operating activities</b>	<b>-20,734,521</b>	<b>-21,004,298</b>	<b>-20,850,326</b>	<b>153,972</b>
<b>Investing activities</b>				
<b>Cash received</b>				
Proceeds from sales of land and buildings	61,675	92,317	65,182	-27,135
Proceeds from sales of specialist military equipment	7,549	7,549	1,652	-5,897
Proceeds from sales of infrastructure, plant and equipment	28,000	28,000	31,310	3,310
Other cash received	-	287	181	-106
<b>Total cash received</b>	<b>97,224</b>	<b>128,153</b>	<b>98,325</b>	<b>-29,828</b>
<b>Cash used</b>				
Purchase of land and buildings	-961,469	-1,083,027	-922,712	160,315
Purchase of specialist military equipment	-5,677,403	-6,011,568	-6,302,121	-290,553
Purchase of infrastructure, plant and equipment	-520,008	-579,938	-493,795	86,143
Purchase of heritage and cultural assets	-	-	-80	-80
Purchase of intangibles	-75,210	-118,432	-81,935	36,497
Purchase of inventory	-1,161,511	-1,064,033	-1,005,880	58,153
Selling costs on sale of assets	-2,787	-6,372	-2,609	3,763
Finance costs	-110,532	-110,532	-101,151	9,381
<b>Total cash used</b>	<b>-8,508,920</b>	<b>-8,973,902</b>	<b>-8,910,283</b>	<b>63,619</b>
<b>Net cash flows from (used by) investing activities</b>	<b>-8,411,696</b>	<b>-8,845,749</b>	<b>-8,811,958</b>	<b>33,791</b>

Table CFS3 (continued)

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Financing activities</b>				
<b>Cash used</b>				
Repayment of debt (including finance lease principal)	-76,537	-76,537	-111,995	-35,458
Return of contributed equity	-	-	-	-
<b>Total cash used</b>	<b>-76,537</b>	<b>-76,537</b>	<b>-111,995</b>	<b>-35,458</b>
<b>Net cash from (used by) financing activities</b>	<b>-76,537</b>	<b>-76,537</b>	<b>-111,995</b>	<b>-35,458</b>
<b>Total net cost of service</b>	<b>-29,222,754</b>	<b>-29,926,584</b>	<b>-29,774,279</b>	<b>152,305</b>
<b>Funded by</b>				
<b>Appropriations</b>				
Appropriations (current year)	26,759,929	27,153,560	26,962,282	-191,278
Appropriations (prior year)	-	-	-	-
Receipts from official public account	-	-	1,036,575	1,036,575
Receipts transferred to the official public account	-853	-853	-1,038,985	-1,038,132
Appropriations—contributed equity (current year)	2,463,678	2,758,491	2,758,491	-
<b>Total appropriations</b>	<b>29,222,754</b>	<b>29,911,198</b>	<b>29,718,363</b>	<b>-192,835</b>
Change in cash at bank	-	15,386	55,916	40,530
<b>Total funding source</b>	<b>29,222,754</b>	<b>29,926,584</b>	<b>29,774,279</b>	<b>-152,305</b>

**Notes**

1. As published in the *Portfolio Budget Statements 2014–15*, Table 68.
2. As published in the *Portfolio Budget Statements 2015–16*, Table 69.

Table CFS4: Consolidated administered net cost of service (cash)

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Cost of service</b>				
Employees	2,120,422	2,137,800	2,148,777	10,977
Subsidies	113,164	104,532	98,346	-6,186
Grants	-	-	-	-
Loans	85,000	-	-	-
<b>Total cash used</b>	<b>2,318,586</b>	<b>2,242,332</b>	<b>2,247,123</b>	<b>4,791</b>
<b>Cash received</b>				
Military superannuation contributions	1,324,094	1,316,539	1,369,877	53,338
Fees	13,335	13,953	17,880	3,927
Interest	35,041	29,636	28,674	-962
Dividends	50,525	53,991	55,530	1,539
Other	51,375	38,337	50,440	12,103
<b>Total cash received</b>	<b>1,474,370</b>	<b>1,452,456</b>	<b>1,522,401</b>	<b>69,945</b>
<b>Net cost of service (cash)</b>	<b>844,216</b>	<b>789,876</b>	<b>724,722</b>	<b>-65,154</b>

Table CFS4 (continued)

	2014-15 budget estimate <sup>(1)</sup> \$'000	2014-15 revised estimate <sup>(2)</sup> \$'000	2014-15 actual result \$'000	Variation \$'000
<b>Funded by</b>				
Cash from the official public account for appropriations	2,318,586	2,242,332	2,247,123	4,791
Cash transfer to the official public account	-1,474,370	-1,452,456	-1,522,401	-69,945
Cash holdings at the beginning of the reporting period	-	-	-	-
<b>Total funding source</b>	<b>844,216</b>	<b>789,876</b>	<b>724,722</b>	<b>-65,154</b>

**Notes**1. As published in the *Portfolio Budget Statements 2014-15*, Table 71.2. As published in the *Portfolio Budget Statements 2015-16*, Table 72.

Table CFS5: Consolidated administered income and expenses

	2014-15 budget estimate <sup>(1)</sup> \$'000	2014-15 revised estimate <sup>(2)</sup> \$'000	2014-15 actual result \$'000	Variation \$'000
<b>Expenses administered on behalf of government</b>				
Military superannuation benefits	4,707,555	5,802,000	5,760,238	-41,762
Military retention benefits	95,883	95,883	68,389	-27,494
Subsidies	113,164	104,532	98,363	-6,169
Other	-	-	11	11
<b>Total expenses</b>	<b>4,916,602</b>	<b>6,002,415</b>	<b>5,927,001</b>	<b>-75,414</b>
<b>Income administered on behalf of government</b>				
Interest	35,041	29,636	28,744	-892
Foreign exchange gains	-	-	1,177	1,177
Military superannuation contributions	1,324,094	1,316,539	1,285,809	-30,730
Dividends	47,795	50,274	54,637	4,363
Fees	13,335	13,953	14,297	344
Other	50,877	29,967	47,040	17,073
<b>Total income</b>	<b>1,471,142</b>	<b>1,440,369</b>	<b>1,431,704</b>	<b>-8,665</b>

**Notes**1. As published in the *Portfolio Budget Statements 2014-15*, Table 69.2. As published in the *Portfolio Budget Statements 2015-16*, Table 70.

Table CFS6: Consolidated assets and liabilities administered on behalf of government

	2014–15 budget estimate <sup>[1]</sup> \$'000	2014–15 revised estimate <sup>[2]</sup> \$'000	2014–15 actual result \$'000	Variation \$'000
<b>Assets administered on behalf of government</b>				
<b>Financial assets</b>				
Cash and cash equivalents	–	–	–	–
Receivables	66,768	64,694	74,417	9,723
Investments accounted for using the equity method	2,270,046	2,327,338	2,488,389	161,051
Loans	594,580	509,580	509,580	–
<b>Total financial assets</b>	<b>2,931,394</b>	<b>2,901,612</b>	<b>3,072,386</b>	<b>170,774</b>
<b>Non-financial assets</b>				
Prepayments	153,890	161,036	173,539	12,503
<b>Total non-financial assets</b>	<b>153,890</b>	<b>161,036</b>	<b>173,539</b>	<b>12,503</b>
<b>Total assets administered on behalf of government</b>	<b>3,085,284</b>	<b>3,062,648</b>	<b>3,245,925</b>	<b>183,277</b>
<b>Liabilities administered on behalf of government</b>				
<b>Payables</b>				
Other	5,543	7,169	5,502	–1,667
<b>Total payables</b>	<b>5,543</b>	<b>7,169</b>	<b>5,502</b>	<b>–1,667</b>
<b>Provisions</b>				
Superannuation — DFRB <sup>[3]</sup>	477,100	449,350	537,400	88,050
Superannuation — DFRDB <sup>[4]</sup>	30,756,000	30,273,280	42,408,000	12,134,720
Superannuation — MSBS <sup>[5]</sup>	28,101,878	28,895,151	51,156,000	22,260,849
<b>Total provisions</b>	<b>59,334,978</b>	<b>59,617,781</b>	<b>94,101,400</b>	<b>34,483,619</b>
<b>Total liabilities administered on behalf of government</b>	<b>59,340,521</b>	<b>59,624,950</b>	<b>94,106,902</b>	<b>34,481,952</b>

**Notes**

1. As published in the *Portfolio Budget Statements 2014–15*, Table 70.
2. As published in the *Portfolio Budget Statements 2015–16*, Table 71.
3. Defence Force Retirement Benefits.
4. Defence Force Retirement and Death Benefits.
5. Military Superannuation and Benefits Scheme.

# Department of Defence

## Financial statements

*for the period ended 30 June 2015*



Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

I have audited the accompanying annual financial statements of the Department of Defence for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Accountable Authority's Responsibility for the Financial Statements*

The Secretary of the Department of Defence is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Independence*

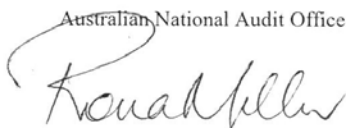
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### *Opinion*

In my opinion, the financial statements of the Department of Defence:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Defence as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Rona Mellor PSM  
Acting Auditor-General  
Canberra  
16 September 2015

**Department of Defence**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Defence will be able to pay its debts as and when they fall due.

Signed



Mr. Dennis Richardson  
Secretary - Defence  
16 September 2015

Signed



Mr. Phillip Prior  
Chief Finance Officer - Defence  
16 September 2015

**Department of Defence**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2015

		2015 \$'000	2014 \$'000
<b>NET COST OF SERVICES</b>			
	<b>Notes</b>		
<b>EXPENSES</b>			
Employee benefits	3A	10,356,236	10,172,387
Suppliers expenses	3B	11,800,680	10,566,252
Grants	3C	115,364	48,796
Depreciation and amortisation	3D	4,257,845	3,867,716
Finance costs	3E	137,869	129,106
Write-down and impairment of assets	3F	1,421,750	852,653
Foreign exchange losses	3G	2,054	3,502
Losses from asset sales	3H	51,643	4,340
Other expenses	3I	116,742	89,137
<b>Total Expenses</b>		<b>28,260,183</b>	<b>25,733,889</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-Source Revenue</b>			
Provision of goods and rendering of services (including cost recovery)	4A	278,984	278,084
Sustainment expenditure recovered from DMO	4B	187,101	169,455
Recovery of military salaries from DMO		181,883	172,919
Group rental scheme		211,924	206,829
Resources received free of charge - DMO		686,860	743,365
Rental income	4C	7,706	7,460
Other revenue	4D	96,117	118,434
<b>Total Own-Source Revenue</b>		<b>1,650,575</b>	<b>1,696,546</b>
<b>Gains</b>			
Reversals of previous asset write-downs and impairment	4E	294,866	293,384
Other gains	4F	37,271	34,063
<b>Total Gains</b>		<b>332,137</b>	<b>327,447</b>
<b>Total own-source income</b>		<b>1,982,712</b>	<b>2,023,993</b>
<b>Net cost of services</b>		<b>26,277,471</b>	<b>23,709,896</b>
Revenue from Government	4G	26,298,242	24,197,161
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>20,771</b>	<b>487,265</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to net cost of services</b>			
Changes in asset revaluation reserves		407,115	162,629
<b>Total other comprehensive income/(loss)</b>		<b>407,115</b>	<b>162,629</b>
<b>Total comprehensive income/(loss) attributable to the Australian Government</b>		<b>427,886</b>	<b>649,894</b>

**Department of Defence**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2015

		2015 \$'000	2014 \$'000
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	6A	44,150	35,490
Trade and other receivables	6B	998,278	1,055,717
<b>Total financial assets</b>		<u>1,042,428</u>	<u>1,091,207</u>
<b>Non-financial assets</b>			
Land and buildings	7A	17,654,513	16,976,931
Specialist military equipment	7B	42,651,237	41,186,143
Infrastructure	7C	5,571,994	5,534,132
Plant and equipment	7D	1,780,646	1,584,780
Heritage and cultural assets	7E	1,006,948	1,002,312
Intangibles	7F	818,330	819,577
Inventories	7H	6,463,531	6,385,571
Prepayments	7I	1,384,462	302,902
<b>Total non-financial assets</b>		<u>77,331,661</u>	<u>73,792,348</u>
Assets held for sale	7J	37,684	28,692
<b>Total Assets</b>		<u>78,411,773</u>	<u>74,912,247</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	1,164,800	1,700,866
Other payables	8B	477,419	384,162
<b>Total Payables</b>		<u>1,642,219</u>	<u>2,085,028</u>
<b>Interest bearing liabilities</b>			
Finance leases	9A	1,440,999	1,492,541
<b>Total interest bearing liabilities</b>		<u>1,440,999</u>	<u>1,492,541</u>
<b>Provisions</b>			
Employee provisions	10A	2,358,927	2,287,291
Restoration, decontamination and decommissioning	10B	1,001,192	917,635
Other provisions	10C	290	2,294
<b>Total provisions</b>		<u>3,360,409</u>	<u>3,207,220</u>
<b>Total Liabilities</b>		<u>6,443,627</u>	<u>6,784,789</u>
<b>NET ASSETS</b>		<u>71,968,146</u>	<u>68,127,458</u>
<b>EQUITY</b>			
Contributed equity		22,321,616	19,241,530
Reserves		15,299,466	14,892,351
Retained surpluses/(accumulated deficit)		34,347,064	33,993,577
<b>TOTAL EQUITY</b>		<u>71,968,146</u>	<u>68,127,458</u>

**Department of Defence**  
**STATEMENT OF CHANGES IN EQUITY**  
*For the period ended 30 June 2015*

	Retained Earnings		Asset Revaluation Reserves		Contributed Equity		Total Equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Opening balance</b>								
Balance carried forward from previous period	33,993,577	33,299,680						
Adjustment for errors	332,716	206,632						
<b>Adjusted opening balance</b>	<b>34,326,293</b>	<b>33,506,312</b>			<b>19,241,530</b>	<b>17,719,711</b>	<b>68,127,458</b>	<b>65,749,113</b>
<b>Comprehensive Income</b>								
Surplus/(deficit) for the period								
Other comprehensive income	20,771	487,265	407,115	162,629	-	-	20,771	487,265
<b>Total comprehensive income attributable to the Australian Government</b>	<b>20,771</b>	<b>487,265</b>	<b>407,115</b>	<b>162,629</b>	<b>-</b>	<b>-</b>	<b>407,115</b>	<b>162,629</b>
<b>Transactions with owners:</b>								
<b>Contributions by owners</b>								
Equity injection - Appropriation	-	-	-	-				
Transfers to/(from) other entities	-	-	-	-				
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,758,491</b>	<b>1,521,488</b>	<b>2,758,491</b>	<b>1,521,488</b>
<b>Closing balance as at 30 June attributable to the Australian Government</b>	<b>34,347,064</b>	<b>33,993,577</b>	<b>15,299,466</b>	<b>14,892,351</b>	<b>22,321,616</b>	<b>19,241,530</b>	<b>71,968,146</b>	<b>68,127,458</b>

The above statement should be read in conjunction with the accompanying notes.

## Department of Defence CASH FLOW STATEMENT

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
	<b>Notes</b>	
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Appropriations (current year)	26,082,690	24,272,707
Section 74 receipts from OPA <sup>1</sup>	1,036,575	1,364,882
Goods and services (including cost recovery)	849,693	874,490
Interest received	7	2
Net GST received	658,642	642,697
Other	82,600	93,855
<b>Total cash received</b>	<b>28,710,207</b>	<b>27,248,633</b>
<b>Cash used</b>		
Employees	(10,440,150)	(10,052,671)
Suppliers	(10,224,383)	(9,252,251)
Net GST paid	(676,768)	(682,230)
Grants	(115,305)	(48,996)
Section 74 receipts transferred to OPA <sup>1</sup>	(1,036,562)	(1,360,697)
Cash returned to OPA	(2,423)	(36,626)
Other	(37,834)	(35,528)
<b>Total cash used</b>	<b>(22,533,425)</b>	<b>(21,468,999)</b>
<b>Net cash flows from/(used by) operating activities</b>	<b>12</b>	<b>5,779,634</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Proceeds from sales of land and buildings	65,182	30,223
Proceeds from sales of specialist military equipment	1,652	28,853
Proceeds from sales of plant and equipment	31,310	18,482
Other	181	694
<b>Total cash received</b>	<b>98,325</b>	<b>78,252</b>
<b>Cash used</b>		
Purchase of land and buildings	(922,712)	(1,111,175)
Purchase of specialist military equipment	(6,302,121)	(4,397,336)
Purchase of infrastructure	(182,074)	(192,559)
Purchase of plant and equipment	(311,053)	(315,871)
Purchase of heritage and cultural assets	(80)	-
Purchase of intangibles	(81,935)	(43,391)
Purchase of inventory	(1,005,880)	(1,088,078)
Selling costs on sale of assets	(2,609)	(6,709)
Finance costs	(101,151)	(95,270)
<b>Total cash used</b>	<b>(8,909,615)</b>	<b>(7,250,389)</b>
<b>Net cash flows from/(used by) investing activities</b>	<b>(8,811,290)</b>	<b>(7,172,137)</b>

<sup>1</sup> Note that the comparative amounts are as per Section 31 of the former FMA Act.

**Department of Defence**  
**CASH FLOW STATEMENT (Continued)**

*For the period ended 30 June 2015*

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
	<b>Notes</b>	
<b>FINANCING ACTIVITIES</b>		
<b>Cash received</b>		
Contributed equity (current year)	<u><b>2,758,491</b></u>	<u>1,418,385</u>
<b>Total cash received</b>	<u><b>2,758,491</b></u>	<u>1,418,385</u>
<b>Cash used</b>		
Repayments of debt (including finance lease principal)	<u><b>(111,995)</b></u>	<u>(56,271)</u>
<b>Total cash used</b>	<u><b>(111,995)</b></u>	<u>(56,271)</u>
<b>Net cash from/(used by) financing activities</b>	<u><b>2,646,496</b></u>	<u>1,362,114</u>
<b>Net increase/(decrease) in cash held</b>	<u><b>11,988</b></u>	<u>(30,389)</u>
Cash and cash equivalents at beginning of the reporting period	<b>35,490</b>	68,460
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	<u><b>(3,328)</b></u>	<u>(2,581)</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>44,150</b></u>	<u>35,490</u>
	6A	

**Department of Defence**  
**SCHEDULE OF COMMITMENTS**

as at 30 June 2015

	2015 \$'000	2014 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Lease rental income <sup>1</sup>	(34,310)	(33,451)
Net GST recoverable on commitments <sup>2</sup>	(3,109,766)	(2,807,270)
<b>Total commitments receivable</b>	<b>(3,144,076)</b>	<b>(2,840,721)</b>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Land and buildings <sup>3</sup>	1,325,252	627,495
Specialist military equipment <sup>4</sup>	12,153,096	12,582,951
Infrastructure, plant and equipment <sup>5</sup>	500,458	523,238
Other capital commitments <sup>6</sup>	174,629	138,321
<b>Total capital commitments</b>	<b>14,153,435</b>	<b>13,872,005</b>
<b>Other commitments</b>		
Operating leases <sup>7</sup>	8,380,220	10,403,459
Research and development <sup>8</sup>	165,285	142,138
Other non-capital commitments <sup>9</sup>	23,442,642	18,128,432
<b>Total other commitments</b>	<b>31,988,147</b>	<b>28,674,029</b>
<b>Net commitments by type</b>	<b>42,997,506</b>	<b>39,705,313</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>Operating lease income</b>		
One year or less	(20,607)	(19,941)
From one to five years	(5,540)	(4,992)
Over five years	(8,163)	(8,518)
<b>Total lease rental income</b>	<b>(34,310)</b>	<b>(33,451)</b>
<b>GST recoverable on commitments</b>		
One year or less	(1,043,102)	(909,727)
From one to five years	(1,833,734)	(1,599,956)
Over five years	(232,930)	(297,587)
<b>Total GST recoverable on commitments</b>	<b>(3,109,766)</b>	<b>(2,807,270)</b>
<b>Commitments Payable</b>		
<b>Capital commitments</b>		
One year or less	5,759,283	5,043,493
From one to five years	7,933,022	7,609,869
Over five years	461,130	1,218,643
<b>Total capital commitments</b>	<b>14,153,435</b>	<b>13,872,005</b>
<b>Operating lease commitments</b>		
One year or less	885,797	948,835
From one to five years	3,388,553	3,872,461
Over five years	4,105,870	5,582,163
<b>Total operating lease commitments</b>	<b>8,380,220</b>	<b>10,403,459</b>
<b>Other Commitments</b>		
One year or less	7,258,876	5,316,182
From one to five years	13,503,002	10,252,677
Over five years	2,846,049	2,701,711
<b>Total other commitments</b>	<b>23,607,927</b>	<b>18,270,570</b>
<b>Net commitments by maturity</b>	<b>42,997,506</b>	<b>39,705,313</b>

## Department of Defence SCHEDULE OF COMMITMENTS (Continued)

as at 30 June 2015

### Notes

Commitments are GST inclusive where relevant.

Commitments managed by the Defence Materiel Organisation (DMO) on behalf of Defence total \$22,450m, comprising:

- commitments receivable of \$2,009m (2013-14: \$2,010m);
- capital commitments of \$12,390m (2013-14: \$12,770m); and
- other commitments payable of \$12,069m (2013-14: \$9,532m).

1. The lease rental income includes rental contributions from Defence service members for residences sub-leased by Defence. The Lease term is normally 3 to 12 years. The lease rental receivable is calculated for 28 days which is the minimum period of notice Defence members are required to provide before terminating the lease.
2. Net GST recoverable from ATO on commitments payable and receivable.
3. Outstanding contractual payments for buildings under construction.
4. Outstanding contractual payments for specialist military equipment under construction. The majority of these commitments relate to Materiel Acquisition Agreements with the DMO. Subsequent to the absorption of DMO on 1 July 2015 these outstanding commitments will be reclassified as external commitments as required.
5. Infrastructure, plant and equipment capital commitments include outstanding contractual payments including the maintenance of hardware and software.
6. Other capital commitments include contractual payments for software licence agreements.
7. Operating leases are non-cancellable and are described in the table below.
8. Outstanding commitments on research and development for projects including Through Life Support agreements.
9. Outstanding commitments on supplier type expenditure including general goods and services, communications, domestic and overseas travel, removal costs, and Materiel Sustainment expenditure payable to the DMO. Subsequent to the absorption of DMO on 1 July 2015 these outstanding commitments will be reclassified as external commitments as required.

Nature of leases	General description of leasing arrangement
DHA property leases	Defence leases residences under a service agreement with Defence Housing Australia (DHA) to provide accommodation to eligible service members. The total commitment has been calculated based on an initial forecast of housing demand for the period of the agreement, which is currently 8 years. Lease payments are subject to the terms and conditions of the lease and are payable to DHA.
Other property leases	Defence leases both residential and commercial properties in Australia and overseas in support of its activities. Lease payments are subject to the terms and conditions of the lease. Generally the leases are subject to market reviews, reviews in accordance with agreed indexation or a combination of both. The terms range between 1 and 100 years.
Aircraft leases	Defence leases aircraft in support of scientific and military operations and in support of parliamentary services. Lease terms range between 3 and 15 years.
Equipment leases	Defence has leases for items of equipment including computer hardware, multifunction devices and communication equipment. General lease terms are 2 to 5 years.
Property revenue leases	Defence receives revenue from the lease of property and office space. Office space is generally let to contractors in support of Defence activities and to other government agencies or to local civic authorities. The terms of these leases range between 1 and 99 years.

## Department of Defence

### ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

For the period ended 30 June 2015

		2015 \$'000	2014 \$'000
<b>NET COST OF SERVICES</b>			
	<b>Notes</b>		
<b>EXPENSES</b>			
Employee benefits	18A	5,828,627	12,916,711
Subsidies	18B	98,363	93,641
Write-down and impairment of assets	18C	11	157
Other expenses		-	406
<b>Total expenses</b>		<b>5,927,001</b>	<b>13,010,915</b>
<b>LESS:</b>			
<b>INCOME</b>			
<b>Revenue</b>			
<b>Non taxation revenue</b>			
Fees and fines	19A	14,297	13,448
Interest	19B	28,610	30,000
Dividends	19C	54,637	53,991
Military superannuation contributions	19D	1,285,809	1,242,121
Other revenue	19E	46,140	69,756
Foreign exchange gains	18D	798	453
<b>Total non-taxation revenue</b>		<b>1,430,291</b>	<b>1,409,769</b>
<b>Total revenue</b>		<b>1,430,291</b>	<b>1,409,769</b>
<b>Net cost of services</b>		<b>4,496,710</b>	<b>11,601,146</b>
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>(4,496,710)</b>	<b>(11,601,146)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to net cost of services</b>			
Changes in asset revaluation reserves		150,593	(5,675)
Actuarial gains/(losses) on defined benefits plans		(7,448,500)	(3,676,200)
<b>Total other comprehensive income</b>		<b>(7,297,907)</b>	<b>(3,681,875)</b>
<b>Total comprehensive income/(loss)</b>		<b>(11,794,617)</b>	<b>(15,283,021)</b>

## Department of Defence

### ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2015

		2015 \$'000	2014 \$'000
	Notes		
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	21A	-	-
Trade and other receivables	21B	583,924	584,858
Investment accounted for using the equity method	21C	2,488,389	2,337,796
<b>Total financial assets</b>		<b>3,072,313</b>	<b>2,922,654</b>
<b>Non-financial assets</b>			
Prepayments	22	173,539	163,019
<b>Total non-financial assets</b>		<b>173,539</b>	<b>163,019</b>
<b>TOTAL ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>3,245,852</b>	<b>3,085,673</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Other payables	23	5,502	5,630
<b>Total Payables</b>		<b>5,502</b>	<b>5,630</b>
<b>Provisions</b>			
Employee provisions	24	94,101,400	82,877,100
<b>Total provisions</b>		<b>94,101,400</b>	<b>82,877,100</b>
<b>TOTAL LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>94,106,902</b>	<b>82,882,730</b>
<b>NET LIABILITIES</b>		<b>(90,861,050)</b>	<b>(79,797,057)</b>

## Department of Defence

### ADMINISTERED RECONCILIATION SCHEDULE

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Opening administered assets less administered liabilities as at 1 July</b>	<b>(79,797,057)</b>	(65,089,099)
Adjustment for errors	<u>1,519</u>	<u>(56,000)</u>
<b>Adjusted opening administered assets less administered liabilities</b>	<b><u>(79,795,538)</u></b>	<b><u>(65,145,099)</u></b>
<b>Net (cost of)/contribution by services</b>		
Income	1,430,291	1,409,769
Expenses		
Payments to entities other than corporate Commonwealth entities	(5,927,001)	(13,010,915)
<b>Other comprehensive income:</b>		
Administered revaluations taken to/(from) reserves – DHA	148,531	(7,492)
Administered revaluations taken to/(from) reserves – Small portfolio entities	2,062	1,817
Actuarial gains/(losses)	(7,448,500)	(3,676,200)
<b>Administered transfers (to)/from Australian Government:</b>		
Appropriation transfers from Official Public Account:		
Special appropriations (unlimited) (non corporate Commonwealth entities)	2,247,125	2,098,636
Transfers to Official Public Account	<u>(1,518,020)</u>	<u>(1,467,573)</u>
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b><u>(90,861,050)</u></b>	<b><u>(79,797,057)</u></b>

**Department of Defence**  
**ADMINISTERED CASH FLOW STATEMENT**

*For the period ended 30 June 2015*

		<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
	<b>Notes</b>		
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Fees		<b>15,102</b>	13,233
Interest		<b>28,610</b>	30,000
Superannuation contributions		<b>1,369,877</b>	1,303,030
Other		<b>50,440</b>	70,237
<b>Total cash received</b>		<b>1,464,029</b>	1,416,500
<b>Cash used</b>			
Subsidies paid		<b>(98,346)</b>	(93,553)
Employees		<b>(2,148,777)</b>	(2,005,083)
<b>Total cash used</b>		<b>(2,247,123)</b>	(2,098,636)
<b>Net cash flows from/(used by) operating activities</b>	26	<b>(783,094)</b>	(682,136)
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Dividends		<b>53,991</b>	51,073
<b>Total cash received</b>		<b>53,991</b>	51,073
<b>Net cash flows from/(used by) investing activities</b>		<b>53,991</b>	51,073
<b>Net increase/(decrease) in cash held</b>		<b>(729,103)</b>	(631,063)
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from the Official Public Account for:			
Appropriations		<b>2,247,123</b>	2,098,636
Cash to the Official Public Account for:			
Appropriation		<b>(1,518,020)</b>	(1,467,573)
<b>Cash and cash equivalents at the end of the reporting period</b>	21A	<b>-</b>	-

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2015*

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#### Notes:

- Note 1: Summary of Significant Accounting Policies
- Note 2: Events after the Reporting Period
- Note 3: Expenses
- Note 4: Own-Source Income
- Note 5: Fair Value Measurements
- Note 6: Financial Assets
- Note 7: Non-Financial Assets
- Note 8: Payables
- Note 9: Interest Bearing Liabilities
- Note 10: Provisions
- Note 11: Restructuring
- Note 12: Cash Flow Reconciliation
- Note 13: Contingent Liabilities and Assets
- Note 14: Senior Management Personnel Remuneration
- Note 15: Financial Instruments
- Note 16: Financial Assets Reconciliation
- Note 17: Accounting for Errors
- Note 18: Administered - Expenses
- Note 19: Administered - Income
- Note 20: Administered - Fair Value Measurements
- Note 21: Administered - Financial Assets
- Note 22: Administered - Non-Financial Assets
- Note 23: Administered - Payables
- Note 24: Administered - Provisions
- Note 25: Administered - Defined Benefit Superannuation Plans
- Note 26: Administered - Cash Flow Reconciliation
- Note 27: Administered - Commitments
- Note 28: Administered - Contingent Assets and Liabilities
- Note 29: Administered - Asset Additions
- Note 30: Administered - Investments
- Note 31: Administered - Financial Instruments
- Note 32: Administered - Financial Assets Reconciliation
- Note 33: Administered - Accounting for Errors
- Note 34: Appropriations
- Note 35: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund
- Note 36: Special Accounts
- Note 37: Assets Held in Trust
- Note 38: Reporting of Outcomes
- Note 39: Cost Recovery Summary
- Note 40: Budgeted Reports and Explanations of Major Variances

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 1: Summary of Significant Accounting Policies

##### 1.1 Objective of Defence

Defence is an Australian Government controlled entity which comprises the Department of Defence (Defence), as an Australian Public Service organisation, and the Australian Defence Force. The objective of Defence is to defend Australia and its national interests.

Defence is structured to meet three outcomes:

- Outcome 1 – The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability;
- Outcome 2 – The advancement of Australia's strategic interests through the conduct of military operations and other tasks directed by the Government; and
- Outcome 3 – Support to the Australian community and civilian authorities as requested by Government.

Defence activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of the assets, liabilities, revenues and expenses controlled or incurred by Defence in its own right. Administered activities involve the management or oversight by Defence, on behalf of the Government, of items controlled or incurred by the Government.

Defence's Outcome 1 includes both departmental and administered items, while Outcomes 2 and 3 are departmental only. Defence's administered appropriations included in Outcome 1 relate to Superannuation and Housing Support Services for current and retired Defence personnel.

The continued existence of Defence in its present form, and with its present outcomes and related programs, is dependent on Australian Government policy and on continuing appropriations by Parliament for Defence's administration and the running of programs.

##### 1.2 Basis of Preparation of the Financial Statements

The financial statements and notes are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements and notes have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements and notes are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the statement of financial position when, and only when, it is probable that the future economic benefits will flow to the entity (in the case of an asset) or it is probable that the outflow of resources embodying economic benefits will result (in the case of a liability) and these amounts can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Contingencies note.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when, and only when, the inflow, consumption or loss of economic benefits has occurred and can be reliably measured.

##### **Administered transactions**

Administered revenues, expenses, assets, liabilities and cash flows reported in the administered financial statements and related notes and schedules are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated in Note 1.29.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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#### **Trust transactions**

Defence has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Australian Government. As Defence acts only in a custodial role in respect of these transactions, they are not recognised in the financial statements but are disclosed in Note 37 Assets Held in Trust.

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2014) HCA 23, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

#### **1.3 Significant Accounting Judgements and Estimates**

##### *(a) Significant accounting judgements*

In the process of applying Defence's accounting policies listed in this note, management has made no judgements that would have a significant impact on the amounts recorded in the financial statements.

##### *(b) Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The following accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of asset and liabilities within the next accounting period:

- Provisions for land decontamination, site restoration and SME decommissioning are based on Defence's estimates of future obligations relating to the underlying assets. Some of these estimates are supported by external valuer's opinions;
- Provisions for annual leave and long service leave are estimates based on expert actuarial assumptions on the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates;
- Other provisions are estimates for compensation claimed by victims of the disastrous collision between HMAS Melbourne and HMAS Voyager; and compensation for illnesses as a consequence of exposure on the F-111 Deseal/Reseal;
- Estimates and assumptions have been made in relation to inventory obsolescence in order to determine the remaining service potential for inventory items which have experienced obsolescence or impairment and the pricing of certain legacy items; and
- Defence assesses non-financial assets for impairment by monitoring impairment indicators specific to an asset's use in the Defence context. Where these indicators signify that an asset is impaired, management has made an estimate of the recoverable amount of those assets to determine any impairment loss.

#### **1.4 New Australian Accounting Standards**

##### *(a) Adoption of new Australian Accounting Standard requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard.

In the current year, Defence has adopted AASB 1055 *Budgetary Reporting*. Under AASB 1055 where Defence's budgeted statement of financial position, statement of comprehensive income, statement of changes in equity or statement of cash flows is presented to Parliament and is separately identified as relating to Defence, explanations of major variances between actual amounts presented in the financial statements and corresponding original budget amounts are required to be disclosed. Refer to Note 40 for Defence's budgetary reports and explanations of major variances.

All other standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect on Defence's financial statements.

##### *(b) Future Australian Accounting Standard requirements*

Prior to the signing of the financial statements, the Australian Accounting Standards Board issued new standards, amendments to standards and interpretations that will be effective in the future reporting periods. Except as detailed below, these standards and amendments will be applicable in future reporting periods and are not expected to have a material impact on the financial statements. The adoption of these standards and amendments is based on Defence's initial assessment at reporting date.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

The following new or revised standards will be effective in future reporting periods. Whilst they are not expected to have a material impact on the financial statements, their implementation requires enhanced disclosure.

Standard	Effective for annual reporting periods beginning on or after 2015	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019

#### 1.5 Revenue

##### (a) Revenue from Government

Amounts appropriated for departmental appropriation for the year (adjusted for any formal additions and reductions) are recognised as revenue when Defence gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Defence draws down appropriations on a just-in-time basis. The undrawn appropriations as at 30 June 2015 are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

##### (b) Revenue from Provision of Goods and Rendering of Services

Revenue from the provision of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- Defence retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to Defence.

Revenue from the rendering of services is recognised by reference to the stage of completion of contracts at reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable the economic benefits of the transaction will flow to Defence.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated costs of the transaction.

##### (c) Rental Revenue

Rental revenue is accounted for on a straight line basis over the lease term. Contingent rental revenue is recognised as revenue in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental revenue.

##### (d) Resources Received Free of Charge

Resources received free of charge for goods and services are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Fair value is determined based on actual full cost if the resources were to be purchased. Resources received free of charge are recorded as either revenue or gains depending on their nature.

##### (e) Resources Received Free of Charge – ANAO

Resources received free of charge includes \$3.800m (2013-14: \$3.800m) for audit services provided by the Australian National Audit Office.

#### 1.6 Gains

##### (a) Contributions of Assets

Contributions of assets at no cost or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition (with the exception of assets valued at cost), unless received from another Government agency as a consequence of a restructuring of administrative arrangements (Refer to Note 1.8(b)). Fair value is assessed by asset class as described in Note 1.21(f).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### (b) Sale of Assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer. The gain or loss on disposal of non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the net proceeds of disposal (after deducting sale costs).

#### (c) Other Gains

Other gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on foreign exchange transactions and balances.

#### 1.7 Grants

Contributions by Defence to other government entities, private sector organisations and individuals which have been identified as a grant are recognised as an expense when incurred.

#### 1.8 Transactions with the Australian Government as Owner

##### (a) Equity injections

Amounts appropriated which are designated as 'equity injections' (less any formal reductions) are recognised directly in contributed equity in that year. Equity injection appropriations in Acts passed after the commencement of the period are recognised from the date of royal assent.

##### (b) Restructuring of Administrative Arrangements

Net assets/liabilities received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are recognised as contributions or distributions of equity respectively, at their net book value.

##### (c) Other Distributions to Owners including Repayments of Appropriations

The FRR requires that distributions to owners be debited to contributed equity unless it is a dividend. Repayments and reductions of Appropriations are recognised either as a reduction of appropriation revenue or as a reduction of contributed equity. In 2014-15 appropriations of \$71k (2013-14: \$387m) were returned to the Official Public Account. In recognising the repayments and reductions of appropriations funding, during the year the Minister for Finance issued determinations to reduce Departmental appropriations as follows:

Date	Year	Departmental Items \$'000	Equity Injections \$'000
16-Oct-14	2014-15	71	-
	<b>Total</b>	<b>71</b>	<b>-</b>

#### 1.9 Cash and Cash Equivalents

Cash and cash equivalents includes notes and coins held, and any deposits in bank account held at call with a bank. Cash is measured at its nominal amount.

#### 1.10 Financial Assets

Defence classifies its financial assets in the following categories;

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### (a) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

#### (b) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Receivables for goods and services are generally receivable within the short term and are measured at their nominal amounts less any allowance for impairment. The collectability of receivables is assessed periodically with allowances made for doubtful debts when there is objective evidence that Defence will not be able to collect the debt. No allowance is made for Australian Government, foreign government and employee debts as they are normally deemed to be collectable unless there is objective evidence to the contrary. Long term receivables are discounted to the present value using the effective interest method.

#### (c) Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

*Financial assets held at amortised cost* - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### 1.11 Financial Risk Management

Under relevant legislation and Australian Government policy, Defence is restricted from entering into borrowings, some investments and entering into derivative transactions to offset risk exposure. As such, Defence's exposure to risk is primarily related to credit risk on trade receivables and foreign currency risk in relation to payments to overseas suppliers of goods and services received. However, this exposure is minimal in terms of the operations of Defence as Defence is subject to a no win/no loss funding arrangement for foreign exchange gains and losses.

Defence is also exposed to some contract price escalation risk. This risk exposure is due to the difference in the basis on which Defence is funded for price escalations from government to the price escalation clauses embedded within the contracts. The risk of increased cost is managed by Defence to ensure exposure to the Australian Government is minimised.

### 1.12 Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the assets with the associated risks and rewards are transferred to another entity. Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or has expired.

### 1.13 Employee Benefits

Defence's workforce comprises Australian Public Service (APS, i.e. civilians) and Australian Defence Force (ADF, i.e. military) personnel. Employee benefits for each workforce component are based on the relevant employment agreements and legislation. Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and other entitlements expected to be wholly settled within 12 months of the reporting date are measured at their nominal amounts which are calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities (including long service leave) are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

#### (a) Leave

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Defence is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees' remuneration, including Defence's employer superannuation contribution, at the estimated rates that will be applied at the time that leave is taken, to the extent that leave is likely to be taken during service rather than paid out on termination.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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The liability for long service leave has been determined by reference to the work of the Australian Government Actuary in the current year. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### *(b) Separation and Redundancy*

Provision is made for separation and redundancy benefit payments. Defence recognises a provision for termination when it has a detailed formal plan for the terminations and has informed those employees affected that the terminations will be carried out.

#### *(c) Superannuation – APS Employees*

Permanently appointed APS employees of Defence are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) and other superannuation schemes held outside the Commonwealth.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

Defence makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of Defence's employees. Defence accounts for these contributions as if they were contributions to defined contribution plans in accordance with AASB 119.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid.

#### *(d) Superannuation – ADF Members*

The Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation Benefits Scheme (MSBS) are defined benefit superannuation plans for ADF members. Defence accounts for these contributions in its departmental statements as if they were contributions to defined contribution plans in accordance with AASB 119. The liability for DFRDB and MSBS is recognised in Defence's administered statements.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid.

Refer to Note 1.29 (e) and (f) for recognition in the administered statements.

#### *(e) Paid Parental Leave*

Defence provide payments to employees under the Government Paid Parental Scheme. The receipts received are offset by the payments made to the employees and any balance outstanding at the end of the year is recognised as a liability.

## **1.14 Leases**

A distinction is made between finance and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised and recognised at the lower of the fair value of the leased asset or the present value of minimum lease payments at the inception of the contract and a corresponding liability is also recognised at this time for the same amount. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets acquired under a finance lease are amortised over the useful life of the asset. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis over the term of the lease which is representative of the pattern of benefits derived from the leased assets.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as an integral part of the total consideration agreed for the use of the leased asset.

## **1.15 Fair Value Measurements**

Defence deems transfers between levels of fair value hierarchy to have occurred when there has been a change to the inputs to the fair value measurement (for instance from observable to unobservable and vice versa) and the significance that the changed input has in determining the fair value measurement. For more information on Fair Value Measurement refer to Note 5 (Administered Note 20).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### 1.16 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are derecognised upon trade date.

##### (a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

##### (b) Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on the financial liability.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Defence's supplier and other payables are generally payable within the short term and are recognised at the amount of cash or cash equivalents required to settle the liability. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

#### 1.17 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are disclosed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

#### 1.18 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets exchanged and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

#### 1.19 Impairment of Assets

Defence applies its impairment testing to the smallest identifiable group of assets that is useful to Defence in achieving its objectives and whose utility/usefulness is largely independent of the utility provided to Defence by other assets or groups of assets. All relevant assets were assessed for impairment during the year. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Defence was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### 1.20 Derecognition of Assets

Assets are derecognised upon disposal or when no further economic benefits or capability are expected from its use or disposal.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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#### 1.21 Property, Plant and Equipment including Land, Buildings, Infrastructure, Heritage and Cultural Assets, and Specialist Military Equipment

##### *(a) Individual Asset Recognition Threshold*

Purchases of property, plant and equipment including land, buildings and infrastructure are recognised initially at cost where they meet the individual asset recognition threshold. Individual items are capitalised where the individual value is equal to or exceeds \$5,000 for buildings, infrastructure and heritage and cultural assets; \$2,000 for other plant and equipment; and nil for specialist military equipment and land.

##### *(b) Componentisation*

Major assets, such as specialist military equipment, are componentised if it is likely that the components will have useful lives that differ significantly from the other parts of the asset. The useful lives of components may be determined with reference to the individual component or the related primary asset.

##### *(c) Decontamination, Restoration and Decommissioning Costs*

Where a legal or constructive obligation arises on acquisition to restore an asset back to its original condition, or dismantle an asset at the end of its useful life, the net present value of estimated restoration and/or decommissioning costs are capitalised and added to the cost of the underlying asset and depreciated over the asset's useful life. At the same time, a corresponding provision is recognised for these costs. The carrying amount of the provision is adjusted to reflect the passage of time and any incremental costs are recognised as finance costs.

Where a legal or constructive obligation arises as a result of operations of Defence (i.e. use of the asset) the cost of restoration is recognised as an expense in the period in which the obligation arises.

One of the following past events would give rise to a constructive obligation:

- A public announcement or statement by Government or Defence that a site would be restored;
- The existence of an established pattern of past practice of restoring sites of a particular nature or type; or
- A specific policy adopted by Government with regard to restoration of sites of a particular nature or type.

##### *(d) Reversal of Previous Asset Write-Downs*

These are amounts relating to assets which have been previously written down or expensed in prior periods. In the current year, these items have been either reversed as a write down or capitalised for the first time due to either exceeding the capitalisation threshold or through identification during stock takes. They may include identification of heritage and cultural assets not previously recognised as assets.

##### *(e) Assets under construction*

Assets under construction (AUC) are carried at cost and are separately identified as 'work in progress' in Note 7. They include expenditure to date on major military capability and facilities projects. AUC projects are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

##### *(f) Subsequent valuations*

Land, buildings, infrastructure, plant and equipment and heritage and cultural assets are measured and disclosed at fair value, less any accumulated depreciation and accumulated impairment losses. Specialist military equipment is carried at cost less any accumulated depreciation and accumulated impairment losses, in accordance with the FRR.

The basis for determining fair value is by reference to the highest and best use that is physically possible, legally permissible and financially feasible. Where an active and liquid market exists, fair value is determined by reference to market values, noting the highest and best use criteria and any specific factors that have been noted by the valuer.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

Fair values for each class of asset are determined as shown below:

Asset Class	Active and Liquid Market Exists	Active and Liquid Market does not exist
Land	Market selling price	Replacement cost
Buildings	Market selling price	Depreciated replacement cost or net present value of lease payments for leased assets
Infrastructure	Market selling price	Depreciated replacement cost
Plant & Equipment	Market selling price	Depreciated replacement cost or net present value of lease payments for leased assets
Heritage and Cultural	Estimated market selling price	Depreciated reproduction cost

Following initial recognition at cost, valuations for land, buildings and infrastructure are conducted every three years; other plant and equipment are revalued annually on a sample basis and heritage and cultural valuations are conducted every five years.

Revaluation adjustments are made on a class basis. Any revaluation increment is recognised as Other Comprehensive Income under the heading of Changes in Asset Revaluation Reserves except to the extent that it reverses a previous revaluation decrement of the same class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Refer to Note 1.22 for policy regarding revaluation of intangible assets.

#### (g) Depreciation

Property, plant and equipment items having limited useful lives are systematically depreciated over their estimated useful lives on a straight-line basis.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D.

Depreciation rates (useful lives) are determined upon acquisition and are reviewed at each subsequent reporting date, and necessary adjustments are made in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated only when assets are revalued.

The following are minimum and maximum useful lives for the different asset classes. These are not necessarily indicative of typical useful lives for these asset classes.

	2014-15	2013-14
Buildings	2 to 100 years	1 to 100 years
Infrastructure	1 to 99 years	2 to 99 years
Specialist military equipment	1 to 54 years	1 to 54 years
Other plant and equipment	1 to 100 years	2 to 100 years
Assets under finance lease	5 to 60 years	5 to 60 years
Heritage and cultural	10 to Indefinite	Indefinite

Road earthworks are depreciated over the estimated useful life of the asset except where an engineering review has determined the useful life to be indefinite, in which case no depreciation is applied.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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#### (h) Heritage and Cultural Assets

Heritage and cultural items include:

- artefacts and memorabilia that are or may be of national historical or cultural significance. While many of these items represent military achievements, including paintings, memorabilia and other military items, others are associated with developments in science and exploration such as museum pieces, decommissioned aircraft and military equipment, or with significant personal achievements, such as medals, badges, uniforms and other regalia.
- buildings of historical or cultural significance. These buildings may be used for office accommodation, residences, chapels, storage and gymnasiums but are primarily held for heritage and cultural purposes.

Artefacts and memorabilia are stored and managed by Service Museums (Navy, Army and Air Force). Each Service maintains their own documented processes and procedures for the storage, documentation, restoration and preservation of various artefacts depending on their type and sensitivity.

Conservation and preservation policies include the storage of these items under appropriate conditions including, exposure to minimal UV light, stable humidity and temperatures and maintaining a dust and pest free environment as well as cataloguing and maintenance. In addition, conservation programs within Service museums aim to identify items requiring restoration.

Heritage and cultural estate assets are amortised on a straight-line basis over their anticipated useful lives. Heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. Where conservation, restoration and preservation activities demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore, not subject to depreciation which is in accordance with the implementation guidance (G4) provided in AASB 116.

Heritage buildings are managed by Defence Environmental Management. All Defence heritage buildings are included in the Defence Heritage Register and managed using the Defence Heritage Toolkit. This Toolkit sets out the strategies and policies for managing heritage buildings across the Defence estate as well as ensuring all disposals, acquisitions and development activities to these sites look at heritage issues and assess possible risks to any values and mitigation strategies via Heritage Impact Assessments. The Toolkit has been established in accordance with the Environment Protection and Biodiversity Conservation Act 1999. Further information on heritage management across the Defence estate can be obtained from the following site: <http://www.defence.gov.au/estatemangement/governance/Policy/Environment/Heritage/default.asp>

#### 1.22 Intangibles

Defence's intangibles comprise externally acquired and internally developed computer software for internal use and other externally acquired and internally developed intangibles. Intangibles with gross values greater than \$150,000 are capitalised when they meet the recognition criteria in AASB 138 Intangible Assets.

All intangibles are amortised on a straight-line basis over their anticipated useful lives. The useful lives of Defence software are 1-24 years (2013-14: 2-24 years) and the useful lives of Defence's other intangibles are 2-35 years (2013-14: 4-35 years). All intangible assets are assessed annually for indications of impairment.

Defence recognises its intangible assets initially at cost and measures those which have an active market at fair value subsequent to initial recognition. If an intangible asset is acquired at no cost or for nominal consideration, other than those acquired through restructuring, it is recognised initially at fair value as at the date of acquisition.

All Defence intangible assets are currently stated at cost or fair value less any subsequent accumulated amortisation and accumulated impairment losses.

Acquired intellectual property may form part of the acquisition of particular tangible assets. Where the acquired intellectual property is inseparable from the underlying tangible asset it is reflected in the value of the tangible asset in the statement of financial position.

Defence reviews the useful life of intangible assets annually based on the service potential of the assets. All Defence intangible assets have finite useful lives and are amortised over their anticipated useful lives. Where there is an indication that the service potential of an intangible asset is impaired, the recoverable amount of that asset is determined based on the remaining service potential. Where the recoverable amount is lower than the carrying amount, the asset is written down to its recoverable amount.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### 1.23 Inventories

Defence holds inventory for its own use and does not ordinarily hold inventory for sale. Sales of inventory relate to minor fuel sales to foreign governments. Inventory held for use is valued at cost adjusted where applicable for loss of service potential. Defence considers that loss of operating capacity due to obsolescence is the most appropriate basis for loss of service potential of its inventories.

Costs incurred in bringing each item of inventory (primarily explosive ordnance and general stores inventory) to its present location and condition that are capable of being allocated on a reasonable basis are assigned to inventory. The costs of inventories are assigned by using the weighted average cost formula.

Inventories acquired at no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

#### 1.24 Assets Held for Sale

Non-current assets are classified as held for sale if the carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Classification as held for sale occurs when the asset is available for immediate sale in its present condition, and the sale is highly probable. On classification as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell. Any write down to fair value less costs to sell is recognised as an impairment loss. Assets which have been classified as held for sale are no longer subject to depreciation or amortisation.

#### 1.25 Prepayments

Prepayments, excluding those paid to DMO or to employees as retention benefit payments, are recognised if the value of the payment is \$50,000 or greater.

Prepayments made to DMO for acquisition and sustainment services and to employees for retention benefits, are recognised when the payment is made irrespective of the amount.

#### 1.26 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate on the date of transaction. Foreign currency receivables and payables are translated at the exchange rate at the balance date.

Non-financial items that are measured at cost in a foreign currency are translated using the spot exchange rate at the date of the initial transaction. Non-financial items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

All exchange gains and losses are reported in the Statement of Comprehensive Income.

#### 1.27 Taxation

Defence is exempt from all forms of taxation except Fringe Benefits Tax (FBT), the Goods and Services Tax (GST) and certain excise and customs duties.

Revenues, expenses, assets and liabilities are recognised net of GST, except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables which are recognised inclusive of GST.

#### 1.28 Investments in Co-operative Research Centres

Defence has interests, through partial ownership or through participation in governance, in several Co-operative Research Centres external to the Commonwealth. These centres are: the Co-operative Research Centre for Advance Composite Structures (CRC ACS); the Co-operative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE); the Co-operative Research Centre for Spatial Information (CRC SI) and the CAST Co-operative Research Centre (CAST CRC) CAST CRC Limited (CAST).

Defence does not have control, joint control or significant influence over these entities. As Defence's interest in these entities is immaterial, they have not been recognised in the financial statements.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### 1.29 Reporting of Administered Activities

Administered activities performed by Defence on behalf of the Government relate mainly to the provision of superannuation and housing support services to current and retired Defence personnel. Defence also administers outstanding reimbursements from the United Nations in relation to previous missions, including East Timor and Cambodia. There are no current missions where Defence administers UN reimbursements.

Administered revenues, expenses, assets, liabilities, contingencies and commitments and cash flows are disclosed in the administered financial statements and related schedules and notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

##### (a) Administered Cash Transfers to and from Official Public Account

Revenue collected by Defence, for use by the Australian Government rather than Defence, is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

##### (b) Revenue

All administered revenues relate to activities performed by Defence on behalf of the Australian Government. Administered revenues mainly comprise military superannuation contributions, payments received from the United Nations and foreign governments, bank interest, dividends, loan interest and State Tax Equivalent payments received from Defence Housing Australia and licence fees received under the Defence Home Ownership Assistance Scheme.

##### (c) Loans Receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised as income or expense.

##### (d) Administered Investments

Defence reports the Australian Government's capital investment in Defence Housing Australia (DHA) which is outlined at Notes 21C and 30. The investment is classified as 'available for sale' and is measured at fair value using the net assets valuation approach in accordance with the FRR. The investment was assessed for impairment at year end and no indicators of impairment were noted.

The following Commonwealth Authorities and Companies are small portfolio bodies within the Defence Portfolio:

- Australian Strategic Policy Institute Limited;
- Army and Air Force Canteen Service (Frontline Defence Services);
- Australian Military Forces Relief Trust Fund (Army Relief Trust Fund);
- Royal Australian Air Force Veterans' Residences Trust Fund;
- Royal Australian Air Force Welfare Trust Fund;
- Royal Australian Navy Central Canteens Board;
- Royal Australian Navy Relief Trust Fund;
- AAF Company; and
- RAAF Welfare Recreational Company.

The Australia Strategic Policy Institute Limited is a Commonwealth company that provides policy-relevant research and analysis to inform Government decisions and public understanding of strategic and defence issues.

The remaining bodies were established through either their own enabling legislation or constitution to provide services/support to military personnel (including retired personnel in some circumstances). The Government has an oversight role on the investment in these bodies on behalf of the beneficiaries.

These investments are classified as 'available for sale' and are measured using the net assets valuation approach in accordance with the FRR.

##### (e) Military Retention Benefits

Certain categories of ADF personnel, who are members of the Military Superannuation Benefits Scheme (MSBS) and have had 15 years of service, receive retention benefits as an incentive for continued service. Retention benefit payments are initially recorded as prepayments and amortised over the expected period of service.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### (f) Military Superannuation

The Defence Force Retirement and Death Benefits Scheme (DFRDB) is a fully unfunded scheme and the Military Superannuation and Benefits Scheme (MSBS) is a partly funded scheme. MSBS member contributions are paid into the Military Super and Benefits Fund (MSB Fund) that is controlled by the Commonwealth Superannuation Corporation and are therefore not reflected in the administered financial statements. The Australian Government, on behalf of the MSB Fund, makes funded benefit payments to members of the scheme and is reimbursed by the MSB Fund for these payments.

The Australian Government Actuary (AGA) estimates the provisions and expected future cash flows as at 30 June each year. These estimates are reflected in the administered financial statements. The AGA completes a full review of the unfunded liabilities every three years and issues a Long Term Cost Report. This was last completed in 2015.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, Defence may transfer those amounts recognised in other comprehensive income within equity. Past service cost is recognised in net cost of services in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- i) service cost, past-service cost, gains and losses on curtailments and settlements;
- ii) net-interest expense or income; and
- iii) re-measurement.

Defence presents the first two components of defined benefit costs in the line item 'employee benefits expense' in its income statement. Curtailments gains and losses are accounted for as past-service cost.

Re-measurement are recorded in other comprehensive income.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in Defence's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

#### (g) Other Guarantees

There are no quantifiable administered amounts guaranteed by the Commonwealth to disclose in the administered financial statements.

There are no unquantifiable guarantees disclosed in the Administered Contingent Liabilities and Contingent Assets in Note 28.

#### (h) Indemnities

There are currently no quantifiable indemnities to disclose in the administered financial statements. There are no unquantifiable indemnities disclosed in the Administered Contingent Liabilities and Contingent Assets in Note 28.

#### (i) Subsidies

Defence administers the Defence Home Owner Subsidy Scheme and the Defence Home Ownership Assistance Scheme on behalf of the Government.

Subsidy liabilities are recognised to the extent that: (i) the services required to be performed by the recipient have been performed; or (ii) eligibility criteria have been satisfied, but payments due have not been made.

## Note 2: Events after the Reporting Period

### Departmental

As part of its implementation of recommendations arising from the First Principles Review of Defence, the Government agreed to de-list the Defence Materiel Organisation (DMO) and to transfer its core responsibilities and funding to Defence.

As announced in the 2015-16 Portfolio Budget Statements, this change took effect on the 1st of July 2015, from which point DMO was de-listed as a separate entity. At that time, Defence took control of all of DMO's assets and assumed responsibility for all of its liabilities and operations.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2015*

**Note 2: Events after the Reporting Period (continued)**

**Administered**

There are no post balance date events with a material effect on the financial statements.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 3: Expenses

	2015 \$'000	2014 \$'000
<b>Note 3A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,172,086	1,229,221
Superannuation:		
Defined contribution plan	87,199	90,994
Defined benefit plans	136,977	131,600
Leave and other entitlements	121,227	158,326
Fringe benefits tax	9,448	9,967
Separation and redundancies	15,868	9,871
Other allowances	32,310	44,718
Health expenses	5,057	4,692
Other employee expenses	648	680
<b>Total APS employee benefits</b>	<b>1,580,820</b>	<b>1,680,069</b>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	4,601,243	4,389,938
Superannuation:		
Defined benefit plans	1,464,903	1,404,751
Housing <sup>1</sup>	838,738	821,208
Leave and other entitlements	446,605	472,737
Fringe benefits tax	428,490	383,589
Overseas allowances	136,405	185,537
Separation and redundancies	9,715	10,759
Other allowances	314,646	316,527
Health expenses	408,167	389,059
Other employee expenses	126,504	118,213
<b>Total ADF employee benefits</b>	<b>8,775,416</b>	<b>8,492,318</b>
<b>Total employee benefits</b>	<b>10,356,236</b>	<b>10,172,387</b>

<sup>1</sup> Housing expenses include lease payments made to DHA for the provision of Housing for Australian Defence Force (ADF) members with families. Due to their nature, these payments are classified as employee expenses. Residences leased from DHA are subleased by Defence to ADF members for a nominal charge. Sublease expenses are paid by Defence to DHA and recognised as part of ADF housing expenses.

For the current financial year, sublease expenses were \$510.6m (2013-2014: \$505.8m).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 3B: Supplier expenses</b>		
<b>Goods and Services</b>		
Inventory consumption	1,248,929	1,009,281
Sustainment of specialist military equipment	4,992,788	4,550,466
Garrison support and mess operations	394,845	648,257
Travel	188,335	174,597
Freight, storage and removal	456,937	480,667
Training	398,914	338,282
Repair and overhaul	245,359	183,524
Communications and information technology	973,979	732,901
Professional services/technical advice	189,655	232,266
Estate upkeep	694,824	561,616
Research and development	150,606	111,452
Utilities	255,620	205,829
Purchase of minor assets	179,185	118,259
Other	1,118,045	901,660
<b>Total goods and services</b>	<b>11,488,021</b>	<b>10,249,057</b>
<b>Goods and services are made up of:</b>		
Provision of goods - related entities	13,503	3,747
Provision of goods - external entities	1,707,647	1,435,923
Rendering of services - related entities	5,276,614	4,805,769
Rendering of services - external entities	4,490,257	4,003,618
<b>Total goods and services</b>	<b>11,488,021</b>	<b>10,249,057</b>
<b>Other supplier expenses</b>		
Operating lease rentals - related entities:		
Minimum lease repayments	6,238	3,412
Operating lease rentals - external parties:		
Minimum lease repayments	254,670	256,105
Contingent Rentals	13,650	12,740
Sublease	1,956	2,621
Workers compensation premiums	36,145	42,317
<b>Total other supplier expenses</b>	<b>312,659</b>	<b>317,195</b>
<b>Total supplier expenses</b>	<b>11,800,680</b>	<b>10,566,252</b>
<b>Note 3C: Grants</b>		
Public sector:		
State and Territory Governments	7,203	-
Private sector:		
Non-profit organisations	2,744	5,369
Overseas	105,417	43,427
<b>Total grants</b>	<b>115,364</b>	<b>48,796</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 3D: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Buildings	581,217	552,966
Buildings - leasehold improvements	37,716	27,325
Specialist military equipment	2,871,808	2,540,458
Infrastructure	345,807	316,705
Plant and equipment	195,633	232,937
Heritage and cultural	18,697	-
<b>Total depreciation</b>	<b>4,050,878</b>	<b>3,670,391</b>
<b>Amortisation</b>		
Buildings under finance lease	47,324	50,786
Infrastructure under finance lease	3,857	3,007
Plant and equipment under finance lease	14,465	14,290
Software	99,455	86,146
Other intangibles	41,866	43,096
<b>Total amortisation</b>	<b>206,967</b>	<b>197,325</b>
<b>Total depreciation and amortisation</b>	<b>4,257,845</b>	<b>3,867,716</b>
<i>The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows:</i>		
Buildings	666,257	631,077
Specialist military equipment	2,871,808	2,540,458
Infrastructure	349,664	319,712
Plant and equipment	210,098	247,227
Heritage and cultural	18,697	-
Software and intangibles	141,321	129,242
<b>Total depreciation and amortisation</b>	<b>4,257,845</b>	<b>3,867,716</b>
<b>Note 3E: Finance costs</b>		
Finance leases	103,791	99,466
Unwinding of discount - restoration, decontamination and decommissioning	24,507	26,097
Unwinding of discount - other	9,567	3,539
Bank interest	4	4
<b>Total finance costs</b>	<b>137,869</b>	<b>129,106</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 3F: Write-down and impairment of assets</b>		
<b>Financial assets</b>		
Receivables	126	2,446
<b>Total financial assets</b>	<b>126</b>	<b>2,446</b>
This is represented by:		
Debts considered unrecoverable	93	170
Impairment allowance	33	2,276
	<b>126</b>	<b>2,446</b>
<b>Non-financial assets</b>		
<b>Assets in use</b>		
Land and buildings	17,962	9,737
Specialist military equipment	917,496	405,310
Infrastructure	2,497	2,069
Plant and equipment	17,630	10,057
Heritage and cultural	53	43
Intangibles	671	1,196
<b>Total assets in use</b>	<b>956,309</b>	<b>428,412</b>
<b>Work in progress</b>		
Land and buildings	330	5,937
Specialist military equipment	64,971	60,913
Infrastructure	542	562
Plant and equipment	2,059	1,150
Intangibles	2	1,537
<b>Total work in progress</b>	<b>67,904</b>	<b>70,099</b>
<b>Inventory</b>		
Write down of general stores inventory	278,392	269,365
Write down on Explosive ordnance	118,399	82,331
Write down of fuel	620	-
<b>Total inventory</b>	<b>397,411</b>	<b>351,696</b>
<b>Total write-down and impairment of assets</b>	<b>1,421,750</b>	<b>852,653</b>
<b>Note 3G: Foreign exchange</b>		
<b>Foreign exchange gains</b>		
Non-speculative	6,248	3,257
<b>Foreign exchange losses</b>		
Non-speculative	(8,302)	(6,759)
<b>Total net gain/(loss) foreign exchange</b>	<b>(2,054)</b>	<b>(3,502)</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 3H: Sale of assets</b>		
<b>Land and buildings</b>		
Proceeds from sale	81,229	28,012
Carrying value of assets sold	(118,574)	(31,312)
Selling expense	(1,526)	(4,536)
<b>Net gain/(loss) from sale of land and buildings</b>	<b>(38,871)</b>	<b>(7,836)</b>
<b>Specialist military equipment</b>		
Proceeds from sale	6,153	49,425
Carrying value of assets sold	(5,351)	(35,026)
Selling expense	(8,355)	(9,949)
<b>Net gain/(loss) from sale of specialist military equipment</b>	<b>(7,553)</b>	<b>4,450</b>
<b>Infrastructure</b>		
Proceeds from sale	-	-
Carrying value of assets sold	-	(20)
Selling expense	(3)	(1)
<b>Net gain/(loss) from sale of infrastructure</b>	<b>(3)</b>	<b>(21)</b>
<b>Plant and equipment</b>		
Proceeds from sale	32,025	18,058
Carrying value of assets sold	(36,244)	(17,819)
Selling expense	(1,141)	(1,049)
<b>Net gain/(loss) from sale of plant and equipment</b>	<b>(5,360)</b>	<b>(810)</b>
<b>Heritage and cultural assets</b>		
Proceeds from sale	-	-
Carrying value of assets sold	-	-
Selling expense	(19)	(116)
<b>Net gain/(loss) from sale of heritage and cultural assets</b>	<b>(19)</b>	<b>(116)</b>
<b>Other assets</b>		
Proceeds from sale	164	12
Carrying value of assets sold	-	-
Selling expense	(1)	(19)
<b>Net gain/(loss) from sale of other assets</b>	<b>163</b>	<b>(7)</b>
<b>Total net gain/(loss) from sale of assets</b>	<b>(51,643)</b>	<b>(4,340)</b>
<b>Note 3I: Other expenses</b>		
Act of Grace payments (section 65)	439	427
Tactical Payment Scheme payments	2	16
Defective Administration Scheme payments	762	745
Restoration, decontamination and decommissioning costs	113,125	55,508
Other	2,414	32,441
<b>Total other expenses</b>	<b>116,742</b>	<b>89,137</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 4: Own-Source Income

	2015 \$'000	2014 \$'000
<b>Note 4A: Provision of goods and rendering of services (including cost recovery)</b>		
<b>Provision of goods</b>		
Rations and quarters - cost recovery	64,848	59,791
Provision of fuel - cost recovery	65,360	94,996
Other (including sale of obsolete and surplus inventory)	37,868	21,351
<b>Total provision of goods</b>	<b>168,076</b>	<b>176,138</b>
<b>Provision of goods to</b>		
Related entities	17,318	12,640
External entities	150,758	163,498
<b>Total provision of goods</b>	<b>168,076</b>	<b>176,138</b>
<b>Rendering of services</b>		
Logistics support recovery	18,079	26,640
s74 recoveries <sup>1</sup>	39,607	27,646
Other governments/agencies	12,980	12,195
Other	40,242	35,465
<b>Total rendering of services</b>	<b>110,908</b>	<b>101,946</b>
<b>Rendering of services to:</b>		
Related entities	11,093	16,067
External entities	99,815	85,879
<b>Total rendering of services</b>	<b>110,908</b>	<b>101,946</b>
<b>Total provision of goods and rendering of services (including cost recovery)</b>	<b>278,984</b>	<b>278,084</b>
 <sup>1</sup> Note that the comparative amounts are as per the equivalent section under the former FMA Act.		
<b>Note 4B: Sustainment expenditure recovered from DMO</b>		
Logistics	132,805	115,619
Research and Development	23,200	27,219
Redevelopment	26,691	22,352
Other	4,405	4,265
<b>Total sustainment expenditure recovered from DMO</b>	<b>187,101</b>	<b>169,455</b>
 <b>Note 4C: Rental income</b>		
<b>Operating leases:</b>		
Other	7,706	7,460
<b>Total rental income</b>	<b>7,706</b>	<b>7,460</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 4D: Other revenue</b>		
Excise refunds	13,773	23,110
Settlement of damages	41,821	42,193
Foreign military sales refunds	9,008	974
Other minor revenues	17,932	7,837
Resources received free of charge		
Remuneration of auditors	3,800	3,800
Assets received free of charge	9,761	40,094
Other resources received free of charge - government	16	-
Other resources received free of charge	6	426
<b>Total other revenue</b>	<b>96,117</b>	<b>118,434</b>

#### Note 4E: Reversals of previous asset write-downs and impairments

Land and buildings	10,782	13,009
Specialist military equipment	102,777	47,177
Infrastructure	2,029	7,333
Plant and equipment	5,924	4,539
Heritage and cultural assets	10	-
Software and intangibles	-	13,680
<b>Total property, plant and equipment and intangibles</b>	<b>121,522</b>	<b>85,738</b>
Receivables	554	96
Inventory	172,790	207,550
<b>Total reversal of previous asset write-downs and impairments</b>	<b>294,866</b>	<b>293,384</b>

#### Note 4F: Other gains

Other gains	37,271	34,063
<b>Total other gains</b>	<b>37,271</b>	<b>34,063</b>

#### Note 4G: Revenues from government

Appropriation:		
Departmental appropriation	25,452,698	23,158,481
Supplementation	845,544	1,038,680
<b>Total revenues from Government</b>	<b>26,298,242</b>	<b>24,197,161</b>

Defence is appropriated on a net cash basis which includes the appropriation revenue of \$26,298m (2013-14: \$24,197m) included in the Statement of Comprehensive Income, and the equity injection of \$2,758m (2013-14: \$1,521m) included in the Statement of Financial Position.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 5: Fair Value Measurements**

The following tables provide an analysis of the assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.  
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.  
Level 3: Unobservable inputs for the asset or liability.

**Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used**

Fair value measurements at the end of the reporting period		For level 2 and 3 fair value measurements			Sensitivity of the fair value measurement to changes in unobservable inputs
		2015 \$'000	2014 \$'000	Category	
<b>Non-financial assets</b> - Recurring fair value:	Land	5,110,068	4,947,960	Level 2	Market comparable sales
	Buildings	12,544,445	12,028,971	Level 3	Replacement cost Remaining life 24.59 years
	Infrastructure	5,571,994	5,534,132	Level 3	Replacement cost Remaining life 19.03 years
	Plant and Equipment	125,390	456,553	Level 2	Market comparable sales
	Plant and Equipment	1,655,256	1,128,227	Level 3	Replacement cost Remaining life 7.56 years
	Heritage and Cultural	1,006,948	1,002,312	Level 3	Reproduction cost Remaining life 19.72 years

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)

Fair value measurements at the end of the reporting period		For level 2 and 3 fair value measurements			
2015 \$'000	2014 \$'000	Category	Valuation Techniques	Inputs used and Range (weighted average) <sup>1</sup>	Sensitivity of the fair value measurement to changes in unobservable inputs
Non financial liabilities: Restoration, decontamination and decommissioning	1,001,192	Level 3	Defence estimates of future obligation relating to the underlying assets.	Inflation rate: \$905-\$1,043m <sup>2</sup>	- An increase/(decrease) to the inflation rate used will increase/(decrease) the value of the provision.
				Discount rate: \$906 - \$1,044m <sup>2</sup>	- An increase/(decrease) to the discount rate used will (decrease)/increase the value of the provision. - An increase/(decrease) in the estimated future cash outflow to settle the future obligation relating to the underlying assets the provision.

<sup>1</sup> Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

<sup>2</sup> Range is based on a 100 basis point change up and down from that used in the fair value calculation.

	Valuation Techniques	
	2015 \$'000	2014 \$'000
<b>Assets not measured at fair value in the statement of financial position<sup>3</sup></b>		
Cash and cash equivalents	<b>44,150</b>	35,490
Trade and other receivables	<b>998,278</b>	1,055,717
<b>Liabilities not measured at fair value in the statement of financial position<sup>3</sup></b>		
Other provisions	<b>290</b>	2,294
Suppliers	<b>1,164,800</b>	1,700,866
Other payables	<b>477,419</b>	384,162
Finance lease payables	<b>1,440,999</b>	1,492,541

<sup>3</sup> These items carrying amounts equate to their approximate fair values.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

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**Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)**

There has been no transfers between levels 1 and 2 during the reporting period that require additional disclosures. Defence's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

*Recurring and Level 3 fair value measurements - valuation process*

In estimating the fair value of an asset or a liability, Defence uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Defence engages third party qualified valuers to perform the valuation. The Asset Accounting branch works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the models to ensure the valuations are in line with AASB 13. The Asset Accounting branch reviews all reports received from third party valuers to ensure unobservable inputs used aligns with Defence's own assumptions and understanding of the market. This review includes investigation of significant fluctuations in the fair value of the assets and liabilities and that the report includes sufficient information to ensure compliance with AASB 13.

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 5B: Reconciliation for recurring Level 3 fair value measurement

#### Non-financial Assets

	Buildings		Infrastructure		Plant and Equipment		Heritage and Cultural		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Opening Balance 1 July</b>	<b>12,028,971</b>	<b>11,296,383</b>	<b>5,534,132</b>	<b>5,382,895</b>	<b>1,128,226</b>	<b>803,468</b>	<b>1,002,312</b>	<b>1,023,969</b>	<b>19,693,641</b>	<b>18,506,715</b>
Total gains/(losses) recognised in net cost of services <sup>1</sup>	(684,549)	(646,751)	(352,703)	(322,343)	(226,311)	(141,844)	(18,750)	(43)	(1,282,313)	(1,110,981)
Total gains/(losses) recognised in other comprehensive income <sup>2</sup>	87,991	(187,135)	55,463	(27,306)	5,367	38,003	(317)	(30,242)	148,504	(206,680)
Purchases	874,501	1,637,041	214,427	381,769	493,394	378,485	217	3,548	1,582,539	2,400,843
First found assets recognised	42,729	32,398	6,585	52,018	139	29,109	5,166	3,360	54,619	116,885
Disposals	(11,211)	(5,796)	-	(20)	(36,244)	(2,592)	-	-	(47,455)	(8,408)
Reversal of previous write-downs <sup>3</sup>	10,782	13,009	2,029	7,333	5,924	-	10	-	18,745	20,342
Reclassification / Transfers <sup>4</sup>	195,231	(110,178)	112,061	59,786	(3,121)	23,597	18,310	1,720	322,481	(25,075)
Transfers from Level 3 <sup>5</sup>	-	-	-	-	(36,468)	-	-	-	(36,468)	-
Transfers to Level 3 <sup>5</sup>	-	-	-	-	324,350	-	-	-	324,350	-
<b>Closing Balance 30 June</b>	<b>12,544,445</b>	<b>12,028,971</b>	<b>5,571,994</b>	<b>5,534,132</b>	<b>1,655,256</b>	<b>1,128,226</b>	<b>1,006,948</b>	<b>1,002,312</b>	<b>20,778,643</b>	<b>19,693,641</b>

<sup>1</sup> These gains/(losses) are presented in the Statement of Comprehensive Income under depreciation and amortisation and write-down and impairment of assets.

<sup>2</sup> These gains/(losses) are presented in the Statement of Comprehensive Income under changes in asset revaluation reserves.

<sup>3</sup> These gains/(losses) are presented in the Statement of Comprehensive Income under reversals of previous asset write downs and impairment.

<sup>4</sup> To other classes or non-financial asset categories. These transfers are undertaken to reflect either reclassification within property, plant and equipment classes or between inventory

and property, plant and equipment.

<sup>5</sup> Transfers to and from Level 3 depend on whether Active and Liquid Markets (ALM) exist for Defence's assets. This is reviewed on an annual basis and as a result of the 2014-15 review performed by an external

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 5C: Fair value measurements - reconciliation for restoration and decontamination

##### Non-financial Liabilities

##### Restoration, decontamination and decommissioning

	2015	2014
	\$'000	\$'000
<b>Opening Balance 1 July</b>	<b>917,635</b>	<b>872,367</b>
Additional provision made <sup>6</sup>	144,993	80,604
Amounts used	(51,443)	(26,103)
Amounts reversed <sup>7</sup>	(34,500)	(35,330)
Unwinding of discount or change in discount rate <sup>8</sup>	24,507	26,097
<b>Closing Balance 30 June</b>	<b>1,001,192</b>	<b>917,635</b>

<sup>6</sup> These gains/(losses) are presented in the Statement of Comprehensive Income under Other Expenses.

<sup>7</sup> These gains/(losses) are presented in the Statement of Comprehensive Income under Other Gains.

<sup>8</sup> Unwinding of discount or change in discount rate are presented in the Statement of Comprehensive Income under Other Finance Costs.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 6: Financial Assets

	2015 \$'000	2014 \$'000
<b>Note 6A: Cash and cash equivalents</b>		
Cash on hand	4,827	2,794
Cash at bank - at call	39,323	32,696
<b>Total cash and cash equivalents</b>	<b>44,150</b>	<b>35,490</b>

#### Note 6B: Trade and other receivables

##### Goods and services receivables in connection with

Related entities	15,876	7,451
External parties	52,901	64,455
<b>Total receivables for goods and services</b>	<b>68,777</b>	<b>71,906</b>

##### Appropriations receivable

For existing programs	195,419	414,742
<b>Total appropriations receivable</b>	<b>195,419</b>	<b>414,742</b>

##### Other receivables

GST receivable from the Australian Taxation Office	106,002	89,757
Accrued revenue	29,425	17,596
Other	602,045	468,671
<b>Total other receivables</b>	<b>737,472</b>	<b>576,024</b>
<b>Total trade and other receivables (gross)</b>	<b>1,001,668</b>	<b>1,062,672</b>

##### Less impairment allowance

Goods and services	(3,390)	(6,955)
<b>Total impairment allowance</b>	<b>(3,390)</b>	<b>(6,955)</b>
<b>Total trade and other receivables (net)</b>	<b>998,278</b>	<b>1,055,717</b>

##### Trade and receivables (net) expected to be recovered in:

No more than 12 months	820,847	870,389
More than 12 months	177,431	185,328
<b>Total trade and other receivables (net)</b>	<b>998,278</b>	<b>1,055,717</b>

##### Trade and other receivables (gross) are aged as follows:

Not overdue	979,655	1,027,324
Overdue by:		
Less than 30 days	5,358	6,323
31 to 60 days	1,111	1,251
61 to 90 days	788	308
More than 90 days	14,756	27,466
<b>Total trade and other receivables (gross)</b>	<b>1,001,668</b>	<b>1,062,672</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 6B: Trade and other receivables (continued)

	2015 \$'000	2014 \$'000
<b>Impairment allowance aged as follows:</b>		
Not overdue	-	-
Overdue by:		
Less than 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	(3,390)	(6,955)
<b>Total impairment allowance</b>	<b>(3,390)</b>	<b>(6,955)</b>
<b>Reconciliation of the impairment allowance:</b>		
Opening balance	(6,955)	(4,775)
Amounts written off	3,044	-
Amounts recovered and reversed	554	96
(Increase)/decrease recognised in net cost of services	(33)	(2,276)
<b>Closing balance</b>	<b>(3,390)</b>	<b>(6,955)</b>

Credit terms for goods and services were within 1-30 days (2014: 1-30 days)

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 7: Non-Financial Assets

##### Non-Financial Assets Framework:

1. All assets subject to fair value have had an independent valuation conducted by Jones Lang LaSalle Advisory Services in accordance with the revaluation policy stated at note 1.21(f). The valuations were undertaken from 1 February to 30 June 2015 with an effective date of 30 June 2015.
2. Any non-financial assets held for sale are included in note 7J.
3. All non-financial assets have been assessed for impairment indicators. Where indicators have been identified due to physical damage, obsolescence or performance short falls, an impairment assessment has been performed.
4. The following table outlines the number of assets by non-financial asset category expected to be sold or disposed of within the next 12 months.

Category	Number of assets to be sold /disposed within the next 12 months
Land	19
Buildings	111
Specialist military equipment	50
Infrastructure	1
Plant and Equipment	11
Heritage and Cultural	-
Intangibles	-

	2015 \$'000	2014 \$'000
<b>Note 7A: Land and buildings</b>		
<b>Land</b>		
At fair value	5,027,783	4,860,017
Land held under finance lease	82,285	87,943
Accumulated impairment losses	-	-
<b>Total land</b>	<b>5,110,068</b>	<b>4,947,960</b>
<b>Buildings</b>		
<b>Buildings on freehold land</b>		
At fair value	10,518,609	9,822,789
Accumulated depreciation	(295,939)	(210,131)
Accumulated impairment losses	(46,327)	(44,292)
<b>Total buildings on freehold land</b>	<b>10,176,343</b>	<b>9,568,366</b>
Work in progress - at cost	1,160,955	1,166,215
Buildings held under finance lease	1,223,545	1,318,439
Accumulated amortisation	(16,398)	(24,049)
	<b>1,207,147</b>	<b>1,294,390</b>
<b>Total buildings</b>	<b>12,544,445</b>	<b>12,028,971</b>
<b>Total land and buildings</b>	<b>17,654,513</b>	<b>16,976,931</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 7B: Specialist military equipment</b>		
<b>Specialist military equipment in use other than military support items</b>		
At cost	51,460,798	49,569,426
Accumulated depreciation	(28,169,749)	(27,060,376)
Accumulated impairment losses	(177,317)	(154,197)
<b>Net carrying value of specialist military equipment</b>	<b>23,113,732</b>	<b>22,354,853</b>
<b>Military support items</b>		
At cost	17,570,769	15,941,119
Accumulated depreciation	(9,586,167)	(8,669,372)
Accumulated impairment losses	(601,418)	(261,344)
<b>Net carrying value of military support items</b>	<b>7,383,184</b>	<b>7,010,403</b>
<b>Work in progress - at cost</b>	<b>12,154,321</b>	<b>11,820,887</b>
<b>Total specialist military equipment</b>	<b>42,651,237</b>	<b>41,186,143</b>
 <b>Note 7C: Infrastructure</b>		
At fair value	5,390,155	5,393,325
Accumulated depreciation	(182,193)	(117,964)
Accumulated impairment losses	(24,768)	(26,112)
	<b>5,183,194</b>	<b>5,249,249</b>
Work in progress - at cost	266,084	163,793
Infrastructure held under finance lease	124,031	124,633
Accumulated amortisation	(1,315)	(3,543)
	<b>122,716</b>	<b>121,090</b>
<b>Total infrastructure</b>	<b>5,571,994</b>	<b>5,534,132</b>
 <b>Note 7D: Plant and equipment</b>		
At fair value	1,135,822	1,202,423
Accumulated depreciation	(124,968)	(226,924)
Accumulated impairment losses	(15,055)	(13,149)
	<b>995,799</b>	<b>962,350</b>
Work in progress - at cost	654,912	527,900
Plant and equipment under finance lease	135,208	98,443
Accumulated amortisation	(5,273)	(3,913)
Accumulated impairment losses	-	-
	<b>129,935</b>	<b>94,530</b>
<b>Total plant and equipment</b>	<b>1,780,646</b>	<b>1,584,780</b>
 <b>Note 7E: Heritage and cultural assets</b>		
At fair value	1,060,336	1,002,312
Accumulated depreciation	(53,388)	-
Accumulated impairment losses	-	-
<b>Total heritage and cultural assets</b>	<b>1,006,948</b>	<b>1,002,312</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 7F: Intangibles</b>		
<b>Computer software</b>		
<b><i>Purchased</i></b>		
At cost	880,306	832,830
Accumulated amortisation	(535,186)	(477,234)
Accumulated impairment losses	(3,058)	(2,890)
	<u>342,062</u>	<u>352,706</u>
Work in progress - at cost	82,207	70,290
<b><i>Total purchased computer software</i></b>	<u>424,269</u>	<u>422,996</u>
<b><i>Internally generated</i></b>		
At cost	361,225	284,030
Accumulated amortisation	(142,865)	(103,589)
Accumulated impairment losses	(714)	(341)
<b><i>Total internally generated computer software</i></b>	<u>217,646</u>	<u>180,100</u>
<b><i>Total computer software</i></b>	<u>641,915</u>	<u>603,096</u>
<b>Other intangibles</b>		
<b><i>Purchased</i></b>		
At cost	294,001	297,212
Accumulated amortisation	(124,886)	(87,839)
Accumulated impairment losses	(2,449)	(2,785)
<b><i>Total other intangibles purchased</i></b>	<u>166,666</u>	<u>206,588</u>
<b><i>Internally generated</i></b>		
At cost	23,953	67,418
Accumulated amortisation	(14,204)	(54,611)
Accumulated impairment losses	-	(2,914)
<b><i>Total other intangibles internally generated</i></b>	<u>9,749</u>	<u>9,893</u>
<b><i>Total other intangibles</i></b>	<u>176,415</u>	<u>216,481</u>
<b><i>Total intangibles</i></b>	<u>818,330</u>	<u>819,577</u>

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 7G: Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment, and intangibles (2014-2015)

Item	Land	Buildings	Specialist Military Equipment	Infra-structure	Plant and Equipment (owned and leased)	Heritage and Cultural Assets <sup>1</sup>	Computer Software - Purchased	Computer Software - Internally Generated	Other Intangibles Purchased	Other Intangibles Internally Generated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>											
Gross Book value	4,947,960	12,307,443	77,331,432	5,681,750	1,828,766	1,002,312	903,120	284,030	297,212	67,418	104,651,443
Accumulated depreciation/amortisation & impairment	-	(278,472)	(36,145,289)	(147,618)	(243,986)	-	(480,124)	(103,930)	(90,624)	(57,525)	(37,547,568)
<b>Net book value 1 July 2014</b>	<b>4,947,960</b>	<b>12,028,971</b>	<b>41,186,143</b>	<b>5,534,132</b>	<b>1,584,780</b>	<b>1,002,312</b>	<b>422,996</b>	<b>180,100</b>	<b>206,588</b>	<b>9,893</b>	<b>67,103,875</b>
Additions:											
By purchase	275	855,063	5,064,982	214,427	455,101	217	63,316	24,707	-	1,817	6,679,905
By finance lease	3,635	19,438	-	-	45,482	-	-	-	-	-	68,555
Adjustments to opening balance	-	42,729	328,086	6,585	(3,218)	5,166	433	-	-	-	379,781
Revaluations/impairments recognised in other comprehensive income	267,700	87,991	-	55,463	(3,722)	(317)	-	-	-	-	407,115
Reclassification	987	(25,637)	(36,227)	26,721	(34,582)	18,310	(2,724)	53,169	(17)	-	-
Depreciation/amortisation expense	-	(666,257)	(2,871,308)	(349,664)	(210,098)	(18,697)	(59,544)	(39,911)	(39,905)	(1,961)	(4,257,845)
Revaluations/write-downs and impairments recognised in operating result	-	(18,292)	(982,467)	(3,039)	(19,689)	(53)	(254)	(419)	-	-	(1,024,213)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs	-	10,782	102,777	2,029	5,924	10	-	-	-	-	121,522
Transfers in (out)	-	226,133	(134,562)	85,240	(3,040)	-	46	-	-	-	173,817
Transfers to/from Assets Held for Sale	(3,126)	(5,265)	(336)	100	(48)	-	-	-	-	-	(8,675)
Disposals:											
Other disposals	(107,363)	(11,211)	(5,351)	-	(36,244)	-	-	-	-	-	(160,169)
<b>Net book value 30 June 2015</b>	<b>5,110,068</b>	<b>12,544,445</b>	<b>42,651,237</b>	<b>5,571,994</b>	<b>1,780,646</b>	<b>1,006,948</b>	<b>424,269</b>	<b>217,646</b>	<b>166,666</b>	<b>9,749</b>	<b>69,483,668</b>
<b>Net book value as at 30 June 2015 represented by:</b>											
Gross book value	5,110,068	12,903,108	81,185,331	5,780,270	1,925,942	1,060,336	962,513	361,225	294,001	23,953	109,533,140
Accumulated depreciation/amortisation and impairment	-	(358,663)	(38,534,094)	(208,276)	(145,296)	(53,388)	(538,244)	(143,579)	(127,335)	(14,204)	(40,049,472)
<b>Closing net book value at 30 June 2015</b>	<b>5,110,068</b>	<b>12,544,445</b>	<b>42,651,237</b>	<b>5,571,994</b>	<b>1,780,646</b>	<b>1,006,948</b>	<b>424,269</b>	<b>217,646</b>	<b>166,666</b>	<b>9,749</b>	<b>69,483,668</b>

<sup>1</sup> Where land, buildings and other infrastructure plant and equipment meet the definition of a heritage and cultural item, they have been disclosed in the heritage and cultural assets class.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 7G: Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment, and intangibles (2013-2014)**

Item	Land	Buildings	Specialist Military Equipment	Infra-structure	Plant and Equipment (owned and leased)	Cultural Assets <sup>1</sup>	Computer Software - Purchased	Computer Software - Internally Generated	Other Intangibles Purchased	Other Intangibles Internally Generated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2013</b>											
Gross book value	4,629,023	11,641,645	74,897,928	5,561,612	1,679,212	1,023,989	843,161	209,621	85,437	69,448	100,641,056
Accumulated depreciation/amortisation & impairment	-	(345,262)	(34,653,107)	(178,717)	(297,989)	-	(421,053)	(72,513)	(51,880)	(55,875)	(36,076,406)
<b>Net book value 1 July 2013</b>	<b>4,629,023</b>	<b>11,296,383</b>	<b>40,244,821</b>	<b>5,382,895</b>	<b>1,381,223</b>	<b>1,023,989</b>	<b>422,108</b>	<b>137,108</b>	<b>33,547</b>	<b>13,573</b>	<b>64,564,650</b>
<b>Additions:</b>											
By purchase	12,703	1,127,388	4,046,397	330,393	403,934	3,548	35,023	31,035	-	-	5,990,421
By finance lease	1,894	509,653	-	51,376	8,453	-	-	-	-	-	571,376
First found assets recognised	-	32,398	233,500	52,018	30,251	3,360	-	-	-	-	351,527
Revaluations/Impairments recognised in other comprehensive income	351,289	(187,135)	-	(27,306)	56,023	(30,242)	-	-	-	-	162,629
Reclassification	5,244	(85,515)	(95,628)	108,880	8,838	5,429	29,199	23,625	(583)	511	-
Depreciation/amortisation expense	-	(631,077)	(2,540,458)	(319,712)	(247,227)	-	(61,418)	(24,728)	(39,102)	(3,994)	(3,867,716)
Revaluations/write-downs and impairments recognised in operating result	-	(15,674)	(466,223)	(2,631)	(11,207)	(43)	(1,916)	(620)	-	(197)	(498,511)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs	-	13,009	47,177	7,333	4,539	-	-	13,680	-	-	85,738
Transfers in (out)	(26,694)	(24,663)	(272,358)	(48,994)	(32,265)	(3,709)	-	-	212,726	-	(195,957)
Transfers to/from Assets Held for Sale	17	-	23,941	(100)	37	-	-	-	-	-	23,895
Disposals:											
Other disposals	(25,516)	(5,796)	(35,026)	(20)	(17,819)	-	-	-	-	-	(84,177)
<b>Net book value 30 June 2014</b>	<b>4,947,960</b>	<b>12,028,971</b>	<b>41,186,143</b>	<b>5,534,132</b>	<b>1,584,780</b>	<b>1,002,312</b>	<b>422,996</b>	<b>180,100</b>	<b>206,588</b>	<b>9,893</b>	<b>67,103,875</b>
<b>Net book value as at 30 June 2014 represented by:</b>											
Gross book value	4,947,960	12,307,443	77,331,432	5,681,750	1,828,766	1,002,312	903,120	284,030	297,212	67,418	104,651,443
Accumulated depreciation/amortisation and impairment	-	(278,472)	(36,145,289)	(147,618)	(243,986)	-	(480,124)	(103,930)	(90,624)	(57,525)	(37,547,568)
<b>Closing net book value at 30 June 2014</b>	<b>4,947,960</b>	<b>12,028,971</b>	<b>41,186,143</b>	<b>5,534,132</b>	<b>1,584,780</b>	<b>1,002,312</b>	<b>422,996</b>	<b>180,100</b>	<b>206,588</b>	<b>9,893</b>	<b>67,103,875</b>

<sup>1</sup> Where land, buildings and other infrastructure plant and equipment meet the definition of a heritage and cultural item, they have been disclosed in the heritage and cultural assets class.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 7H: Inventories</b>		
Inventories - General	2,235,863	2,333,932
Inventories - Explosive ordnance	4,138,839	3,924,129
Inventories - Fuel	88,829	127,510
<b>Total inventories</b>	<b>6,463,531</b>	<b>6,385,571</b>
<b>Inventories are expected to be consumed in:</b>		
No more than 12 months	891,670	716,085
More than 12 months	5,571,861	5,669,486
<b>Total</b>	<b>6,463,531</b>	<b>6,385,571</b>
<b>Other inventory disclosures</b>		
Reversal of previous inventory write downs during period	172,170	207,550
Inventory write downs during period	(396,791)	(351,696)

No items of inventory were recognised at fair value less cost to sell.

The reversal of previous inventory write downs is attributable to price and quantity adjustments in the current financial year.

#### Note 7I: Prepayments

Capital prepayments	572,006	95,350
Non capital prepayments	812,456	207,552
<b>Total prepayments</b>	<b>1,384,462</b>	<b>302,902</b>

#### Note 7J: Assets held for sale

Land	9,090	699
Specialist military equipment	12,574	12,238
Other infrastructure, plant and equipment	61	113
Inventories	15,959	15,642
<b>Total assets held for sale</b>	<b>37,684</b>	<b>28,692</b>

## Note 8: Payables

#### Note 8A: Suppliers

Trade creditors and accruals	1,162,769	1,631,088
Operating lease rentals	2,031	69,778
<b>Total suppliers payable</b>	<b>1,164,800</b>	<b>1,700,866</b>

#### Supplier payables expected to be settled:

No more than 12 months	1,164,800	1,604,849
More than 12 months	-	96,017
<b>Total</b>	<b>1,164,800</b>	<b>1,700,866</b>

#### Supplier payables in connection with:

Related entities	427,470	782,735
External parties	737,330	918,131
<b>Total</b>	<b>1,164,800</b>	<b>1,700,866</b>

Settlement is usually made within 30 days.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 8B: Other payables</b>		
<b>Australian Public Service (APS) employee payables</b>		
Salaries and wages	44,896	40,999
Superannuation	7,656	7,260
Separations and redundancies	1,834	141
<b>Australian Defence Force (ADF) employee payables</b>		
Salaries and wages	194,337	173,277
Superannuation	55,381	-
Separations and redundancies	-	1,111
Statutory payable	114,359	103,351
Other	58,956	58,023
<b>Total other payables</b>	<b>477,419</b>	<b>384,162</b>
<b>Total other payables are expected to be settled in:</b>		
No more than 12 months	442,153	345,780
More than 12 months	35,266	38,382
<b>Total other payables</b>	<b>477,419</b>	<b>384,162</b>

## Note 9: Interest Bearing Liabilities

### Note 9A: Finance leases

#### Payable:

##### Within one year

Minimum lease payments	128,539	158,996
Deduct: future finance charges	(97,110)	(101,200)

##### In one to five years

Minimum lease payments	624,373	638,518
Deduct: future finance charges	(453,589)	(462,876)

##### In more than five years

Minimum lease payments	2,246,411	2,344,114
Deduct: future finance charges	(1,007,625)	(1,085,011)

#### Total finance leases

	<b>1,440,999</b>	<b>1,492,541</b>
--	------------------	------------------

\* 33 (2013-14: 40) finance leases exist in relation to properties and technology. The leases are non-cancellable and for fixed terms with an average remaining term of 19.97 years (2013-14: 19.67 years). The maximum number of years remaining is 28.58 years (2013-14: 29.67 years) relating to the Single LEAP finance 2 leases (2013-14: Single LEAP finance 2 leases). The lease assets secure the lease liabilities. Interest rates applied averaged 6.65% (2014: 6.98%).

Contingent rent (representing the portion of the lease payments made that were not fixed and subject to CPI finance lease contract clauses) was expensed in the periods in which they were incurred on 4 finance leases (2013-14: 3 finance leases).

For residential properties this is reported in Employee Benefits Expenses (refer Note 3A), for non residential properties this is reported in Supplier Expenses (refer Note 3B).

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2015

**Note 10: Provisions**

	2015 \$'000	2014 \$'000
<b>Note 10A: Employee provisions</b>		
<b>Australian Public Service (APS) employee provisions</b>		
Leave	532,569	538,661
<b>Total APS employee provisions</b>	<b>532,569</b>	<b>538,661</b>
<b>Australian Defence Force (ADF) employee provisions</b>		
Leave	1,796,356	1,731,670
Other provisions	30,002	16,960
<b>Total ADF employee provisions</b>	<b>1,826,358</b>	<b>1,748,630</b>
<b>Total employee provisions</b>	<b>2,358,927</b>	<b>2,287,291</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	771,993	718,843
More than 12 months	1,586,934	1,568,448
<b>Total employee provisions</b>	<b>2,358,927</b>	<b>2,287,291</b>

**Note 10B: Restoration, decontamination and decommissioning**

Provisions for restoration and decommissioning	522,758	487,711
Provision for decontamination <sup>1</sup>	478,434	429,924
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>1,001,192</b>	<b>917,635</b>

**Restoration, decontamination and decommissioning provisions are expected to be settled in:**

No more than 12 months	161,796	85,128
More than 12 months	839,396	832,507
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>1,001,192</b>	<b>917,635</b>

<sup>1</sup> This provision does not represent the total cost of remediating contamination on all Defence sites rather, it provides an estimate of the present obligation that exists in relation to these sites (see Note 1.21c for the accounting policy on this matter).

Refer to Note 10D for a reconciliation of this balance.

**Note 10C: Other provisions**

Other provisions	290	2,294
<b>Total other provisions</b>	<b>290</b>	<b>2,294</b>

**Other provisions are expected to be settled in:**

No more than 12 months	290	2,294
More than 12 months	-	-
<b>Total other provisions</b>	<b>290</b>	<b>2,294</b>

Refer to Note 10D for a reconciliation of this balance.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 10D: Reconciliation of provision balances Movement in relation to 2015

	Restoration and decommissioning provisions \$'000	Decontamination provisions \$'000	Other provisions \$'000
<b>Carrying amount 1 July 2014</b>	487,711	429,924	2,294
Additional provisions made	40,321	104,672	-
Amounts used	(4,645)	(46,798)	-
Amounts reversed	(16,105)	(18,395)	(2,004)
Unwinding of discount or change in discount rate	15,476	9,031	-
<b>Closing balance 30 June 2015</b>	<b>522,758</b>	<b>478,434</b>	<b>290</b>

Defence currently has 317 agreements for the leasing of premises which have provisions requiring Defence to restore the premises to their original condition at the conclusion of the lease. Defence has made a provision to reflect the present value of this obligation.

#### Note 11: Restructuring

2014-15: No restructures took place during the current year.

2013-14: No restructures took place during the prior year.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 12: Cash Flow Reconciliation

	2015 \$'000	2014 \$'000
<b>Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash Flow Statement	44,150	35,490
Statement of Financial Position	44,150	35,490
<b>Discrepancy</b>	-	-
<b>Reconciliation of net cost of services to net cash from/(used by) operating activities:</b>		
Net cost of services	(26,277,471)	(23,709,896)
Add revenue from Government	26,298,242	24,197,161
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	4,257,845	3,867,716
Foreign exchange (gains)/losses	2,054	3,502
Reversal of previous asset write-downs	(294,866)	(293,384)
(Gains)/losses from assets sales	51,643	4,340
Net write-down and impairment of assets	1,421,750	852,653
Finance costs	137,869	95,270
Inventory consumption or expense	1,248,929	1,009,281
<b>Changes in assets/liabilities</b>		
Decrease/(increase) in inventory related to operations	(96,587)	(136,212)
Decrease/(increase) in trade and other receivables	76,223	(183,058)
Decrease/(increase) in prepayments	(481,915)	(70,142)
Increase/(decrease) in supplier payables	(413,380)	121,398
Increase/(decrease) in other payables	93,257	(74,878)
Increase/(decrease) in employee provisions	71,636	51,335
Increase/(decrease) in restoration, decontamination and decommissioning	83,557	45,268
Increase/(decrease) in other provisions	(2,004)	(720)
<b>Net cash from / (used by) operating activities</b>	<b>6,176,782</b>	<b>5,779,634</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 13: Contingent Liabilities and Assets

	Claims for damages / costs		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Contingent Assets</b>				
Balance from previous period	3,837	28,857	3,837	28,857
New	698	4	698	4
Re-measurement	3,436	(17,328)	3,436	(17,328)
Assets realised	(750)	(7,624)	(750)	(7,624)
Rights expired	(13)	(72)	(13)	(72)
<b>Total contingent assets</b>	<b>7,208</b>	<b>3,837</b>	<b>7,208</b>	<b>3,837</b>
<b>Contingent Liabilities</b>				
Balance from previous period	39,022	63,100	39,022	63,100
New	2,034	20,556	2,034	20,556
Re-measurement	(7,983)	(4,454)	(7,983)	(4,454)
Liabilities realised	(3,834)	(17,278)	(3,834)	(17,278)
Obligations expired	(4,246)	(22,902)	(4,246)	(22,902)
<b>Total Contingent liabilities</b>	<b>24,993</b>	<b>39,022</b>	<b>24,993</b>	<b>39,022</b>
<b>Net contingent assets (liabilities)</b>	<b>(17,785)</b>	<b>(35,185)</b>	<b>(17,785)</b>	<b>(35,185)</b>

#### Quantifiable Contingencies

Contingent Assets: At 30 June 2015, the Schedule of Contingencies contains 25 (2013-14: 12) instances of non-remote, quantifiable contingent assets in respect of claims by the Department valued at \$7.2m (2013-14: \$3.8m). The Department is expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to the Department.

Contingent Liabilities: At 30 June 2015, the Schedule of Contingencies contains 19 (2013-14: 16) instances of non-remote, quantifiable contingent liabilities in respect of claims on the Department valued at \$25.0m (2013-14: \$39.0m). The estimated figure is determined by conducting an objective analysis of the probable amount payable for all the matters managed by the members of Defence's Legal Services Panels and those being handled in-house by Defence Legal Division. However, as an estimate, the exact amount payable under those claims is uncertain. The Department is defending the claims or is trying to resolve them by recourse to alternative dispute resolution measures.

#### Unquantifiable Contingencies

Contingent Assets: At 30 June 2015 Defence had 17 (2013-14: 11) instances of unquantifiable non-remote contingent assets.

Contingent Liabilities: At 30 June 2015 Defence had 25 (2013-14: 8) instances of unquantifiable non-remote contingent liabilities.

**Decontamination of Defence sites:** Defence has made financial provision for the estimated costs involved in restoring, decontaminating and decommissioning where a legal or constructive obligation has arisen. For cases where there is a legal or constructive obligation, but the potential cost could not be quantified, the obligations have been assessed as unquantifiable contingencies.

It was not possible to estimate the amounts of any eventual payments or receipts that may eventuate in relation to these claims.

#### Quantifiable Remote Contingencies

Remote Contingent Assets: At 30 June 2015 Defence had 3 (2013-14: 3) instances of quantifiable remote contingent assets valued at \$0.3m (2013-14: \$0.6m).

Remote Contingent Liabilities: At 30 June 2015 Defence had 1,437 (2013-14: 1,597) instances of quantifiable remote contingent liabilities valued at \$3,793.72m (2013-14: \$3,714.34m).

#### Unquantifiable Remote Contingencies

Contingent Assets: At 30 June 2015 Defence had nil instances of unquantifiable remote contingent assets (2013-14: 2).

Contingent Liabilities: At 30 June 2015 Defence had 9 instances of unquantifiable remote contingent liabilities (2013-14: 23).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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#### Note 13: Contingent Liabilities and Assets (continued)

##### **Significant Remote Contingencies**

At 30 June 2015 Defence had the following significant remote contingent liabilities:

- *ADI Limited – Officers' and Directors' Indemnities:* Under the sale agreements for ADI Ltd, the Australian Government agreed to indemnify the directors, officers and employees for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has provided an indemnity to ADI Ltd for uninsured losses relating to specific heads of claims.
- *Cockatoo Island Dockyard (CODOCK):* On 13 October 2001, CODOCK commenced proceedings against the Commonwealth (Defence) in the NSW Supreme Court seeking full reimbursement from the Commonwealth for personal injury claims costs incurred by CODOCK after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, CODOCK was awarded a complete indemnity from the Commonwealth for its uninsured exposure to asbestos damages claims, plus profit of 7.5%.
- *Decontamination of Defence sites:* Defence has made financial provision for the estimated costs involved in restoring, decontaminating and decommissioning where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.
- *Claims and Litigation Cases:* Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by use of negotiation. The litigation includes common law liability claims, including for personal injury and property damage. A number of claims have also been received for damage caused by the use of a Defence Practice Area. There is also the potential for a number of claims to arise out of reviews into ADF and Defence Culture. As reported in the 2013-14 Budget Paper No. 2, amounts will be provided over 3 years for reparation payments and related expenses as part of Defence's response to the Report on the Review of allegations of sexual and other abuse in Defence. Finally, there is potential for claims to arise from the disposal of assets to third parties where such assets contain hazardous materials or components that have the potential to cause injury.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 14: Senior Management Personnel Remuneration

	2015 \$	2014 \$
<b>Short-term employee benefits</b>		
Salary	63,931,038	65,563,971
Performance bonus	10,000	23,347
Other <sup>1</sup>	20,719,452	18,500,228
<b>Total short-term employee benefits</b>	<b>84,660,490</b>	<b>84,087,546</b>
<b>Post-employment benefits</b>		
Superannuation	13,107,026	13,176,934
<b>Total post-employment benefits</b>	<b>13,107,026</b>	<b>13,176,934</b>
<b>Other long-term benefits</b>		
Annual leave	5,583,061	5,592,296
Long-service leave	1,709,994	1,781,134
<b>Total other long-term benefits</b>	<b>7,293,055</b>	<b>7,373,430</b>
<b>Termination benefits</b>	<b>4,284,427</b>	<b>4,202,416</b>
<b>Total senior management personnel remuneration</b>	<b>109,344,998</b>	<b>108,840,326</b>

The total number of senior management personnel that are included in the above table are 342 (2013-14: 351).

#### Notes

1. "Other" includes leased motor vehicles, car parking, housing, medical benefits and other allowances.
2. Excludes Star Ranked Reservists who are not employed on a continuous full time basis.
3. Includes SES officers seconded to Defence. In 2014-15 there were 3 such officers (2013-14: 3 officers).
4. Includes all Military Star Ranked Officers who have been posted to the Defence Materiel Organisation (DMO). In 2014-15 there were 26 such Officers (2013-14: 29 Officers). The total remuneration for these Officers was \$8,107,193 (2013-14: \$7,505,195).
5. The amounts disclosed for SES officers seconded to Defence are included as receipt of goods or services from another entity.
6. The 2014-15 FRR amended the reportable thresholds. The 2014 comparatives have been updated to be in accordance with FRR requirements for consistency.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 15: Financial Instruments

##### *Financial risk management objectives and policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis for measurement in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

In accordance with Australian Government policy, Defence does not enter into reportable derivative financial instruments.

	2015 \$'000	2014 \$'000
<b>Note 15A: Categories of financial instruments</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	44,150	35,490
Loans and receivables:		
Trade and other receivables	561,759	525,639
<b>Total Loans and Receivables</b>	<b>605,909</b>	<b>561,129</b>
<b>Carrying amount of financial assets</b>	<b>605,909</b>	<b>561,129</b>
<b>Financial Liabilities</b>		
At amortised cost:		
Suppliers	1,164,615	1,354,519
Other payables	362,929	280,384
Finance lease	1,440,999	1,492,541
<b>Total Financial Liabilities at Amortised Cost</b>	<b>2,968,543</b>	<b>3,127,444</b>
<b>Carrying amount of financial liabilities</b>	<b>2,968,543</b>	<b>3,127,444</b>

##### Note 15B: Net gains or losses on financial assets

###### Loans and receivables

Exchange gains/(loss)	3,877	1,935
Impairment reversal/(impairment)	(428)	(2,446)
<b>Net gain/(loss) on loans and receivables</b>	<b>3,449</b>	<b>(511)</b>
<b>Net gain/(loss) on financial assets</b>	<b>3,449</b>	<b>(511)</b>

There is no interest income from financial assets not at fair value through the net cost of services.

##### Note 15C: Net gains or losses on financial liabilities

###### At amortised cost

Exchange gains/(loss)	(5,931)	(5,437)
Interest expense	(113,362)	(103,009)
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>(119,293)</b>	<b>(108,446)</b>
<b>Net gain/(loss) on financial liabilities</b>	<b>(119,293)</b>	<b>(108,446)</b>

There is no interest expense from financial liabilities not at fair value through the net cost of services.

##### Note 15D: Fair value of financial instruments

The fair values of cash, non-interest bearing monetary financial assets, trade creditors and finance leases approximate their carrying amounts. Finance Leases are recognised at the lower of fair value and net present value of the minimum lease payments (AASB 117) at lease inception. The carrying amounts reported represent the amounts required to settle each liability.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 15E: Credit Risk

Defence's maximum credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. Defence has endorsed policies and procedures for debt management to reduce the incidence of credit risk. The majority of goods or services provided by Defence are provided to other government entities and employees and therefore represent minimal credit risk exposure for Defence.

The carrying amount of financial assets, net of impairment losses, reported in the Statement of Financial Position represents Defence's exposure to credit risk. Defence has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments not past due or individually determined as impaired:

	Notes	Not past due nor impaired		Past due or impaired	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Assets:					
Cash and cash equivalents	6A	44,150	35,490	-	-
Trade and other receivables	6B	543,136	497,246	22,013	35,348
<b>Total</b>		<b>587,286</b>	<b>532,736</b>	<b>22,013</b>	<b>35,348</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 15E: Credit Risk (continued)**

Ageing of financial assets that are past due but not impaired:

	Notes	0 to 30 days		31 to 60 days		61 to 90 days		Over 90 days		Total	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets:											
Trade and other receivables	6B	5,358	6,323	1,111	1,251	788	308	11,366	20,511	18,623	28,393
Total		5,358	6,323	1,111	1,251	788	308	11,366	20,511	18,623	28,393

**Note 15F: Liquidity risk**

Defence's financial liabilities are payables and finance leases. The exposure to liquidity risk is based on the notion that Defence will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Defence (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following table illustrates the maturities for non-derivative financial liabilities.

	Notes	On demand		Within 1 year		1 to 2 years		2 to 5 years		> 5 years		Total	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Liabilities:													
Suppliers	8A	-	-	1,164,615	1,275,492	-	-	-	105,555	-	-	1,164,615	1,381,047
Other payables	8B	-	-	327,663	225,040	5,204	4,972	13,087	13,075	20,335	20,335	362,929	263,422
Financial lease	9A	-	-	128,539	158,996	249,391	258,250	374,982	380,268	2,246,411	2,344,114	2,999,323	3,141,628
Total		-	-	1,620,817	1,659,528	254,595	263,222	388,069	498,898	2,263,386	2,364,449	4,526,867	4,786,097

Defence has no derivative financial liabilities in both the current and prior year.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 15G: Market risk**

**Currency risk**

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction.

Foreign currency receivables, payables and provisions are translated at exchange rates current at the balance date. Exchange gains and losses are brought to account in determining the operating result for the year. These exchange gains and losses are not speculative and no hedging is undertaken.

Defence is exposed to foreign exchange rate risk through primary financial assets and liabilities yet a change in risk variable will not have a significant effect on the Statement of Financial Position or the Statement of Comprehensive Income.

The following table summarises the currency risk in respect of recognised financial assets and financial liabilities:

	United States Dollar A\$'000	Malaysian Ringgit A\$'000	United Arab Emirates Dirham A\$'000	Canadian Dollar A\$'000	Euro A\$'000	British Pound Sterling A\$'000	Other A\$'000	Total A\$'000
<b>Financial Assets</b>								
Cash	4,017	246	1,271	-	379	-	31	5,944
Receivables	9,171	-	-	-	15	-	5,114	14,300
	13,188	246	1,271	-	394	-	5,145	20,244
<b>Financial Liabilities</b>								
Suppliers	7,754	68	88	13	236	859	95	9,113
	7,754	68	88	13	236	859	95	9,113

Departmental currency risk is minimised through budget supplementation for any adverse movements in exchange rates on financial assets and financial liabilities held in foreign currencies.

**Interest rate risk**

Defence reports interest-bearing finance leases that bear interest at a fixed interest rate at inception. Therefore, a change in interest rates at the reporting date would have a nil impact.

**Other price risk**

Defence is exposed to a variety of commodity price risks relating to various supply contracts. These do not have a material impact on Defence's financial liabilities.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 16: Financial Assets Reconciliation

	2015 \$'000	2014 \$'000
<b>Total financial assets per statement of financial position</b>	<b>1,042,428</b>	<b>1,091,207</b>
Less: non-financial instrument components		
GST receivable from the Australian Taxation Office	(106,002)	(89,757)
Appropriation receivables	(195,419)	(414,742)
Other receivables	(135,097)	(25,586)
<b>Total non-financial instrument components</b>	<b>(436,518)</b>	<b>(530,085)</b>
<b>Total financial assets per financial instruments</b>	<b>605,910</b>	<b>561,122</b>

#### Note 17: Accounting for Errors

During the course of the audit of the 2014-15 financial statements for the Defence Materiel Organisation (DMO), a number of instances were identified where payments to suppliers through overseas bank accounts were treated as work performed whilst goods or services had not yet been received. Such amounts should have been recognised as prepayments. This error has been disclosed and corrected in the DMO 2014-15 financial statements. As this correction has a consequential effect on the Defence financial statements, an adjustment for a prior period error has been reflected in the comparative statements in accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as shown in the table below.

	2013-14 Published Financial Statements \$'000	Adjustment \$'000	2013-14 Restated Comparative \$'000
<b>Balance Sheet line items impacted</b>			
Specialist Military Equipment	41,270,763	(84,620)	41,186,143
Prepayments	218,282	84,620	302,902

There are no other material items requiring adjustment to the prior period comparatives resulting from accounting errors.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 18: Administered - Expenses

	2015 \$'000	2014 \$'000
<b>Note 18A: Employee benefits</b>		
Superannuation:		
Defined benefit plans		
Net service cost	2,354,238	9,912,041
Net interest cost	3,406,000	2,939,100
Retention benefits	68,389	65,570
<b>Total employee benefits</b>	<b>5,828,627</b>	<b>12,916,711</b>
 <b>Note 18B: Subsidies</b>		
Related parties:		
Defence Home Owner Scheme	1,156	1,577
Defence Home Ownership Assistance Scheme	97,207	92,064
<b>Total subsidies</b>	<b>98,363</b>	<b>93,641</b>
 <b>Note 18C: Write-down and impairment of assets</b>		
Impairment of financial instruments	11	157
<b>Total write-down and impairment of assets</b>	<b>11</b>	<b>157</b>
 <b>Note 18D: Foreign exchange</b>		
<b>Foreign exchange gains:</b>		
Non-speculative	798	508
<b>Foreign exchange losses:</b>		
Non-speculative	-	(55)
<b>Total net gain/(loss) foreign exchange</b>	<b>798</b>	<b>453</b>
 <b>Note 19: Administered - Income</b>		
<b>Note 19A: Fees and fines</b>		
License fees	14,297	13,448
<b>Total fees and fines</b>	<b>14,297</b>	<b>13,448</b>
 <b>Note 19B: Interest</b>		
Loans to Defence Housing Australia	28,610	29,998
Other	-	2
<b>Total interest</b>	<b>28,610</b>	<b>30,000</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>Note 19C: Dividends</b>		
Australian Government Entities - Defence Housing Australia	54,637	53,991
<b>Total dividends</b>	<u>54,637</u>	<u>53,991</u>
<b>Note 19D: Military superannuation contributions</b>		
Military Superannuation contributions	1,285,809	1,242,121
<b>Total military superannuation contributions</b>	<u>1,285,809</u>	<u>1,242,121</u>
<b>Note 19E: Other revenue</b>		
Competitive Neutrality Revenue - Defence Housing Australia	44,730	37,556
Other	1,410	32,200
<b>Total other revenue</b>	<u>46,140</u>	<u>69,756</u>

### Note 20: Administered - Fair Value Measurements

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

There has been no transfers between levels during the reporting period.

#### Note 20A: Fair Value Measurements at the end of the reporting period

Administered investments - Category level 2	2,488,389	2,337,796
<b>Total non-financial assets</b>	<u>2,488,389</u>	<u>2,337,796</u>

There have been no movements between levels during the current and prior financial years and no significant unobservable inputs were used. As administered investments were valued using the Net Assets approach no sensitivity analysis is required.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### Note 21: Administered - Financial Assets

	2015 \$'000	2014 \$'000
<b>Note 21A: Cash and cash equivalents</b>		
Cash on hand or on deposit	-	-
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Note 21B: Trade and other receivables</b>		
<b>Goods and services:</b>		
In connection with - external parties	7,134	13,174
<b>Total receivables for goods and services</b>	<b>7,134</b>	<b>13,174</b>
<b>Other receivables:</b>		
Accrued superannuation	529	537
Dividends	54,637	53,991
Loans receivable - Defence Housing Australia	509,580	509,580
Competitive neutrality - Defence Housing Australia	12,267	7,807
<b>Total other receivables</b>	<b>577,013</b>	<b>571,915</b>
<b>Total receivables (gross)</b>	<b>584,147</b>	<b>585,089</b>
<b>Less impairment allowance:</b>		
Goods and services	(223)	(231)
<b>Total impairment allowance</b>	<b>(223)</b>	<b>(231)</b>
<b>Total trade and other receivables (net)</b>	<b>583,924</b>	<b>584,858</b>
Receivables (net) expected to be received in:		
No more than 12 months	139,824	189,378
More than 12 months	444,100	395,480
<b>Total trade and other receivables (net)</b>	<b>583,924</b>	<b>584,858</b>
Receivables (gross) are aged as follows:		
Not overdue	579,490	581,335
Overdue by:		
Less than 30 days	4	44
31 to 60 days	44	-
61 to 90 days	-	-
More than 90 days	4,609	3,710
<b>Total trade and other receivables (gross)</b>	<b>584,147</b>	<b>585,089</b>
The impairment allowance is aged as follows:		
Not overdue	-	(27)
Overdue by:		
Less than 30 days	-	(19)
31 to 60 days	(5)	-
61 to 90 days	-	-
More than 90 days	(218)	(185)
<b>Total impairment allowance</b>	<b>(223)</b>	<b>(231)</b>

Loans to Defence Housing Australia as at 30 June 2015 have a remaining term of up to 10 years. No security is provided. Principal is required to be repaid in full at maturity, however in practice the principal is normally rolled over in a new loan agreement. Interest rates were fixed. Weighted average interest rate 5.40%. Interest payments were due every quarter or when the loan matures.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 21B: Trade and other receivables (continued)

	2015 \$'000	2014 \$'000
<b>Reconciliation of the impairment allowance</b>		
<b>Opening Balance</b>	(231)	(84)
Amount written off	-	-
Amounts recovered and reversed	19	12
Increase/decrease recognised in net cost of service	(11)	(159)
<b>Closing Balance</b>	<b>(223)</b>	<b>(231)</b>

Credit terms for goods and services were within 1-30 days (2014: 1-30 days)

#### Note 21C: Investments accounted for using the equity method

Other investments shares (or equity in) - Defence Housing Australia	2,403,732	2,255,201
Other investments - Small portfolio entities <sup>1</sup>	84,657	82,595
<b>Total investments</b>	<b>2,488,389</b>	<b>2,337,796</b>

#### Investment are expected to be recovered in:

No more than 12 months	-	-
More than 12 months	2,488,389	2,337,796
<b>Total investments</b>	<b>2,488,389</b>	<b>2,337,796</b>

<sup>1</sup> A list of all small portfolio bodies can be found in note 1.29(d).

#### Note 22: Administered - Non-Financial Assets

Prepayments - retention benefits	173,539	163,019
<b>Total other non-financial assets</b>	<b>173,539</b>	<b>163,019</b>

#### Other non-financial assets are expected to be recovered in:

No more than 12 months	60,751	60,627
More than 12 months	112,788	102,392
<b>Total other non-financial assets</b>	<b>173,539</b>	<b>163,019</b>

#### Note 23: Administered - Payables

Other payables	5,502	5,630
<b>Total other payables</b>	<b>5,502</b>	<b>5,630</b>

#### Other payables are expected to be settled in:

No more than 12 months	5,502	5,630
More than 12 months	-	-
<b>Total other payables</b>	<b>5,502</b>	<b>5,630</b>

#### Other payables in connection with:

Related parties	5,502	5,630
External parties	-	-
<b>Total other payables</b>	<b>5,502</b>	<b>5,630</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 24: Administered - Provisions

	2015	2014
	\$'000	\$'000
Superannuation - DFRDB	42,945,400	41,279,100
Superannuation - MSBS	51,156,000	41,598,000
<b>Total employee provisions</b>	<b>94,101,400</b>	<b>82,877,100</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	2,143,000	2,039,000
More than 12 months	91,958,400	80,838,100
<b>Total employee provisions</b>	<b>94,101,400</b>	<b>82,877,100</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans

Defence administers on behalf of the Australian Government, two defined benefit superannuation plans for ADF members. The two plans are the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Military Superannuation and Benefits Scheme (MSBS). A general description of the plans and Defence's accounting policy for recognising actuarial gains and losses can be found in Note 1.29(f) of these statements.

The defined benefit plans are administered by separate Funds that are legally separated from Defence. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law or by articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under MSBS, the employees are entitled to post-retirement yearly instalments amounting to 28% of final salary of each year of service until their retirement. The plans are typically exposed to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by the Australian Government Actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

	2015 \$'000	2014 \$'000
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows.		
Service cost:		
Current service cost	2,557,000	2,303,000
Past service cost and (gain)/loss from settlements	-	7,796,900
Net interest expense	3,406,000	2,939,100
Expected return on plan assets	-	-
<b>Components of defined benefit costs recorded in net cost of service</b>	<b>5,963,000</b>	<b>13,039,000</b>
Re-measurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in net interest expense)	(485,000)	(353,000)
Actuarial gains and losses arising from changes in liability assumptions	782,500	890,800
Actuarial gains and losses arising from changes in financial assumptions	7,151,000	3,138,400
<b>Components of defined benefit costs recorded in OCI</b>	<b>7,448,500</b>	<b>3,676,200</b>
<b>Total of components of defined benefit cost</b>	<b>13,411,500</b>	<b>16,715,200</b>

The past service cost, the service cost and the net-interest expense for the year is included in the employee benefits expense in the statement of comprehensive income. The re-measurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

Present value of defined benefit obligation	100,899,400	88,641,100
Fair value of plan assets	6,798,000	5,764,000
<b>Net liability arising from defined benefit obligation</b>	<b>94,101,400</b>	<b>82,877,100</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans (continued)

	2015 \$'000	2014 \$'000
Movements in the present value of the defined benefit obligation in the current year were as follows:		
Opening defined benefit obligation	88,641,100	73,064,300
Current service cost	2,557,000	2,303,000
Interest cost	3,649,000	3,156,100
Contributions from plan participants	274,000	257,000
Re-measurement (gains)/losses:		
Actuarial gains and losses arising from changes in liability assumptions	782,500	890,800
Actuarial gains and losses arising from changes in financial assumptions	7,151,000	3,138,400
Past service cost	-	7,796,900
Benefits paid	(2,155,200)	(2,021,400)
Other <sup>1</sup>	-	56,000
<b>Closing defined benefit obligation</b>	<b>100,899,400</b>	<b>88,641,100</b>
Movements in the present value of the plan assets in the current year were as follows:		
Opening fair value of plan assets	5,764,000	4,888,000
Interest income	243,000	217,000
Re-measurement gain (loss):		
The return on plan assets (excluding amounts included in net interest expense)	485,000	353,000
Contributions from the employer	617,000	545,000
Contributions from plan participants	274,000	257,000
Benefits paid	(585,000)	(496,000)
<b>Closing fair value of plan assets</b>	<b>6,798,000</b>	<b>5,764,000</b>
The major categories of plan assets at the end of the reporting period for each category, as follows:		
Australian equities	1,427,580	1,268,080
Overseas equities	1,699,500	1,325,720
Property and infrastructure	815,760	691,680
Private equity	543,840	518,760
Cash, debt instruments	1,155,660	1,037,520
Other liabilities	1,155,660	922,240
<b>Subtotal</b>	<b>6,798,000</b>	<b>5,764,000</b>

<sup>1</sup> Correction of prior year error

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans (continued)

The actual return on plan assets was \$727m.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary growth, age pension methodology and CPI. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 50 basis points (0.5 percent) higher (lower), the defined benefit obligation would decrease by \$9,953m (increase by \$11,498m) if all other assumptions were held constant.
- If the expected salary growth and age pension methodology would increase (decrease) by 0.5%, the defined benefit obligation would increase by \$4,730m (decrease \$4,358m) if all other assumptions were held constant.
- If the CPI would increase(decrease) by 0.5%, the defined benefit obligation would increase by \$4,228m (decrease by \$4,790m) if all assumptions were held constant.

The expected superannuation contributions for 2015-16 is \$1,347m per the 2015-16 Portfolio Budget Statements.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

Defence should fund the cost of the entitlements expected to be earned on a yearly basis. The residual contribution (including back service payments) is paid by Defence. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) should be paid immediately to the Fund. Apart from paying the costs of the entitlements Defence is not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case the Fund should take other measures to restore its solvency such as a reduction of the entitlements of the plan members.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans (continued)

APS Employees are members of the Commonwealth Superannuation Scheme (CSC), the Public Sector Superannuation Scheme (PSS) and/or the PSS accumulation Plan (PSSap). The CSC and PSS are defined benefit plans for the Australian Government. The employer contribution rate varies with the member contribution rate, subject to a maximum Accrued Benefit Multiple of 10. Any unfunded obligations of the CSC or PSS will be met by the Australian Government.

	2015 \$'000	2014 \$'000
<b>Defence Force Retirement and Death Benefits Scheme (DFRDB)</b>		
The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	-	-
Fair Value of plan assets	-	-
Present value of unfunded obligations	42,945,400	41,279,100
Unrecognised past service cost	-	-
<b>Net liability in statement of financial position</b>	<b>42,945,400</b>	<b>41,279,100</b>
Amounts in statement of financial position:		
Liabilities	42,945,400	41,279,100
Assets	-	-
<b>Net liability in statement of financial position</b>	<b>42,945,400</b>	<b>41,279,100</b>
The amount recognised in income or expense are as follows:		
Current service cost	166,000	148,000
Net interest	1,664,000	1,366,100
Past service cost	-	7,796,900
<b>Expense</b>	<b>1,830,000</b>	<b>9,311,000</b>
<b>Net actuarial losses (gains) recognised in equity</b>	<b>1,406,500</b>	<b>1,038,200</b>
Changes in the value of defined benefit obligations are as follows:		
Net liability at 1 July	41,279,100	32,399,300
Current Service cost	166,000	148,000
Interest cost	1,664,000	1,366,100
Actuarial losses (gains)	1,406,500	1,038,200
Benefits paid	(1,570,200)	(1,525,400)
Past service cost	-	7,796,900
Other	-	56,000
<b>Net liability as at 30 June</b>	<b>42,945,400</b>	<b>41,279,100</b>
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	-	-
Contributions by employer	1,570,200	1,525,400
Interest on plan assets	-	-
Benefits paid	(1,570,200)	(1,525,400)
<b>Closing value of plan assets</b>	<b>-</b>	<b>-</b>
<b>Principal actuarial assumptions at the reporting date (expressed as weighted averages)</b>		
	2015	2014
Discount rate at 30 June	3.7%	4.1%
Expected return on plan assets	0.0%	0.0%
Future salary increases*	4.0%	4.0%
Future pension increases (aged 55 or more)	4.0%	4.0%
Future pension increases (under age 55)	2.5%	2.5%

Weighted mean term of the DFRDB liabilities is 17.6 years.

Weighted mean term of the DFRB liabilities is 9.4 years.

The demographic assumptions for 30 June 2015 are those used for the preparation of the Long Term Cost Report for the MSBS, DFRDB and DFRB as at 30 June 2014.

\* Separate promotional salary scales are used to allow for promotional salary increase.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans (continued)

	2015 \$'000	2014 \$'000
<b>Military Superannuation Benefits Scheme (MSBS)</b>		
The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	6,798,000	5,764,000
Fair Value of plan assets	6,798,000	5,764,000
Present value of unfunded obligations	51,156,000	41,598,000
Unrecognised past service cost	-	-
<b>Net liability in statement of financial position</b>	<b>51,156,000</b>	<b>41,598,000</b>
Amounts in statement of financial position:		
Liabilities	57,954,000	47,362,000
Assets	6,798,000	5,764,000
<b>Net liability in statement of financial position</b>	<b>51,156,000</b>	<b>41,598,000</b>
The amount recognised in income or expense are as follows:		
Current service cost	2,391,000	2,155,000
Interest on obligation	1,742,000	1,573,000
<b>Expense</b>	<b>4,133,000</b>	<b>3,728,000</b>
Liability actuarial losses (gains) recognised in equity	6,527,000	2,991,000
Actuarial losses (gains) on plan assets recognised in equity	(485,000)	(353,000)
<b>Components recorded in equity</b>	<b>6,042,000</b>	<b>2,638,000</b>
Changes in the value of defined benefit obligations are as follows:		
Net liability at 1 July	47,362,000	40,665,000
Current Service cost	2,391,000	2,155,000
Non-employer contributions	274,000	257,000
Interest cost	1,985,000	1,790,000
Actuarial losses (gains)	6,527,000	2,991,000
Benefits paid	(585,000)	(496,000)
<b>Closing value of plan liabilities</b>	<b>57,954,000</b>	<b>47,362,000</b>
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	5,764,000	4,888,000
Expected return on plan assets	-	-
Interest on plan assets	243,000	217,000
Actuarial gains and losses	485,000	353,000
Contributions by employer	617,000	545,000
Funded non-employer contributions	274,000	257,000
Benefits paid	(585,000)	(496,000)
<b>Closing value of plan assets</b>	<b>6,798,000</b>	<b>5,764,000</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 25: Administered - Defined Benefit Superannuation Plans (continued)

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2015	2014
Discount rate at 30 June (unfunded amount)	3.7%	4.1%
Discount rate at 30 June (funded amount)	3.7%	4.1%
Expected return on plan assets	3.7%	4.1%
Future salary increases*	4.0%	4.0%
Future pension increases	2.5%	2.5%

Weighted mean term of the liabilities is 27.5 years.

The demographic assumptions for 30 June 2015 are those used for the preparation of the Long Term Cost Report for the MSBS, DFRDB and DFRB as at 30 June 2014.

\* Separate promotional salary scales are used to allow for promotional salary increase.

#### Note 26: Administered - Cash Flow Reconciliation

	2015 \$'000	2014 \$'000
<b>Cash and cash equivalents as per:</b>		
Administered Cash Flow Statement	-	-
Administered Schedule of Assets and Liabilities	-	-
<b>Discrepancy</b>	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(4,496,710)	(11,601,146)
<b>Adjustments for non-cash items</b>		
Foreign exchange (gains)/losses	(798)	(453)
Dividends declared	(54,637)	(53,991)
Net write-down and impairment of assets	11	157
Return of cash to OPA recorded through equity	1,519	-
<b>Changes in assets/liabilities</b>		
Decrease/(increase) in trade and other receivables	2,369	(948)
Decrease/(increase) in prepayments	(10,520)	5,558
Increase/(decrease) in other payables	(128)	87
Increase/(decrease) in employee provisions	3,775,800	10,968,600
<b>Net cash from / (used by) operating activities</b>	<b>(783,094)</b>	<b>(682,136)</b>

#### Note 27: Administered - Commitments

There are no material Administered commitments to report for the current period or the prior period.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2015*

#### **Note 28: Administered - Contingent Assets and Liabilities**

##### **Quantifiable Contingencies**

There are no quantifiable contingencies to report in the current or prior year.

##### **Unquantifiable Contingencies**

There are no unquantifiable contingencies to report in the current or prior year.

##### **Contingent Assets**

There are no contingent assets to report in the current or prior year.

##### **Significant Remote Contingencies**

There are no significant remote contingencies to report in the current or prior year.

#### **Note 29: Administered - Asset Additions**

Defence has no Administered asset additions in either the current or the immediately preceding reporting periods.

#### **Note 30: Administered - Investments**

For Administered investments in Defence House Australia (DHA):

The Australian Government holds a 100% interest in DHA which is a Government Business Enterprise.

The principal activity of DHA is:

To deliver adequate and suitable housing and housing related services that meet Defence operational needs and the requirements of the Department.

For Administered investments in small portfolio entities:

A list of all small portfolio bodies can be found in note 1.29(d).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 31: Administered - Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis for measurement in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

	2015 \$'000	2014 \$'000
<b>Note 31A: Categories of financial instruments</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	-	-
Loans and receivables:		
Receivables	583,924	584,858
<b>Total</b>	<b>583,924</b>	<b>584,858</b>
Available for sale:		
Investment - Defence Housing Australia	2,403,732	2,255,201
Investment - Small Portfolio bodies	84,657	82,595
<b>Total</b>	<b>2,488,389</b>	<b>2,337,796</b>
<b>Carrying amount of financial assets</b>	<b>3,072,313</b>	<b>2,922,654</b>
<b>Financial Liabilities</b>		
At amortised cost:		
Other payables	5,502	5,630
<b>Total</b>	<b>5,502</b>	<b>5,630</b>
<b>Carrying amount of financial liabilities</b>	<b>5,502</b>	<b>5,630</b>
<b>Note 31B: Net gains or losses on financial assets</b>		
<b>Loans and receivables</b>		
Interest revenue	28,610	30,000
Impairment	(11)	(157)
Exchange gains/(loss)	798	453
<b>Net gain/(loss) on loans and receivables</b>	<b>29,397</b>	<b>30,296</b>
<b>Available for sale</b>		
Dividend revenue	54,637	53,991
<b>Net gain/(loss) available for sale</b>	<b>54,637</b>	<b>53,991</b>
<b>Net gain/(loss) on financial assets</b>	<b>84,034</b>	<b>84,287</b>

#### Note 31C: Net gains or losses on financial liabilities

There was no net gain / (loss) from financial liabilities.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 31D: Credit risk

Defence's maximum credit risk at each class of recognised financial assets is the carrying amount of those assets as indicated in the Administered Schedule of Assets and Liabilities. Defence has endorsed policies and procedures for debt management to reduce the incidence of credit risk. The majority of goods or services provided by Defence are provided to other government entities and employees and therefore represent minimal credit risk exposure for Defence.

The carrying amount of financial assets, net of impairment losses, reported in the Administered Schedule of Assets and Liabilities represents Defence's exposure to credit risk. Defence has no significant exposures to any concentrations of credit risk.

Credit quality of financial instruments not past due or individually determined as impaired:

		Not past due nor impaired		Past due or impaired	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Assets:	<b>Notes</b>				
Receivables	21B	579,490	581,335	4,657	3,754
Investments	21C	2,488,389	2,337,796	-	-
<b>Total</b>		<b>3,067,879</b>	<b>2,919,131</b>	<b>4,657</b>	<b>3,754</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 31D: Credit risk (continued)**

Ageing of financial assets that are past due but not impaired:

	Notes	0 to 30 days		31 to 60 days		61 to 90 days		Over 90 days		Total	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets:											
Receivables	21B	4	25	39	-	-	-	4,391	3,525	4,434	3,550
Total		4	25	39	-	-	-	4,391	3,525	4,434	3,550

**Note 31E: Liquidity risk**

Defence's administered financial liabilities are payables. The exposure to liquidity risk is based on the notion that Defence will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Defence (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following table illustrates the maturities for non-derivative financial liabilities.

	Notes	On demand		Within 1 year		1 to 2 years		2 to 5 years		> 5 years		Total	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Liabilities:													
Other payables	23	-	-	5,502	5,630	-	-	-	-	-	-	5,502	5,630
Total		-	-	5,502	5,630	-	-	-	-	-	-	5,502	5,630

There are no derivative financial liabilities in both the current and prior year.

**Note 31F: Market risk**

Defence Administered has no material exposure to currency risk, interest rate risk or other price risk.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 32: Administered - Financial Assets Reconciliation

	2015 \$'000	2014 \$'000
Total financial assets per schedule of administered assets and liabilities	3,072,313	2,922,654
Less: non-financial instrument components	-	-
<b>Total financial assets as per administered financial instruments note</b>	<b>3,072,313</b>	<b>2,922,654</b>

#### Note 33: Administered - Accounting for Errors

There are no adjustments to the prior period resulting from accounting errors.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 34: Appropriations**

As per Note 1, Defence is structured to meet three outcomes:

- Outcome 1: The protection and advancement of Australia's national interests through the provision of military capabilities and the promotion of security and stability;
- Outcome 2: The advancement of Australia's strategic interests through the conduct of military operations and other tasks as directed by Government; and
- Outcome 3: Support to the Australian community and civilian authorities as requested by Government.

Accordingly for Table A below, all items are attributable to three outcomes.

**Note 34A: Annual appropriations ('recoverable gst exclusive')**

	2014-2015 Appropriations				Appropriation applied in 2015 (Current and prior years) \$'000	Variance <sup>2</sup> \$'000	Section 51 determinations <sup>3</sup> \$'000
	Appropriation Act	PGPA Act		Total Appropriations \$'000			
	Annual Appropriation <sup>1</sup> \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
<b>DEPARTMENTAL</b>							
Ordinary annual services	26,440,723	-	1,036,562	-	27,477,285	358,248	71,357
Other services	2,875,405	-	-	-	2,875,405	116,914	-
Equity	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
<b>Total departmental</b>	29,316,128	-	1,036,562	-	30,352,690	475,162	71,357
<b>ADMINISTERED</b>							
Ordinary annual services	-	-	-	-	-	-	-
Administered items	-	-	-	-	-	-	-
Payments to corporate Commonwealth entities	-	-	-	-	-	-	-
<b>Other Services</b>							
Specific payments to States, ACT, NT and Local government	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-
Payments to corporate Commonwealth entities	-	-	-	-	-	-	-
<b>Total administered</b>	-	-	-	-	-	-	-

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 34: Appropriations (continued)

##### Notes:

1. Details of quarantined appropriations are as follows: \$'000

No Win No loss - 2012-13 Act 3 (Outputs)	67,349
No win No Loss - 2013-14 Act 1 (Outputs)	97,994
No win No Loss - 2013-14 Act 3 (Outputs)	87,801
No win No Loss - 2013-14 Act 5 (Outputs)	58,495
No win No Loss - 2013-14 Act 6 (Equity)	103,103
No win No Loss - 2014-15 Act 1 (Outputs)	71,357
2014-15 Act 4 Portfolio Additional Estimates adjustment 2014-15 Act 2 (Equity)	116,914
2014-15 Act 5 Supplementary Portfolio Additional Estimates Adjustment 2014-15 Act 3 (Outputs)	91,401
<b>Total Quarantined</b>	<b>694,414</b>

2. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Prior year appropriations reduced (excludes current year return)	71	-
Undrawn departmental annual appropriations 2014-15 (refer Table B)	358,177	116,914
<b>Total</b>	<b>358,248</b>	<b>116,914</b>

3. Determinations under PGPA Section 51

	\$'000
Appropriation Act 1 2014-15 (determination made on 30 June 2015)	71,357
Appropriation Act 2 2014-15 (determination made on 31 July 2015)	116,914
Appropriation Act 3 2014-15 (determination made on 8 July 2015)	91,401
	<b>279,672</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2015

**Note 34: Appropriations (continued)**

Note 34A: Annual appropriations ('recoverable gst exclusive') (continued)

	2013-2014 Appropriations					Appropriation applied in 2014 (Current and prior years) \$'000	Variance <sup>2</sup> \$'000
	Appropriation Act	FMA Act			Total Appropriations \$'000		
	Annual Appropriation <sup>1</sup> \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000		Section 32 \$'000	
<b>DEPARTMENTAL</b>							
Ordinary annual services	24,516,997	-	-	1,360,696	-	25,877,693	1,368,454
Other services	1,521,488	-	-	-	-	1,521,488	115,588
Equity	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
<b>Total departmental</b>	26,038,485	-	-	1,360,696	-	27,399,181	1,484,042
<b>ADMINISTERED</b>							
Ordinary annual services							
Administered items	-	-	-	-	-	-	-
Payments to CAC Act bodies	-	-	-	-	-	-	-
<b>Other Services</b>							
Specific payments to States, ACT, NT and Local government	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-	-	-
Payments to CAC Act bodies	-	-	-	-	-	-	-
<b>Total administered</b>	-	-	-	-	-	-	-

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 34: Appropriations (continued)

**Notes:**

1. No advance to the Finance Minister (AFM) - Appropriation Acts (No. 1, 3, 5) 2013-14: section 13 and Appropriation Acts (No. 2, 4, 6) 2013-14: section 15.

2. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Prior year appropriations reduced (excludes current year return)	374,515	12,485
Undrawn departmental annual appropriations 2011-12 and 2013-14	311,710	103,103
Amounts drawn down for GST payments to suppliers and ATO	682,229	-
<b>Total</b>	<b>1,368,454</b>	<b>115,588</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2014

#### Note 34B: Unspent annual appropriations ('recoverable gst exclusive')

Authority	2015 \$'000	2014 \$'000
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Act 1 2014-15	257,911	-
Act 1 2013-14	97,994	97,994
Act 1 2012-13	67,349	67,349
Act 1 2011-12	-	71
Act 3 2014-15	100,266	-
Act 3 2013-14	87,801	87,801
Act 5 2013-14	58,495	58,495
<b>Total Operating</b>	<b>669,816</b>	<b>311,710</b>
<b>Equity</b>		
Act 2 2014-15	116,914	-
Act 6 2013-14	103,103	103,103
<b>Total Equity</b>	<b>220,017</b>	<b>103,103</b>
<b>Total<sup>1</sup></b>	<b>889,833</b>	<b>414,813</b>
<b>Cash and cash equivalents</b>	<b>44,150</b>	<b>35,480</b>

#### Notes

1. The available unspent appropriation is \$889.833m (2014: \$414.813m).

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 34C: Special appropriations ('recoverable gst exclusive')**

Authority	Nature	Type	Purpose	Appropriation Applied	
				2015 \$'000	2014 \$'000
Defence Force Retirement Benefits Act 1948, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To provide Retirement Benefits for Members of the Defence Force who enlisted before 1 October 1972, and for other purposes.	50,202	53,362
Defence Force Retirement and Death Benefits Act 1973, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To make provision for and in relation to a Scheme for Retirement and Death Benefits for Members of the Defence Force who enlisted before 1 October 1991.	1,495,193	1,451,263
Military Superannuation and Benefits Act 1991, Administered <sup>(a)</sup>	Administered	Unlimited Amount	To make provision for and in relation to an occupational superannuation scheme for, and the payment of other benefits to members of the Defence Force, and for related purposes.	523,103	438,834
Defence Force (Home Loans Assistance) Act 1990, Administered	Administered	Unlimited Amount	To provide for the payment of home loan subsidies in respect of certain members of the Defence Force and certain other persons, and for related purposes.	1,156	1,577
Defence Home Ownership Assistance Scheme Act 2008, administered	Administered	Unlimited Amount	To provide financial assistance to members of the Defence Force and certain other persons, for the purchase, maintenance and development of their homes, and for related purposes.	97,190	91,977
Military Superannuation and Benefits Act 1991, Administered	Administered	Unlimited Amount	To make provision for and in relation to retention benefits for ADF personnel.	80,280	61,623
<b>Total</b>				<b>2,247,124</b>	<b>2,098,636</b>

(a) ComSuper draw funds from the CRF on behalf of Defence.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 34D: Disclosure by agent in relation to annual and special appropriations ('recoverable gst exclusive')

2015	Department of Finance <sup>1,2</sup> \$'000
Total receipts	-
Total payments	193,558

2014	Department of Finance <sup>1</sup> \$'000
Total receipts	-
Total payments	188,318

1. The payments are related to Moorebank Units Relocation (MUR) Projects in order for Defence to facilitate the drawdown of monies from the Departmental Appropriation Act (No.2). (*This act is administered by Department of Finance*).
2. The payments are related to lease aircraft for politicians under the Parliamentary Entitlement Act 1990. (*This act is administered by Department of Finance*).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 35: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Defence reported the possibility of this being an issue for the agency in Note 29 Appropriations Table C to the 2010-11 financial statements and undertook to investigate the issue during 2011-12.

As a result of that investigation, legislation was amended by the *Financial Framework Legislation Amendment Act (No. 2) 2012* (FFLA Act No. 2) with effect from 1 July 2012. The amendments ensured that all benefits paid under certain Acts with a special appropriation would not be subject to Section 83 breaches in the future. That is, the FFLA Act No. 2 amended the *Defence Forces Retirement Benefits Act 1948*, *Defence Forces Retirement and Death Benefits Act 1973*, *Military Superannuation and Benefits Act 1991* and *Military Superannuation and Benefits Act 1991 - Retention Benefits* to ensure that overpayments that may be made would be covered by the appropriation provided by those Acts.

Legislation to address the same issue for the *Defence Force (Home Loans Assistance) Act 1990* and the *Defence Home Ownership Assistance Scheme Act 2008* is currently being finalised and is expected to be introduced in Parliament during the Spring sittings of 2015. Until legislation is passed by Parliament, Defence will continue to report on potential section 83 breaches for those schemes.

The following table shows the legislation, risk assessment, remedial action and number of potential breaches for the two remaining statutory schemes that still require legislation to address potential Section 83 breaches.

Legislation / Authority to pay <sup>1</sup>	Risk assessment progress as at 30 June 2015 <sup>2</sup>	Remedial action taken or proposed <sup>3</sup>	Potential Breaches <sup>4</sup>		
			No.	Value \$'000	Recovered \$'000
<i>Defence Force (Home Loans Assistance) Act 1990</i>	Completed	LP	10	1	6
<i>Defence Home Ownership Assistance Scheme Act 2008</i>	Completed	LP, SM	353	465	393

#### <sup>1</sup> Legislation

Amounts paid under each legislation are disclosed in Note 34C Special Appropriations and Note 36 Special Accounts.

#### <sup>2</sup> Risk assessment

Defence has undertaken an assessment of the inherent level of risk of a breach. Legislation marked as "Completed" has undergone internal assessment by business area.

#### <sup>3</sup> Remedial action taken or proposed

L=legislative change; S=systems change; P=planned; M=made

#### <sup>4</sup> Potential breaches

The work conducted in 2014-15 has identified that a potential issue still exists for the two Defence home loans schemes which will be addressed by legislation at the first available Parliamentary sitting. Amounts reported have been derived by analysing data on recovery of overpayments and other identified risk areas for 2014-15. Business processes are in place to ensure that identified overpayments are recovered. The numbers and amounts represent the overpayments made during 2014-15.

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 36: Special Accounts

	Service for Other Entities And Trust Monies Defence Special Account <sup>1</sup>		Young Endeavour Youth Program Special Account <sup>2</sup>		Defence Endowments Special Account <sup>3</sup>		Fedorczenko Legacy Special Account <sup>4</sup>	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance brought forward from previous period	66,553	73,363	1,338	1,274	324	322	167	166
Increases:								
Costs recovered	41,264	33,597	85	162	-	-	-	-
Other receipts	-	-	-	-	10	37	4	5
<b>Total increases</b>	<b>41,264</b>	<b>33,597</b>	<b>85</b>	<b>162</b>	<b>10</b>	<b>37</b>	<b>4</b>	<b>5</b>
<b>Available for payments</b>	<b>107,817</b>	<b>106,960</b>	<b>1,423</b>	<b>1,436</b>	<b>334</b>	<b>359</b>	<b>171</b>	<b>171</b>
Decreases:								
Special Public Money								
Payments to suppliers	(42,990)	(40,407)	(48)	(98)	(286)	(35)	(4)	(4)
<b>Total special public money decreases</b>	<b>(42,990)</b>	<b>(40,407)</b>	<b>(48)</b>	<b>(98)</b>	<b>(286)</b>	<b>(35)</b>	<b>(4)</b>	<b>(4)</b>
<b>Total Balance to be carried forward to next period</b>	<b>64,827</b>	<b>66,553</b>	<b>1,375</b>	<b>1,338</b>	<b>48</b>	<b>324</b>	<b>167</b>	<b>167</b>

#### Notes

#### 1. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78; or Public Governance, Performance and Accountability Act 2013 section 80.

- Establishing Instrument: Financial Management and Accountability Determination 2009/15.
- Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of persons other than the Commonwealth.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is non-interest bearing.

#### 2. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78; or Public Governance, Performance and Accountability Act 2013 section 80.

- Establishing Instrument: Financial Management and Accountability Determination 2009/02.
- Purpose: For the receipt and payment of money in connection with the operations and activities of the STS Young Endeavour, as specified by the Young Endeavour Program Board of Management or by the Commonwealth.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

Department of Defence  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

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**Note 36: Special Accounts (continued)**

**3. Appropriation: *Public Governance, Performance and Accountability Act 2013 section 78; or Public Governance, Performance and Accountability Act 2013 section 80.***

- Establishing Instrument: Financial Management and Accountability Determination 2009/11.
- Purpose: For expenditure in accordance with the terms provided for in the endowments.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

**4. Appropriation: *Public Governance, Performance and Accountability Act 2013 section 78; or Public Governance, Performance and Accountability Act 2013 section 80.***

- Establishing Instrument: Financial Management and Accountability Determination 2009/13.
- Purpose: For expenditure in relation to the defence of Australia of the residue of the estate of the late Petro Fedorczenko.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 36: Special Accounts (continued)**

**5. Monies held within special accounts:**

Service for Other Entities and Trust Monies Defence Special Account	Young Endeavour Youth Program Special Account	Defence Endowments Special Account	Fedorzenko Legacy Special Account
Woomera Security Lodgements Peter Mitchell Trust Fund RAAF Air Power Conference* Project Q Comcare* Metal Storm R&D CTTSO US Collaboration Global Positioning System Republic of Singapore Air force UT 1 Republic of Singapore Air force UT 2 Explosive Safety Trials SAF Exercise Infrastructure Damage Cost Recovery Shared Vision CSNE Emerging Technologies Accommodation Purchases P303 Paris Ex Ausseing Pitchpipe 2009 US Explosive Trial** Classified/Not published	Young Endeavour Youth Program Special Young Endeavour Youth Program Special Public Fund	Admiral Bernard Prize* Otto Albert Prize* Ian McDonald Prize* J Burnett Prize* Elton Mayo Prize* Lieutenant Peter Wyatt Prize* WH Harrington Prize Lieutenant RJ Kilsby Prize* Herbert Lot Royal Australian Navy* Captain Newcomb Memorial Prize* Australian Marine Technologies Prize* William Frederick Bray Memorial Prize* HMAS Australia Memorial Prize* Coast Watchers Award* Dr Straede Award* Parker Trophy Emil Christensen Award* Ordinary Seaman Award Sheean Award* HMAS Leeuwien Trust Fund* NJ Thomson Award*	Royal Australia Navy College Jubilee Memorial Sword* Gowland Medal Edward Rodwell Memorial Prize Joseph Schultz Memorial Prize CJ Toohy Memorial Prize Defence Academy Prize and Awards* Lipshut Bursary* Office Training Unit Sheywillie Prize Fund* JS Whitelaw Memorial Artillery Prize* Ronald Syme Trust Prize Walter Oswald Watt Memorial* General Bridges Memorial Prize Fund PNG DF Prize Trust Fund* TJ Stevens Memorial Fund RAN Training Prizes Peter Hastings Memorial Fellowship* Christopher Passlow Perpetual Shield*

\* The special account balances were transferred to consolidated revenue during 2014-15. These sub accounts have been made inactive.

\*\* The project has been completed and the special account was closed during 2014-15.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 37: Assets Held in Trust

	2015 \$'000	2014 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 36 Special Accounts in the table titled "Young Endeavour Youth Program Special Account" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>To create a capital fund for the purpose of furthering youth development initiatives to make specific acquisitions and to support the Young Endeavour Youth Scheme through sail training for young Australians.</i>		
The fund is listed as a deductible gift recipient.		
Total amount held at the beginning of the reporting period	1,233	1,107
Other receipts	47	126
<b>Total credits</b>	<b>1,280</b>	<b>1,233</b>
Payment made to suppliers	(6)	-
<b>Total debits</b>	<b>(6)</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,274</b>	<b>1,233</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 36 Special Accounts in the table titled "Services for Other Entities and Trust Moneys" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>To disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>		
Total amount held at the beginning of the reporting period	2	1
Other receipts	4	1
<b>Total credits</b>	<b>6</b>	<b>2</b>
Payment made to suppliers	(3)	-
<b>Total debits</b>	<b>(3)</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>3</b>	<b>2</b>
<b>Fedorczenko Legacy Fund Special Account (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 36 Special Accounts in the table titled "Fedorczenko Legacy Special Account" (Special Public Money).		
<i>Purpose of trust arrangement:</i>		
<i>For expenditure in relation to the defence of Australia of the residue of the estate of the late Petro Fedorczenko.</i>		

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2015*

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#### **Note 38: Reporting of Outcomes**

As per Financial Statement Note 1, Defence is structured to meet three outcomes, as follows:

##### **OUTCOME 1. THE PROTECTION AND ADVANCEMENT OF AUSTRALIA'S NATIONAL INTERESTS THROUGH THE PROVISION OF MILITARY CAPABILITIES AND THE PROMOTION OF SECURITY AND STABILITY**

- 1.1 Office of the Secretary and CDF
- 1.2 Navy Capabilities
- 1.3 Army Capabilities
- 1.4 Air Force Capabilities
- 1.5 Intelligence Capabilities
- 1.6 Chief Operating Officer – Defence Support and Reform
- 1.7 Chief Operating Officer – Chief Information Officer
- 1.8 Chief Operating Officer – Defence People
- 1.9 Defence Science and Technology
- 1.10 Vice Chief of the Defence Force
- 1.11 Joint Operations Command
- 1.12 Capability Development
- 1.13 Chief Finance Officer
- 1.14 Defence Force Superannuation Benefits
- 1.15 Defence Force Superannuation – Nominal Interest
- 1.16 Housing Assistance
- 1.17 Other Administered

##### **OUTCOME 2. THE ADVANCEMENT OF AUSTRALIA'S STRATEGIC INTERESTS THROUGH THE CONDUCT OF MILITARY OPERATIONS AND OTHER TASKS AS DIRECTED BY GOVERNMENT**

- 2.1 Operations Contributing to the Security of the Immediate Neighbourhood
- 2.2 Operations Supporting Wider Interests

##### **OUTCOME 3. SUPPORT TO THE AUSTRALIAN COMMUNITY AND CIVILIAN AUTHORITIES AS REQUESTED BY GOVERNMENT**

- 3.1 Defence Contribution to National Support Tasks in Australia

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 38: Reporting of Outcomes (continued)**

Note 38A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Payments to/from non corporate Commonwealth entities		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Departmental</b>										
Expenses	(27,689,566)	(25,068,792)	(528,559)	(636,218)	(42,058)	(28,879)			(28,260,183)	(25,733,889)
Own source income	1,972,260	2,006,032	10,452	17,960	-	-	-	-	1,982,712	2,023,992
<b>Administered<sup>2</sup></b>										
Expenses	(5,927,001)	(13,010,915)	-	-	-	-			(5,927,001)	(13,010,915)
Own source income	1,401,681	1,379,771	-	-	-	-	28,610	29,998	1,430,291	1,409,769
<b>Net cost/(contribution) of outcome delivery</b>	<b>(30,242,626)</b>	<b>(34,693,904)</b>	<b>(518,107)</b>	<b>(618,258)</b>	<b>(42,058)</b>	<b>(28,879)</b>	<b>28,610</b>	<b>29,998</b>	<b>(30,774,181)</b>	<b>(35,311,043)</b>

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table, Outcome 2 Resourcing Table and Outcome 3 Resourcing Table of this Annual Report.

1. Payments to/from corporate Commonwealth entities are not related to outcomes. They are included here so the total can agree to the resourcing table.
2. This table includes income from activities subject to competitive neutrality.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2015*

**Note 38: Reporting of Outcomes (continued)**

**Note 38B: Major classes of departmental expense, income, assets and liabilities by outcome**

	Outcome 1		Outcome 2		Outcome 3		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Departmental Expenses</b>								
Employee benefits	10,247,338	10,010,058	90,915	156,103	17,983	6,226	10,356,236	10,172,387
Supplier expenses	11,443,367	10,106,307	333,238	437,292	24,075	22,653	11,800,680	10,566,252
Grants	10,966	5,988	104,398	42,808	-	-	115,364	48,796
Depreciation and amortisation	4,257,845	3,867,716	-	-	-	-	4,257,845	3,867,716
Finance costs	137,869	129,106	-	-	-	-	137,869	129,106
Write-down and impairment of assets	1,421,750	852,653	-	-	-	-	1,421,750	852,653
Foreign exchange losses	2,054	3,503	-	(1)	-	-	2,054	3,502
Losses from asset sales	51,643	4,340	-	-	-	-	51,643	4,340
Other expenses	116,734	89,121	8	16	-	-	116,742	89,137
<b>Total</b>	<b>27,689,566</b>	<b>25,068,792</b>	<b>528,559</b>	<b>636,218</b>	<b>42,058</b>	<b>28,879</b>	<b>28,260,183</b>	<b>25,733,889</b>
<b>Departmental Income:</b>								
<b>Revenue</b>								
Revenue from Government	25,441,500	23,120,237	789,002	1,022,827	67,740	54,097	26,298,242	24,197,161
Provision of goods and rendering of services	268,532	260,255	10,452	17,829	-	-	278,984	278,084
Sustainment expenditure recovered from DMO	187,101	169,324	-	131	-	-	187,101	169,455
Recovery of military salaries from DMO	181,883	172,919	-	-	-	-	181,883	172,919
Group rental scheme	211,924	206,829	-	-	-	-	211,924	206,829
Resources received free of charge - DMO	686,860	743,365	-	-	-	-	686,860	743,365
Rental income	7,706	7,460	-	-	-	-	7,706	7,460
Other revenue	96,117	118,434	-	-	-	-	96,117	118,434
<b>Total Revenue</b>	<b>27,081,623</b>	<b>24,798,823</b>	<b>799,454</b>	<b>1,040,787</b>	<b>67,740</b>	<b>54,097</b>	<b>27,948,817</b>	<b>25,893,707</b>
<b>Gains</b>								
Reversal of previous asset write-downs	294,866	293,384	-	-	-	-	294,866	293,384
Other gains	37,271	34,063	-	-	-	-	37,271	34,063
<b>Total gains</b>	<b>332,137</b>	<b>327,447</b>	-	-	-	-	<b>332,137</b>	<b>327,447</b>
<b>Total</b>	<b>27,413,760</b>	<b>25,126,270</b>	<b>799,454</b>	<b>1,040,787</b>	<b>67,740</b>	<b>54,097</b>	<b>28,280,954</b>	<b>26,221,154</b>

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 38: Reporting of Outcomes (continued)

Note 38B: Major classes of departmental expense, income, assets and liabilities by outcome (continued)

	Outcome 1		Outcome 2		Outcome 3		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Departmental Assets:</b>								
Cash and cash equivalents	39,062	33,454	5,088	2,036	-	-	44,150	35,490
Trade and other receivables	951,962	1,009,710	46,309	45,273	7	734	998,278	1,055,717
Land and buildings	17,654,513	16,976,931	-	-	-	-	17,654,513	16,976,931
Specialist military equipment	42,651,237	41,270,763	-	-	-	-	42,651,237	41,270,763
Infrastructure	5,571,994	5,534,132	-	-	-	-	5,571,994	5,534,132
Plant and equipment	1,780,646	1,584,780	-	-	-	-	1,780,646	1,584,780
Heritage and cultural assets	1,006,948	1,002,312	-	-	-	-	1,006,948	1,002,312
Intangibles	818,330	819,577	-	-	-	-	818,330	819,577
Inventories	6,463,531	6,385,571	-	-	-	-	6,463,531	6,385,571
Prepayments	1,384,462	213,760	-	4,522	-	-	1,384,462	218,282
Assets held for sale	37,684	28,692	-	-	-	-	37,684	28,692
<b>Total</b>	<b>78,360,369</b>	<b>74,859,682</b>	<b>51,397</b>	<b>51,831</b>	<b>7</b>	<b>734</b>	<b>78,411,773</b>	<b>74,912,247</b>
<b>Departmental Liabilities:</b>								
Suppliers	1,143,180	1,682,018	21,509	17,427	111	1,421	1,164,800	1,700,866
Other payables	474,643	384,162	2,776	-	-	-	477,419	384,162
Leases	1,440,999	1,492,541	-	-	-	-	1,440,999	1,492,541
Employee provisions	2,358,927	2,287,291	-	-	-	-	2,358,927	2,287,291
Restoration, decontamination and decommissioning	1,001,192	917,635	-	-	-	-	1,001,192	917,635
Other provisions	290	2,294	-	-	-	-	290	2,294
<b>Total</b>	<b>6,419,231</b>	<b>6,765,941</b>	<b>24,285</b>	<b>17,427</b>	<b>111</b>	<b>1,421</b>	<b>6,443,627</b>	<b>6,784,789</b>

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 38: Reporting of Outcomes (continued)

Note 38C: Major classes of administered expenses, income, assets and liabilities by outcome

	Outcome 1		Payments to/from corporate Commonwealth entities		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Administered Expenses</b>						
Employee benefits	5,828,627	12,916,711			5,828,627	12,916,711
Subsidies	98,363	93,641			98,363	93,641
Write-down and impairment of assets	11	157			11	157
Other expense	-	406			-	406
<b>Total</b>	<b>5,927,001</b>	<b>13,010,915</b>			<b>5,927,001</b>	<b>13,010,915</b>
<b>Administered Income:</b>						
Fees and fines	14,297	13,448			14,297	13,448
Interest	-	2	28,610	29,998	28,610	30,000
Dividends	54,637	53,991			54,637	53,991
Military superannuation contributions	1,285,809	1,242,121			1,285,809	1,242,121
Other revenue	46,140	69,756			46,140	69,756
Foreign exchange gains	798	453			798	453
<b>Total</b>	<b>1,401,681</b>	<b>1,379,771</b>	<b>28,610</b>	<b>29,998</b>	<b>1,430,291</b>	<b>1,409,769</b>
<b>Administered Assets:</b>						
Cash and cash equivalents	-	-			-	-
Trade and other receivables	74,344	75,278	509,580	509,580	583,924	584,858
Investments accounted for using the equity method	2,488,389	2,337,796	-	-	2,488,389	2,337,796
Prepayments	173,539	163,019			173,539	163,019
<b>Total</b>	<b>2,736,272</b>	<b>2,576,093</b>	<b>509,580</b>	<b>509,580</b>	<b>3,245,852</b>	<b>3,085,673</b>
<b>Administered Liabilities:</b>						
Other payables	5,502	5,630			5,502	5,630
Employee provisions	94,101,400	82,877,100			94,101,400	82,877,100
<b>Total</b>	<b>94,106,902</b>	<b>82,882,730</b>			<b>94,106,902</b>	<b>82,882,730</b>

Outcomes 1, 2 and 3 are described in Note 1.1.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2015*

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#### **Note 39: Cost Recovery Summary**

Defence did not undertake any activities to which the cost recovery framework applies in either 2014-15 or 2013-14.

Administered did not undertake any activities to which the cost recovery framework applies in either 2014-15 or 2013-14.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40: Budgeted Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome for Defence as presented in accordance with Australian Accounting Standards. The Budget is not audited.

In accordance with guidance provided by the Department of Finance, explanations are only provided where the variance at a financial statement line item level is greater than 10% of the original budget for that line item.

#### Note 40A: Departmental Budgetary Reporting

##### Statement of Comprehensive Income

For the period ended 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>EXPENSES</b>			
Employee benefits	10,356,236	10,534,578	(178,342)
Suppliers expenses	11,800,680	12,074,675	(273,995)
Grants	115,364	91,561	23,803
Depreciation and amortisation	4,257,845	4,178,150	79,695
Finance costs	137,869	146,644	(8,775)
Write-down and impairment of assets	1,421,750	828,637	593,113
Foreign exchange losses	2,054	-	2,054
Losses from asset sales	51,643	-	51,643
Other expenses	116,742	45,389	71,353
<b>Total Expenses</b>	<b>28,260,183</b>	<b>27,899,634</b>	<b>360,549</b>
Sale of goods and rendering of services	859,892	798,585	61,307
Resources received free of charge - DMO	686,860	787,724	(100,864)
Rental income	7,706	9,518	(1,812)
Other revenue	96,117	51,570	44,547
<b>Total Own-Source Revenue</b>	<b>1,650,575</b>	<b>1,647,397</b>	<b>3,178</b>
<b>Gains</b>			
Gains from asset sales	-	24,906	(24,906)
Other Gains	37,271	5,254	32,017
Reversals of previous asset write-downs and impairment	294,866	339,091	(44,225)
<b>Total Gains</b>	<b>332,137</b>	<b>369,251</b>	<b>(37,114)</b>
<b>Total own-source income</b>	<b>1,982,712</b>	<b>2,016,648</b>	<b>(33,936)</b>
<b>Net cost of/(contribution by) services</b>	<b>26,277,471</b>	<b>25,882,986</b>	<b>394,485</b>
Revenue from Government	26,298,242	25,882,986	415,256
<b>Surplus/(Deficit) attributable to the Australian Government</b>	<b>20,771</b>	<b>-</b>	<b>20,771</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves	407,115	-	407,115
<b>Total other comprehensive income/(loss)</b>	<b>407,115</b>	<b>-</b>	<b>407,115</b>
<b>Total comprehensive income/(loss) attributable to the Australian Government</b>	<b>427,886</b>	<b>-</b>	<b>427,886</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40A: Departmental Budgetary Reporting (continued)

##### Statement of Comprehensive Income - Major Budget Variances for 2014-15

Affected line items	Explanation of major variances
<i>Grants</i>	Grants predominantly relate to the overseas payment of USD80m to the Afghan National Army (ANA) Trust Fund. As the Australian dollar depreciated by approximately 19% in 2014-15 to the USD, this resulted in additional payments that had to be made.
<i>Write-down and impairment of assets</i>	As a result of a Government decision, the timing of the transfer of an asset to another Government Agency was brought forward. The transfer was therefore not incorporated into the Original Budget. In addition, Defence refined its impairment assessment process to more accurately reflect the capability status of Specialist Military Equipment, which has resulted in an increased level of impairment.
<i>Foreign exchange losses</i>	The actual loss has resulted from the depreciation of the Australian dollar. This was not included in the Original Budget due to the unpredictability of fluctuations in the foreign exchange rates.
<i>Loss from asset sales</i> <i>/Gains from asset sales</i>	During 2014-15 land sales resulted in unanticipated losses as a result of market conditions. The sale of a specific property was included in the Original Budget for 2013-14, but was delayed until 2014-15 when negotiations were finalised.
<i>Other expenses</i>	In 2014-15 Defence undertook a review of make good and decontamination provisions, which resulted in higher than anticipated provisions being recognised in 2014-15.
<i>Resources received free of charge - DMO</i>	Organisational restructures (i.e. finance shared services) after the preparation of the Original Budget resulted in a decrease in resources received free of charge from DMO for 2014-15.
<i>Rental Income</i>	Rental income was over estimated in the Original Budget predominantly due to the disposal of land and buildings that historically generated rental income.
<i>Other Revenue</i>	Other Revenue was under estimated predominantly due to the uncertain nature of liquidated damages received by Defence.
<i>Other Gains</i>	Defence reduced the decommissioning provisions for some of its specialist military equipment in 2014-15 based on observed costs, resulting in higher than expected other gains. Land decontamination activities were also completed at a cost that was lower than initially anticipated resulting in a write-back of the decontamination provision.
<i>Reversals of previous asset write-downs and impairment</i>	Due to the uncertain nature of reversals of previous asset write-downs and impairment, the Original Budget was over estimated by \$45m based on historical asset write-down and impairment trends.
<i>Changes in asset revaluation reserves</i> <i>/Reserves</i>	The asset revaluation reserve variation of \$407m is due to revaluations for land, buildings, infrastructure and other plant and equipment which were not estimated as part of the Original Budget due to the uncertainty of the movement in the market for these assets.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40A: Departmental Budgetary Reporting (continued)

##### Statement of Financial Position

as at 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	44,150	466	43,684
Trade and other receivables	998,278	591,593	406,685
<b>Total financial assets</b>	<b>1,042,428</b>	<b>592,059</b>	<b>450,369</b>
<b>Non-financial assets</b>			
Land and buildings	17,654,513	16,282,730	1,371,783
Specialist military equipment	42,651,237	43,842,701	(1,191,464)
Infrastructure	5,571,994	5,316,620	255,374
Plant and equipment	1,780,646	2,060,802	(280,156)
Heritage and cultural assets	1,006,948	1,023,969	(17,021)
Intangibles	818,330	553,916	264,414
Inventories	6,463,531	5,941,559	521,972
Prepayments	1,384,462	148,105	1,236,357
<b>Total non-financial assets</b>	<b>77,331,661</b>	<b>75,170,402</b>	<b>2,161,259</b>
Assets held for sale	37,684	52,399	(14,715)
<b>Total Assets</b>	<b>78,411,773</b>	<b>75,814,860</b>	<b>2,596,913</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	1,164,800	1,027,328	137,472
Other payables	477,419	463,067	14,352
<b>Total Payables</b>	<b>1,642,219</b>	<b>1,490,395</b>	<b>151,824</b>
<b>Interest bearing liabilities</b>			
Finance leases	1,440,999	1,321,565	119,434
<b>Total interest bearing liabilities</b>	<b>1,440,999</b>	<b>1,321,565</b>	<b>119,434</b>
<b>Provisions</b>			
Employee provisions	2,358,927	2,332,987	25,940
Restoration, decontamination and decommissioning	1,001,192	934,431	66,761
Other provisions	290	3,014	(2,724)
<b>Total provisions</b>	<b>3,360,409</b>	<b>3,270,432</b>	<b>89,977</b>
<b>Total Liabilities</b>	<b>6,443,627</b>	<b>6,082,392</b>	<b>361,235</b>
<b>NET ASSETS</b>	<b>71,968,146</b>	<b>69,732,468</b>	<b>2,235,678</b>
<b>EQUITY</b>			
Contributed equity	22,321,616	21,703,066	618,550
Reserves	15,299,466	14,729,722	569,744
Retained surpluses (accumulated deficit)	34,347,064	33,299,680	1,047,384
<b>TOTAL EQUITY</b>	<b>71,968,146</b>	<b>69,732,468</b>	<b>2,235,678</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40A: Departmental Budgetary Reporting (continued)

##### Statement of Financial Position - Major Budget Variances for 2014-15

Affected line items	Explanation of major variances
<i>Cash and cash equivalents</i>	Defence had an unanticipated under spend in operations (no-win/no-loss) resulting in the need for cash and appropriation reserves to be held, in order to be paid back to the OPA at Additional Estimates.
<i>Trade and other receivables</i>	Trade and other receivables exceeded budget due to an unanticipated under spend in operations (no-win/no-loss) and no-win/no-loss supplementation to be provided by Government for foreign exchange fluctuations.
<i>Land and buildings</i>	Land and buildings was under estimated predominantly due to revaluations and other asset movements in 2013-14 which were not completed in time to incorporate into the opening balance as at 1 July 2014 in the Original Budget. The variance was also influenced by the uncertainty in estimating the movement of the market during 2014-15.
<i>Specialist military equipment</i>	The under achievement in specialist military equipment results from Foreign Military Sales acquisition payments made in June 2015 which are reported as a prepayment as at 30 June 2015.
<i>Plant and equipment</i>	Plant and equipment was over estimated in the Original Budget predominantly due to the opening balance as at 1 July 2014 being over estimated and delays in ongoing projects.
<i>Intangibles</i>	The variance is predominantly due to the settlement of liquidated damages received in the form of intangible assets that were not included in the Original Budget due to the uncertainty in the nature of the settlement.
<i>Prepayments</i>	Higher than expected prepayments relating to additional military capability (including C-17) in June 2015 that were not forecast in the Original Budget.
<i>Assets held for sale</i>	The variance for assets held for sale is predominantly due to specialist military equipment sold since the preparation of the Original Budget.
<i>Suppliers</i>	Suppliers exceeded budget due to unanticipated no-win/no-loss supplementation for foreign exchange fluctuations which is payable to the Defence Materiel Organisation.
<i>Other Provisions</i>	In 2014-15 Defence reduced other provisions due to a lower probability for legal claims against the Department. Due to the uncertain nature of these items, the movement in the provision was not anticipated in the Original Budget.

# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

### Note 40A: Departmental Budgetary Reporting (continued)

#### STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2015

	Retained Earnings		Asset Revaluation Reserve		Contributed Equity		Total Equity	
	Actual	Budget estimate Original <sup>1</sup> - Variance <sup>2</sup>	Actual	Budget estimate Original <sup>1</sup> - Variance <sup>2</sup>	Actual	Budget estimate Original <sup>1</sup> - Variance <sup>2</sup>	Actual	Budget estimate Original <sup>1</sup> - Variance <sup>2</sup>
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
<b>Opening balance</b>	<b>33,993,577</b>	<b>33,299,680</b>	<b>14,892,351</b>	<b>14,729,722</b>	<b>19,241,530</b>	<b>19,240,241</b>	<b>68,127,458</b>	<b>67,269,643</b>
Balance carried forward from previous period		693,897		162,629				
Adjustment for errors	332,716	-	-	-	-	-	332,716	-
<b>Adjusted opening balance</b>	<b>34,326,293</b>	<b>33,299,680</b>	<b>14,892,351</b>	<b>14,729,722</b>	<b>19,241,530</b>	<b>19,240,241</b>	<b>68,460,174</b>	<b>67,269,643</b>
<b>Comprehensive Income</b>								
Other comprehensive income	-	-	407,115	-	-	-	407,115	-
Surplus/(deficit) for the period	20,771	-	-	-	-	-	20,771	-
<b>Total comprehensive income</b>	<b>20,771</b>	<b>-</b>	<b>407,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,886</b>	<b>-</b>
<b>attributable to Australian Government</b>								
<b>Transactions with owners:</b>								
Distributions to owners	-	-	-	-	-	(853)	-	(853)
Other	-	-	-	-	-	-	-	853
<b>Contributions by Owners</b>								
Equity injection - Appropriation	-	-	-	-	2,758,491	2,463,678	2,758,491	2,463,678
Restructuring (Note 11)	-	-	-	-	-	-	-	-
Transfers to/from other entities	-	-	-	-	321,595	-	321,595	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,080,086</b>	<b>2,462,825</b>	<b>3,080,086</b>	<b>2,462,825</b>
<b>Closing balance as at 30 June attributable to the Australian Government</b>	<b>34,347,064</b>	<b>33,299,680</b>	<b>15,299,466</b>	<b>14,729,722</b>	<b>22,321,616</b>	<b>21,703,066</b>	<b>71,968,146</b>	<b>69,732,468</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

<sup>2</sup> Explanation of major variances are provided further below.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

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#### Note 40A: Departmental Budgetary Reporting (continued)

##### Statement of Changes in Equity - Major Budget Variances for 2014-15

Explanations of major variances	Affected line items
<i>Adjustment for errors</i>	Accounting errors are not budgeted for. These errors were identified in 2014-15, but relate to prior years and as a result have been recorded to equity rather than in the Statement of Comprehensive Income.
<i>Equity injection - Appropriation</i>	In 2014-15 an additional equity injection was provided due to foreign exchange losses.
<i>Transfers to/from other entities</i>	During the year, the Department of Finance transferred assets to Defence in relation to the Moorebank relocation. The transfer occurred ahead of schedule and was not included in the Original Budget.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Cash Flow Statement

For the period ended 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations (current year)	26,082,690	25,882,986	199,704
Section 74 receipts	1,036,575	-	1,036,575
Goods and services (including cost recovery)	849,693	798,585	51,108
Interest received	7	-	7
Net GST received	658,642	697,148	(38,506)
Other	82,600	61,088	21,512
<b>Total cash received</b>	<b>28,710,207</b>	<b>27,439,807</b>	<b>1,270,400</b>
<b>Cash used</b>			
Employees	(10,440,150)	(10,491,430)	51,280
Suppliers	(10,224,383)	(10,090,184)	(134,199)
Net GST paid	(676,768)	(697,148)	20,380
Grants	(115,305)	(91,561)	(23,744)
Section 74 receipts transferred to OPA	(1,036,562)	-	(1,036,562)
Cash returned to OPA	(2,423)	(853)	(1,570)
Other	(37,834)	(45,389)	7,555
<b>Total cash used</b>	<b>(22,533,425)</b>	<b>(21,416,565)</b>	<b>(1,116,860)</b>
<b>Net cash flows from/(used by) operating activities</b>	<b>6,176,782</b>	<b>6,023,242</b>	<b>153,540</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land and buildings	65,182	61,675	3,507
Proceeds from sales of specialist military equipment	1,652	7,549	(5,897)
Proceeds from sales of plant and equipment	31,310	28,000	3,310
Other	181	-	181
<b>Total cash received</b>	<b>98,325</b>	<b>97,224</b>	<b>1,101</b>
<b>Cash used</b>			
Purchase of land and buildings	(922,712)	(961,469)	38,757
Purchase of specialist military equipment	(6,302,121)	(5,677,403)	(624,718)
Purchase of infrastructure	(182,074)	(135,303)	(46,771)
Purchase of plant and equipment	(311,053)	(383,392)	72,339
Purchase of heritage and cultural assets	(80)	-	(80)
Purchase of intangibles	(81,935)	(75,210)	(6,725)
Purchase of inventory	(1,005,880)	(1,161,511)	155,631
Selling costs on sale of assets	(2,609)	(2,787)	178
Finance costs	(101,151)	(110,532)	9,381
<b>Total cash used</b>	<b>(8,909,615)</b>	<b>(8,507,607)</b>	<b>(402,008)</b>
<b>Net cash flows from/(used by) investing activities</b>	<b>(8,811,290)</b>	<b>(8,410,383)</b>	<b>(400,907)</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40A: Departmental Budgetary Reporting (continued)

##### Cash Flow Statement (continued)

For the period ended 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>FINANCING ACTIVITIES (continued)</b>			
<b>Cash received</b>			
Contributed equity (current year)	2,758,491	2,463,678	294,813
<b>Total cash received</b>	<b>2,758,491</b>	<b>2,463,678</b>	<b>294,813</b>
<b>Cash used</b>			
Repayments of debt (including finance lease principal)	(111,995)	(76,537)	(35,458)
<b>Total cash used</b>	<b>(111,995)</b>	<b>(76,537)</b>	<b>(35,458)</b>
<b>Net cash from/(used by) financing activities</b>	<b>2,646,496</b>	<b>2,387,141</b>	<b>259,355</b>
<b>Net increase/(decrease) in cash held</b>	<b>11,988</b>	<b>-</b>	<b>11,988</b>
Cash and cash equivalents at start of the reporting period	35,490	466	35,024
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	(3,328)	-	(3,328)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>44,150</b>	<b>466</b>	<b>43,684</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40A: Departmental Budgetary Reporting (continued)

##### Cash Flow Statement - Major Budget Variances for 2014-15

Affected line items	Explanation of major variances
Section 74 receipts from OPA Section 74 receipts transferred to OPA	Defence is entitled to retain Section 74 receipts under the PGPA Act. These receipts are returned to OPA and drawn down as Appropriations when required. The Original Budget did not include the transfer of funds to and from the OPA as the receipts transferred and amounts ultimately drawn down as Appropriations are the same.
Other cash received from Operating Activities	Other cash received was under estimated predominantly due to the receipt of a 2013-14 receivable not anticipated in the Original Budget.
Grants	Grants predominantly relate to the overseas payment of USD80m to the Afghan National Army (ANA) Trust Fund. As the Australian dollar depreciated by approximately 19% to the USD, this resulted in additional payments that had to be made.
Cash returned to the OPA	Cash returned to the OPA was under estimated predominantly due to the timing of proceeds from the sale of assets in 2013-4 returned to the OPA in 2014-15, as these funds cannot be retained by Defence.
Other cash used in operating activities	Other cash used was over estimated due to decommissioning costs for 2014-15 being less than what was initially estimated in the Original Budget due to the uncertain nature of such costs.
Proceeds from sales of specialist military equipment	Proceeds from the sale of specialist military equipment was lower than expected due to the delay in the rollout of replacement assets and therefore the delay in the sale of associated existing assets.
Proceeds from sales of plant and equipment	The variance is due to plant and equipment assets being sold at a price that was higher than anticipated in the Original Budget.
Purchase of specialist military equipment	The variance in cash used is due to a higher than anticipated Foreign Military Sales prepayment in June 2015 relating to the addition of military capability i.e. C-17.
Purchase of infrastructure Purchase of plant and equipment	Purchase of infrastructure and plant and equipment were over estimated due to delays in ongoing projects.
Purchase of inventory	The variance is as a result of an underspend in inventory purchases compared to the Original Budget. This is predominantly due to an underspend in fuel due to a decrease in the price of crude oil in 2014-15.
Contributed Equity	In 2014-15 an additional equity injection was provided due to foreign exchange losses.
Repayment of debt	Defence entered into additional finance leases for living in accommodation that were not estimated as part of the Original Budget.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40B: Administered Budgetary Reporting

##### Administered Schedule of Comprehensive Income

For the period ended 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>EXPENSES</b>			
Employee benefits	5,828,627	4,803,438	1,025,189
Subsidies	98,363	113,164	(14,801)
Write-down and impairment of assets	11	-	11
<b>Total Expenses</b>	<b>5,927,001</b>	<b>4,916,602</b>	<b>1,010,399</b>
<b>Own-Source Revenue</b>			
Fees and fines	14,297	13,335	962
Interest	28,610	34,791	(6,181)
Dividends	54,637	47,795	6,842
Military superannuation contributions	1,285,809	1,324,094	(38,285)
Other revenue	46,140	50,877	(4,737)
Foreign exchange gains	798	-	798
<b>Total non-taxation revenue</b>	<b>1,430,291</b>	<b>1,470,892</b>	<b>(40,601)</b>
<b>Total Own-Source Revenue</b>	<b>1,430,291</b>	<b>1,470,892</b>	<b>(40,601)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves	150,593	-	150,593
Actuarial gains/(losses) on defined benefits plans	(7,448,500)	(138,565)	(7,309,935)
<b>Total other comprehensive income</b>	<b>(7,297,907)</b>	<b>(138,565)</b>	<b>(7,159,342)</b>
<b>Total comprehensive income/(loss)</b>	<b>(11,794,617)</b>	<b>(3,584,275)</b>	<b>(8,210,342)</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40B: Administered Budgetary Reporting (continued)

##### Administered Schedule of Comprehensive Income - Major Budget Variances for 2014-15

Affected line items	Explanation of major variances
<i>Employee benefits</i>	During 2013-14 the Australian Government Actuary changed the indexing of pension payments which increased the pension rate from 2.5% to 4.0% for those aged over 55.
<i>Subsidies</i>	The variation is due to the actual number of beneficiaries being lower than forecast, as well as actual interest rates averaging 5.24% as compared to a budgeted interest rate of 6.25%.
<i>Interest</i>	The variation is due to four maturing loans (with a total value of \$114m) having rolled over at lower interest rates during the 2014-15 financial year.
<i>Dividends</i>	The variation is due to the Related Party delivering higher profits after tax during 2014-15 than originally budgeted for.
<i>Military superannuation contributions</i>	The variation is due to the actual number of members being lower than forecast.
<i>Change in asset revaluation reserves</i>	Refer to explanation of major variances relating to investments accounted for using the equity method.
<i>Actuarial gains/(losses) on defined benefit plans</i>	The variation is due to the budget being developed utilising a discount rate of 6.0% as advised by the Australian Government Actuary in the 2011 Long Term Cost Report. The actual interest rate applied by the Australian Government Actuary to determine the defined benefit superannuation liability as at 30 June 2015 was 3.7%.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40B: Administered Budgetary Reporting (continued)

##### Administered Schedule of Assets and Liabilities

as at 30 June 2015

	(1)	(2)	
	Actual	Original Budget <sup>1</sup>	Variance
	2014-2015	2014-2015	(1) - (2)
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	-	-	-
Trade and other receivables	583,924	659,287	(75,363)
Investment accounted for using the equity method	2,488,389	2,270,046	218,343
<b>Total financial assets</b>	<b>3,072,313</b>	<b>2,929,333</b>	<b>142,980</b>
<b>Non-financial assets</b>			
Prepayments	173,539	153,890	19,649
<b>Total non-financial assets</b>	<b>173,539</b>	<b>153,890</b>	<b>19,649</b>
<b>TOTAL ASSETS</b>	<b>3,245,852</b>	<b>3,083,223</b>	<b>162,629</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Other payables	5,502	5,543	(41)
<b>Total Payables</b>	<b>5,502</b>	<b>5,543</b>	<b>(41)</b>
<b>Provisions</b>			
Employee provisions	94,101,400	59,334,978	34,766,422
<b>Total provisions</b>	<b>94,101,400</b>	<b>59,334,978</b>	<b>34,766,422</b>
<b>TOTAL LIABILITIES</b>	<b>94,106,902</b>	<b>59,340,521</b>	<b>34,766,381</b>
<b>NET ASSETS</b>	<b>(90,861,050)</b>	<b>(56,257,298)</b>	<b>(34,603,752)</b>

<sup>1</sup> Defence's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements (PBS)).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2015

#### Note 40B: Administered Budgetary Reporting (continued)

##### Statement of Financial Position - Major Budget Variances for 2014-15

Affected line items	Explanation of major variances
Trade and other receivables Total non-financial assets	The variation is due to the budget expecting to provide an additional \$85m loan to a related party. This was not required.
Investment accounted for using the equity method Total non-financial assets	The variation is due to a higher than budgeted net asset position of Administered investments which is used to value these investments.
Employee provisions	The variation is due to the budget being developed utilising a discount rate of 6.0% as per the Australian Government Actuary 2011 Long Term Cost Report as compared to a spot interest rate of 3.7% that has ultimately been used by the Australian Government Actuary to determine the actual defined benefit superannuation to liability as at 30 June 2015.



# Defence Materiel Organisation

## Financial statements

*for the period ended 30 June 2015*



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

I have audited the accompanying annual financial statements of the Defence Materiel Organisation for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Secretary's Responsibility for the Financial Statements*

The Secretary of the Department of Defence is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

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statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Independence***

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### ***Opinion***

In my opinion, the financial statements of the Defence Materiel Organisation:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Defence Materiel Organisation as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Carla Jago  
Executive Director  
Delegate of the Auditor-General  
Canberra  
16 September 2015

## Defence Materiel Organisation

### STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Defence Materiel Organisation, as now represented by the Department of Defence, will be able to pay its debts as and when they fall due.

Signed

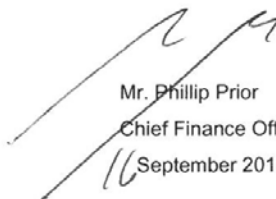


Mr. Dennis Richardson

Secretary - Defence

16 September 2015

Signed



Mr. Phillip Prior

Chief Finance Officer - Defence

16 September 2015

**Defence Materiel Organisation**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2015*

	Notes	2015 \$'000	2014 \$'000
<b>NET COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits	3A	515,086	558,919
Supplier expenses	3B		
Goods and services:			
Cost of goods sold to Defence		6,371,121	5,431,551
Other goods and services procured on behalf of Defence		4,236,671	3,932,744
DMO goods and services		320,063	296,710
Other suppliers		60,877	94,155
<b>Total supplier expenses</b>		<b>10,988,732</b>	<b>9,755,160</b>
Grants	3C	6,883	13,000
Depreciation and amortisation	3D	893	989
Write-down and impairment of assets	3E	198	3,461
Foreign exchange losses	3F	39,761	18,057
Other expenses	3G	20	20
<b>Total expenses</b>		<b>11,551,573</b>	<b>10,349,606</b>
<b>Own-Source Income</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	10,711,064	9,480,851
Interest		4,256	1,251
Other revenue	4B	32,384	32,142
<b>Total own-source revenue</b>		<b>10,747,704</b>	<b>9,514,244</b>
<b>Gains</b>			
Reversals of previous asset write-downs and impairments	4C	7,324	4
<b>Total gains</b>		<b>7,324</b>	<b>4</b>
<b>Total own-source income</b>		<b>10,755,028</b>	<b>9,514,248</b>
<b>Net cost of services</b>		<b>(796,545)</b>	<b>(835,358)</b>
Revenue from Government	4D	879,592	907,791
<b>Surplus attributable to the Australian Government</b>		<b>83,047</b>	<b>72,433</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to net cost of services</b>			
Changes in asset revaluation surplus		-	38
<b>Total comprehensive income</b>		-	38
<b>Total comprehensive income attributable to the Australian Government</b>		<b>83,047</b>	<b>72,471</b>

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2015*

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	6A	(32,619)	35,285
Trade and other receivables	6B	575,441	733,299
<b>Total financial assets</b>		<u>542,822</u>	<u>768,584</u>
<b>Non-financial assets</b>			
Property, plant and equipment	7A,7C	4,732	5,061
Intangibles	7B,7C	6	13
Prepayments	7D	2,909,916	1,470,693
<b>Total non-financial assets</b>		<u>2,914,654</u>	<u>1,475,767</u>
<b>Total assets</b>		<u>3,457,476</u>	<u>2,244,351</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	1,417,301	1,256,862
Unearned income	8B	1,091,018	84,620
Grants	8C	859	5,733
Other payables	8D	232,726	238,554
<b>Total payables</b>		<u>2,741,904</u>	<u>1,585,769</u>
<b>Provisions</b>			
Employee provisions	9A	156,310	180,415
Other provisions	9B	1,073	3,024
<b>Total provisions</b>		<u>157,383</u>	<u>183,439</u>
<b>Total liabilities</b>		<u>2,899,287</u>	<u>1,769,208</u>
<b>Net assets</b>		<u>558,189</u>	<u>475,143</u>
<b>EQUITY</b>			
Contributed equity		155,368	155,368
Reserves		290	290
Retained surplus		402,531	319,485
<b>Total equity</b>		<u>558,189</u>	<u>475,143</u>

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2015*

	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Opening balance</b>								
Balance carried forward from previous period	319,485	247,054	290	252	155,368	155,368	475,143	402,674
Adjustment for errors	-	-	-	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>319,485</b>	<b>247,054</b>	<b>290</b>	<b>252</b>	<b>155,368</b>	<b>155,368</b>	<b>475,143</b>	<b>402,674</b>
<b>Comprehensive income</b>								
Surplus for the period	83,047	72,433					83,047	72,433
Other comprehensive income	-	-		38	-	-	-	38
<b>Total comprehensive income</b>	<b>83,047</b>	<b>72,433</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>83,047</b>	<b>72,471</b>
Other movements <sup>1</sup>	(1)	(2)	-	-	-	-	(1)	(2)
<b>Closing balance as at 30 June</b>	<b>402,531</b>	<b>319,485</b>	<b>290</b>	<b>290</b>	<b>155,368</b>	<b>155,368</b>	<b>558,189</b>	<b>475,143</b>
<b>Closing balance attributable to Australian Government</b>	<b>402,531</b>	<b>319,485</b>	<b>290</b>	<b>290</b>	<b>155,368</b>	<b>155,368</b>	<b>558,189</b>	<b>475,143</b>

<sup>1</sup> Other movements relates to rounding.

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2015*

	Notes	2015 \$'000	2014 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		879,592	905,499
Sale of goods and rendering of services		12,089,301	9,997,310
Net GST received		687,597	627,756
Other		7,288	4,818
<b>Total cash received</b>		<b>13,663,778</b>	<b>11,535,383</b>
<b>Cash used</b>			
Employees		522,024	551,862
Suppliers <sup>1</sup>		13,021,561	10,422,515
Funds returned to Defence <sup>2</sup>		158,169	491,662
Grants		11,757	12,378
Other		17,503	1
<b>Total cash used</b>		<b>13,731,014</b>	<b>11,478,418</b>
<b>Net cash from/(used by) operating activities</b>	10	<b>(67,236)</b>	<b>56,965</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		-	528
<b>Total cash received</b>		<b>-</b>	<b>528</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		668	1,124
<b>Total cash used</b>		<b>668</b>	<b>1,124</b>
<b>Net cash used by investing activities</b>		<b>(668)</b>	<b>(596)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(67,904)</b>	<b>56,369</b>
Cash and cash equivalents at the beginning of the reporting period <sup>1</sup>		35,285	(21,084)
<b>Cash and cash equivalents at the end of the reporting period</b>	6A	<b>(32,619)</b>	<b>35,285</b>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

<sup>2</sup> Throughout the year DMO returned funds initially provided by Defence for Materiel Acquisition Agreements and Materiel Sustainment Agreements activity as a result of adjustments to agreed funding levels including as a result of no win / no loss funding arrangements.

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2015*

	2015 \$'000	2014 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable<sup>1</sup></b>		
Commitments receivable	(22,489,503)	(20,401,748)
Net GST recoverable on commitments <sup>2</sup>	(2,008,078)	(2,015,816)
<b>Total commitments receivable</b>	<b>(24,497,581)</b>	<b>(22,417,564)</b>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Land and buildings <sup>3</sup>	4,433	13,597
Property, plant and equipment <sup>4</sup>	9,393	2,993
Specialist military equipment <sup>5</sup>	11,758,065	12,176,415
Other <sup>6</sup>	1,113,167	530,654
<b>Total capital commitments</b>	<b>12,885,058</b>	<b>12,723,659</b>
<b>Other commitments</b>		
Operating leases <sup>7</sup>	7,173	20,330
Research and development <sup>8</sup>	22,349	28,034
Materiel Sustainment Agreement commitments <sup>9</sup>	11,595,720	9,630,477
Other <sup>10</sup>	8,964	39,358
<b>Total other commitments</b>	<b>11,634,206</b>	<b>9,718,199</b>
<b>Total commitments payable</b>	<b>24,519,264</b>	<b>22,441,858</b>
<b>Net commitments by type</b>	<b>21,683</b>	<b>24,294</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
Within 1 year	(8,707,854)	(6,880,582)
Between 1 to 5 years	(14,284,313)	(13,424,163)
More than 5 years	(1,505,414)	(2,112,819)
<b>Total commitments receivable</b>	<b>(24,497,581)</b>	<b>(22,417,564)</b>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Within 1 year	5,105,353	4,358,404
Between 1 to 5 years	7,253,815	7,084,658
More than 5 years	525,890	1,280,597
<b>Total capital commitments</b>	<b>12,885,058</b>	<b>12,723,659</b>

**Defence Materiel Organisation**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2015*

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Operating lease commitments</b>		
Within 1 year	<b>5,663</b>	7,604
Between 1 to 5 years	<b>1,510</b>	11,386
More than 5 years	-	1,340
<b>Total operating lease commitments</b>	<b>7,173</b>	20,330
<b>Other commitments</b>		
Within 1 year	<b>3,610,517</b>	2,535,054
Between 1 to 5 years	<b>7,036,993</b>	6,331,906
More than 5 years	<b>979,523</b>	830,909
<b>Total other commitments</b>	<b>11,627,033</b>	9,697,869
<b>Total commitments payable</b>	<b>24,519,264</b>	22,441,858
<b>Net commitments by maturity</b>	<b>21,683</b>	24,294

Note: Commitments are GST inclusive where relevant.

- <sup>1</sup> Commitments receivable includes the GST receivable on the gross commitments payable and the revenue due to DMO for activities undertaken on behalf of Defence that give rise to commitments payable.
- <sup>2</sup> Defence and DMO are ATO approved deferred tax customers on the purchase of overseas goods. As such, the phasing of both GST commitments receivable and payable are based upon DMO's estimate of delivery dates.
- <sup>3</sup> Outstanding contractual payments for buildings under construction on behalf of Defence under Materiel Acquisition Agreements.
- <sup>4</sup> Outstanding contractual payments for Property, Plant and Equipment purchases on behalf of Defence under Materiel Acquisition Agreements (assets under construction) and Materiel Sustainment Agreements.
- <sup>5</sup> Outstanding contractual payments for Specialist Military Equipment (SME) purchases on behalf of Defence under Materiel Acquisition Agreements and Materiel Sustainment Agreements.
- <sup>6</sup> Includes outstanding contractual payments for project maintenance on behalf of Defence under Materiel Acquisition Agreements and Materiel Sustainment Agreements.
- <sup>7</sup> Leases for motor vehicles to senior executive officers, pool vehicles, data lines and overseas property. Operating leases included are effectively non-cancellable. DMO has not entered into any contingent rental arrangements.
- <sup>8</sup> Outstanding commitments on research and development projects undertaken on behalf of Defence.
- <sup>9</sup> Outstanding commitments on Materiel Sustainment Agreement activity expenditure incurred on behalf of Defence.
- <sup>10</sup> Includes outstanding commitments on activities covered by DMO's direct appropriation.

The above statement should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2015*

	Notes	2015 \$'000	2014 \$'000
<b>NET COST OF SERVICES</b>			
<b>Expenses</b>			
Foreign exchange losses	15A	-	38
<b>Total expenses</b>		-	38
<b>Income</b>			
<b>Revenue</b>			
<b>Non-taxation revenue</b>			
Interest <sup>1</sup>		134	67
Other revenue <sup>2</sup>		900	1,961
<b>Total non-taxation revenue</b>		1,034	2,028
<b>Total revenue</b>		1,034	2,028
<b>Gains</b>			
Foreign exchange gains	15A	379	-
<b>Total gains</b>		379	-
<b>Total income</b>		1,413	2,028
<b>Net contribution by services</b>		1,413	1,990
<b>Surplus</b>		1,413	1,990
<b>Total comprehensive income</b>		1,413	1,990

<sup>1</sup>Interest from overseas bank accounts.

<sup>2</sup>Other revenue consists of levies from sale of excess consortium assets.

The above schedule should be read in conjunction with the accompanying notes.

## Defence Materiel Organisation

### ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Trade and other receivables	17A	73	1,502
<b>Total financial assets</b>		<b>73</b>	<b>1,502</b>
<b>Total assets administered on behalf of Government</b>		<b>73</b>	<b>1,502</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Other payables	18A	-	1,539
<b>Total payables</b>		<b>-</b>	<b>1,539</b>
<b>Total liabilities administered on behalf of Government</b>		<b>-</b>	<b>1,539</b>
<b>Net assets/(liabilities)</b>		<b>73</b>	<b>(37)</b>
The above schedule should be read in conjunction with the accompanying notes.			

## Defence Materiel Organisation ADMINISTERED RECONCILIATION SCHEDULE

	2015	2014
	\$'000	\$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>(37)</b>	<b>2,059</b>
<b>Net contribution by services</b>		
Income	1,413	2,028
Expenses	-	(38)
<b>Transfers (to)/from the Australian Government</b>		
Appropriation transfers to Official Public Account		
Transfers to OPA	(2,842)	(4,086)
Return of administered receipts	1,539	-
<b>Closing assets less liabilities as at 30 June</b>	<b>73</b>	<b>(37)</b>

The above schedule should be read in conjunction with the accompanying notes.

**Defence Materiel Organisation**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2015*

	Notes	2015 \$'000	2014 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Interest		64	73
Levies		2,778	2,474
Other		-	1,539
<b>Total cash received</b>		<b>2,842</b>	<b>4,086</b>
<b>Cash used</b>			
Other		1,539	-
<b>Total cash used</b>		<b>1,539</b>	<b>-</b>
<b>Net cash from operating activities</b>	19A	<b>1,303</b>	<b>4,086</b>
<b>Net increase in cash held</b>		<b>1,303</b>	<b>4,086</b>
Cash and cash equivalents at the beginning of the reporting period		-	-
<b>Cash from Official Public Account</b>			
Return of administered receipts		1,539	191
<b>Total cash from official public account</b>		<b>1,539</b>	<b>191</b>
<b>Cash to Official Public Account</b>			
Transfer to the OPA		(2,842)	(4,277)
<b>Total cash to official public account</b>		<b>(2,842)</b>	<b>(4,277)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>-</b>	<b>-</b>

The above schedule should be read in conjunction with the accompanying notes.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### Note 1: Significant Accounting Policies

##### 1.1 Objective of the Defence Materiel Organisation (DMO)

The Defence Materiel Organisation (DMO) is an Australian Government controlled entity, that has subsequently been integrated into the Department of Defence. It is a not-for-profit entity. The objective of DMO is to equip and sustain the Australian Defence Force.

DMO has one Outcome: Contributing to the preparedness of the Australian Defence Organisation through acquisition and through-life support of military equipment and supplies.

DMO's financial statements are prepared on a going concern basis. From 1 July 2015, DMO will cease to be a listed entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and its functions will be performed by the Capability Acquisition and Sustainment Group of the Department of Defence. Refer Note 2 Events After the Reporting Period.

DMO activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by DMO in its own right. Administered activities involve the management or oversight by the DMO, on behalf of the Government, of items controlled or incurred by the Government.

DMO collects administered revenues on behalf of the Australian Government. Administered revenues comprise levies received from overseas consortium partners, interest earned on overseas bank accounts and interest earned on project advances that have been returned to the Commonwealth.

##### 1.2 Basis of Preparation of the Financial Statements

The financial statements are required by section 42 of the PGPA Act and are general purpose financial statements.

The financial statements have been prepared in accordance with:

- *Financial Reporting Rule* (FRR) for reporting periods ending on or after 1 July 2014; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future benefits will flow to DMO or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the contingencies note.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

##### 1.3 Payments made under Legislation

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.4 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, DMO has made no judgements that have a significant impact on the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period except in relation to provisions for annual leave and long service leave. Provisions for annual leave and long service leave are estimates based on expert actuarial assumptions on the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

#### 1.5 New Australian Accounting Standards

##### Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following new standard was issued prior to the signing of the statements by the Secretary and CFO, was applicable to the current reporting period and had a material effect on DMO's financial statements:

Standard/Interpretation	Nature of change in accounting policy, transitional provisions and adjustments to financial statements
AASB 1055 <i>Budgetary Reporting</i> March 2013 (Principal)	<p>Requires reporting of budgetary information by not-for-profit entities within the General Government Sector. In particular:</p> <ul style="list-style-type: none"> <li>- original budget presented to Parliament;</li> <li>- variance of actuals from budget; and</li> <li>- explanation of significant variances.</li> </ul> <p>Comparatives are not required to be produced in the initial year of application.</p> <p>Adoption of this standard has not had a material impact on the reported values in DMO's financial statements, however, to comply with AASB's disclosure requirements an additional note has been incorporated into the statements. Refer to Note 27 for DMO's budgetary reports and explanations of major variances.</p>

All other new or revised standards, amending standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on DMO's financial statements.

##### Future Australian Accounting Standard Requirements

No new and/or revised standards, amending standards or interpretations that were issued by the Australian Accounting Standards Board prior to the signing of the statements by the Secretary and CFO are expected to have a material impact on DMO's financial statements for future reporting period(s).

#### 1.6 Revenue

##### Sale of Goods and Rendering of Services

When DMO was established as a prescribed agency, it was intended that the relationship between DMO and Defence was to be more business like and for the business relationship with Defence to reflect a purchaser-provider model. Since the creation of the DMO there have been some changes to the funding arrangements between Defence and DMO, notably the direct appropriation of what was originally a service fee from Defence to DMO. The recognition of revenue for the sale of goods and rendering of services by DMO in its financial statements seeks to reflect the original intention. Although many of the business transactions between Defence and DMO are in accordance with the intended business relationship, the nature of other transactions could be characterised as an agency relationship whereby DMO is acting as a buying agent for Defence, noting that the risks associated with business transactions resides with Defence. In

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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acknowledging the broad range of procurement actions undertaken by DMO, revenue has been recognised in accordance with the intended business relationship such that revenue from goods and services provided to Defence is determined according to the level of expenditure incurred at the reporting date.

Goods and services sold to, and procured on behalf of, Defence are separately disclosed in the face of the statement of comprehensive income due to the materiality of amounts under this category. There are also components of employee benefits, other supplier expenses and other expenses that are incurred on behalf of Defence. Details for these categories of expense are disclosed in the relevant notes to the financial statements.

The amount of contract revenue from Defence recognised during the period is disclosed under sale of goods and rendering of services in Note 4A.

Costs incurred include all expenditure related directly to specific acquisition projects and sustainment activities and an allocation of fixed and variable overheads incurred in DMO's contract activities specifically chargeable to Defence under the terms of the agreements. This excludes DMO operational and infrastructure costs which are funded through departmental appropriations. The amount of costs incurred during the period is disclosed in Note 3B.

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- DMO retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to DMO.

Revenue is recognised from services at the time the service is provided.

#### Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

#### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when DMO gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

#### Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amount due less any impairment.

Appropriations receivable are recognised at their nominal amounts.

### 1.7 Gains

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements.

#### Sale of Assets

Gains from the disposal of assets are recognised when control of the asset has passed to the buyer.

### 1.8 Transactions with the Government as Owner

#### Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that period.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.9 Employee Benefits

Liabilities for ‘short-term employee benefits’ (as defined in AASB 119 *Employee Benefits*) and termination benefits expected to be wholly settled within 12 months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Liabilities for ADF personnel posted to DMO are disclosed as employee benefits in the Defence Financial Statements.

##### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of DMO is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees’ remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DMO’s employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2015. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

##### Separation and Redundancy

Provision is made for separation and redundancy benefit payments. DMO recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

##### Superannuation

Permanently appointed DMO employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) and other superannuation funds held outside the Commonwealth.

The CSS and PSS are defined benefits schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The liability is reported in the Department of Finance’s administered schedules and notes.

DMO makes employer contributions to employees’ superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. DMO accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2015 represents outstanding contributions for the final fortnight of the year.

#### 1.10 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

As at 30 June 2015, DMO did not have any finance leases (2014: none).

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of the benefits derived from the leased assets.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### 1.11 Grants

DMO administers a number of grants providing assistance to Australian defence industry to address shortfalls in the quantity and quality of professional and technical workforce skills.

Grant liabilities are recognised to the extent that the grantee has met the conditions for a grant payment to be made and the DMO has an obligation to make a payment. A commitment is recorded when the Government enters into an agreement to make these grants but the conditions for payment have not been met.

#### 1.12 Fair Value Measurements

DMO deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

#### 1.13 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, cash held by outsiders, demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, and cash in special accounts.

Bank accounts that will not deliver future economic benefits in the form of cash are classified as prepayments.

#### 1.14 Foreign Military Sales

Under the Foreign Military Sales program, DMO makes payments into a bank account, which is domiciled with the Federal Reserve Bank (FRB) New York.

The moneys paid into the FRB account are in accordance with the Special Billing arrangements negotiated by Australia with the United States Department of Defense.

The program requires periodic quarterly payments in advance of financial performance and the moneys held in the FRB account attract interest which is credited to the Special Account.

The administrative arrangements between the US and Australia result in DMO transactions pertaining to the FRB account being reported as prepayments in DMO's financial statements.

#### 1.15 Financial Assets

All of DMO's financial assets are classified as loans and receivables.

Interest is recognised by applying the effective interest rate.

##### Liquidated Damages

Liquidated damages arise where the Commonwealth has an entitlement to compensation as a result of a contractor not meeting contractual requirements.

Where an event occurs that triggers the Commonwealth's entitlement to compensation, and a settlement agreement has been reached with the contractor, DMO recognises an other receivable for the amount of goods or services in-kind and/or cash to be received. In addition, DMO recognises a corresponding other payable to Defence to reflect that the goods and services in-kind and/or cash to be delivered under these arrangements relate to activities which DMO undertakes on behalf of Defence (refer notes 6B and 8D).

Where a triggering event has occurred and an agreement has not been reached with the contractor, DMO recognises a contingent asset and corresponding contingent liability for the estimated amount receivable from the contractor and payable to Defence. The contingent asset and liability are valued or reported as quantifiable or unquantifiable based on the status of negotiations and precedent cases (refer Note 11).

##### Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.16 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

##### Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

#### 1.17 Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed in Note 11. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

#### 1.18 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

#### 1.19 Property, Plant and Equipment

##### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

##### Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class:	Fair value measured at:
Property, Plant and Equipment	Depreciated replacement cost and market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Australian Valuation Solutions provided independent advice on the valuation of DMO assets as at 30 June 2015.

Where assets are valued using depreciated replacement cost, any accumulated depreciation as at the revaluation date is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

##### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to DMO using, in all cases, the straight-line method of depreciation.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Property, Plant and Equipment	2 to 30 years	2 to 30 years

#### Impairment

All assets are assessed for impairment as at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### **1.20 Intangibles**

DMO's intangible assets primarily comprise purchased computer software for internal use. All intangibles with gross values greater than \$100,000 are capitalised. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over the following anticipated useful life:

	2015	2014
Intangibles	3 to 10 years	3 to 10 years

All software assets were assessed for indications of impairment as at 30 June 2015.

#### **1.21 Taxation**

DMO's activities are exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

#### **1.22 Foreign Exchange**

Transactions denominated in a foreign currency are converted at the exchange rate on the date of the transaction.

Foreign currency receivables and payables are translated at the exchange rate current as at the reporting date. Exchange gains and losses are reported in the statement of comprehensive income.

Non-financial items that are measured at cost in a foreign currency are translated using the spot exchange rate at the date of the initial transaction. Non-financial items that are measured at fair value in a foreign currency are translated using the spot rates at the date when the fair value was determined.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1.23 Reporting of Administered Activities

Administered revenue, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

##### Administered Cash Transfers to and from the Official Public Account

Revenue collected by DMO on behalf of the Government, rather than for use by DMO, is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. These transfers to the OPA are adjustments to the administered cash held by DMO on behalf of the Government and are reported as such in the administered cash flow statement and administered reconciliation schedule.

##### Revenue

Administered revenues relate to ordinary activities performed by DMO on behalf of the Australian Government. Administered revenue is generated from interest on overseas bank accounts and from the sale of excess stocks by consortium project offices. Administered revenue is only recognised where there is a specific legal requirement or Ministerial determination to do so.

##### Receivables

Receivables reported in the administered schedule of assets and liabilities comprise levies required to be returned to the OPA and the balance of interest receivable on overseas bank accounts. Administered receivables are measured at amortised cost less impairment. Foreign currency receivables are translated at the exchange rate current at the reporting date.

##### Payables

Payables reported in the administered schedule of assets and liabilities represent resources required to be transferred to other Commonwealth entities. Administered payables are recognised at amortised cost.

#### 1.24 Prior Period Adjustments

##### Specific purpose procurement accounts

DMO has established a number of overseas-based bank accounts in order to participate in collaborative design and development programs. Some of these accounts are governed by frameworks which grant drawing rights over the accounts to third parties and restrict the Commonwealth's ability to access them.

During 2014-15, DMO reviewed the accounting classification of these accounts. Whilst this review ascertained that classifying such accounts as cash was not inconsistent with DMO's accounting policy, it also indicated that the representation of the balances in such accounts as cash was potentially misleading to users of the financial statements in indicating greater short term liquidity than was actually the case.

In order to provide more relevant and reliable information to users of these statements, DMO has elected to apply a change in accounting policy in accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in reflecting the balances of overseas denominated accounts for which the Commonwealth has agreed not to exercise its drawing rights to these funds. To comply with the requirements of the standard, this change has been applied with effect from 1 July 2013.

Additionally, in the course of this review, a number of instances were identified in which monies had been paid into or from the accounts in question but for which DMO had yet to receive goods or services in return. Such amounts were incorrectly recognised as expenses in the 2013-14 statements and should instead have been booked as prepayments. Consequently, an adjustment for a prior period error has been reflected in the comparative statements in accordance with the requirements of AASB 108.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The effect on the comparative (2013-14) balances has been outlined in the tables below.

		Note Reference	2013-14 Published Financial Statements \$'000	Adjustment for Change in Account Policy \$'000	Adjustment for Prior Period Error \$'000	2013-14 Restated Comparative \$'000
<b>Expenses</b>	<b>Increase Suppliers</b> Cost of goods sold to Defence – Asset Under Construction	3B	3,776,831		16,166	3,792,997
<b>Income</b>	<b>Increase Sale of Goods and Rendering of Services</b> Sale of goods in connection with related parties	4A	5,732,435		16,166	5,748,601
<b>Assets</b>	<b>Decrease Cash and Cash Equivalents</b> Cash on hand or on deposit	6A	122,628	(87,343)		35,285
<b>Assets</b>	<b>Increase Prepayments</b> Prepayments	7D	1,383,350	2,723	84,620	1,470,693
<b>Liabilities</b>	<b>Decrease Suppliers</b> Trade creditors and accruals	8A	1,341,482	(84,620)		1,256,862
<b>Liabilities</b>	<b>Increase Unearned Income</b> Unearned revenue from Defence for MAAS and MSAs	8B	0		84,620	84,620
<b>Cash Flow</b>	<b>Decrease cash and cash equivalents at the beginning of the reporting period</b>	Cash Flow Statement	94,342	(115,426)		(21,084)
<b>Cash Flow</b>	<b>Decrease cash and cash equivalents at the end of the reporting period</b>	Cash Flow Statement	122,628	(87,343)		35,285
<b>Cash Flow</b>	<b>Increase Operating Cash Used</b> Suppliers	Cash Flow Statement	10,450,598	(28,083)		10,422,515

**Defence Materiel Organisation  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

		Note Reference	2013-14 Published Financial Statements	Adjustment for Change in Account Policy	Adjustment for Prior Period Error	2013-14 Restated Comparative
Cash Flow Reconciliation	Decrease cash and cash equivalents as per cash flow statement	10	122,628	(87,343)		35,285
Cash Flow Reconciliation	Decrease cash and cash equivalents as per the balance sheet	10	122,628	(87,343)		35,285
Cash Flow Reconciliation	Increase net cash from/(used by) operating activities (Increase)/Decrease in prepayments	10	(178,703)	11,917	16,166	(150,620)
Cash Flow Reconciliation	Increase net cash from/(used by) operating activities Increase/(Decrease) in suppliers payables	10	(64,075)	16,166		(47,909)
Cash Flow Reconciliation	Decrease net cash from/(used by) operating activities Increase/(Decrease) in unearned income	10	0		(16,166)	(16,166)

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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#### **Note 2: Events After the Reporting Period**

##### *Reintegration into the Department of Defence*

As part of its implementation of recommendations arising from the First Principles Review of Defence, the Government agreed to disband the Defence Materiel Organisation and to transfer its core responsibilities and funding to the Department of Defence.

As announced in the *2015-16 Portfolio Budget Statements*, this change took effect on the 1st of July 2015, from which point DMO has ceased to operate as a separate entity. At that time, Defence took control of all of DMO's assets and assumed responsibility for all of its liabilities.

Consequently, this document represents the final set of financial statements to be prepared for the Defence Materiel Organisation.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 3: Expenses

	2015 \$'000	2014 \$'000
<b>Note 3A: Employee Benefits</b>		
Wages and salaries	386,387	411,319
Superannuation		
Defined contribution plans	31,918	32,692
Defined benefit plans	41,186	42,185
Leave and other entitlements	39,128	52,832
Separation and redundancies	3,488	1,440
Other	12,979	18,451
<b>Total employee benefits</b>	<b>515,086</b>	<b>558,919</b>

Employee benefits expense reported in this note includes \$1.3m incurred on behalf of Defence (2014: \$3.7m).

Employee benefits do not include payments made in relation to the military workforce. Military personnel are posted to DMO in accordance with the Military Workforce Agreement with Defence. The cost of the military workforce is disclosed at Note 3B.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2015 \$'000	2014 \$'000
<b>Note 3B: Suppliers</b>		
<b>Goods and services</b>		
<b>Cost of goods sold to Defence</b>		
General Stores Inventory	618,808	521,194
Explosive Ordnance	311,116	210,452
Fuel	244,164	560,931
Assets Under Construction <sup>1</sup>	4,754,847	3,792,997
Supply Chain Assets	379,210	305,392
Commercial Vehicles	62,976	40,585
<b>Total cost of goods sold to Defence</b>	<b>6,371,121</b>	<b>5,431,551</b>
<b>Other goods and services procured on behalf of Defence</b>		
Repair and overhaul	3,495,445	3,321,267
General goods and services	586,600	475,761
DMO military workforce	812	2,521
Communications and information technology	96,061	88,598
Domestic travel	6,374	4,409
Training	16,203	8,911
Overseas travel	1,914	997
Advertising	-	-
Freight and storage	26,902	22,826
Operating lease rentals <sup>2</sup>	6,360	7,454
<b>Total other goods and services procured on behalf of Defence</b>	<b>4,236,671</b>	<b>3,932,744</b>
<b>DMO goods and services supplied or rendered</b>		
Repair and overhaul	1,841	49
General goods and services	91,784	81,992
DMO military workforce	184,739	168,383
Communications and information technology	5,405	6,902
Domestic travel	12,348	11,647
Training	20,573	24,756
Overseas travel	2,288	2,374
Advertising	708	485
Freight and storage	352	65
Operating lease rentals <sup>2</sup>	25	57
<b>Total DMO goods and services</b>	<b>320,063</b>	<b>296,710</b>
<b>Other suppliers</b>		
Research and development <sup>3</sup>	60,877	94,155
<b>Total other suppliers</b>	<b>60,877</b>	<b>94,155</b>
<b>Total suppliers</b>	<b>10,988,732</b>	<b>9,755,160</b>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

<sup>2</sup> These comprise minimum lease payments only.

<sup>3</sup> Includes \$60.9m incurred on behalf of Defence (2014: \$94.2m).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2015 \$'000	2014 \$'000
<b>Goods supplied in connection with</b>		
Related parties	681,745	543,818
External parties	6,089,475	5,209,130
<b>Total goods supplied</b>	<b>6,771,220</b>	<b>5,752,948</b>
<b>Services rendered in connection with</b>		
Related parties	654,403	520,821
External parties	3,556,724	3,473,880
<b>Total services rendered</b>	<b>4,211,127</b>	<b>3,994,701</b>
<b>Operating lease rentals<sup>4</sup> in connection with</b>		
Related parties	172	1,231
External parties	6,213	6,280
<b>Total operating lease rentals</b>	<b>6,385</b>	<b>7,511</b>
<b>Total suppliers</b>	<b>10,988,732</b>	<b>9,755,160</b>
<sup>4</sup> These comprise minimum lease payments only.		
<b>Note 3C: Grants</b>		
Private sector		
Defence Industry	6,883	13,000
<b>Total grants</b>	<b>6,883</b>	<b>13,000</b>
<b>Note 3D: Depreciation and Amortisation</b>		
<b>Depreciation</b>		
Property, plant and equipment	886	975
<b>Total depreciation</b>	<b>886</b>	<b>975</b>
<b>Amortisation</b>		
Intangibles - Computer software purchased	7	14
<b>Total amortisation</b>	<b>7</b>	<b>14</b>
<b>Total depreciation and amortisation</b>	<b>893</b>	<b>989</b>
<b>Note 3E: Write-Down and Impairment of Assets</b>		
Impairment on financial instruments	79	130
Impairment of property, plant & equipment	111	139
Other <sup>1</sup>	8	3,192
<b>Total write-down and impairment of assets</b>	<b>198</b>	<b>3,461</b>
<sup>1</sup> Reduction of FMS-related prepayment balance following remediation and assurance activity.		
<b>Note 3F: Foreign Exchange</b>		
<b>Foreign exchange gains</b>		
Non-speculative	(28,109)	(24,596)
<b>Foreign exchange losses</b>		
Non-speculative	67,870	42,653
<b>Total foreign exchange losses/(gains)</b>	<b>39,761</b>	<b>18,057</b>
<b>Note 3G: Other Expenses</b>		
Resources transferred to Defence free of charge	-	19
Other	20	1
<b>Total other expenses</b>	<b>20</b>	<b>20</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 4: Own-Source Income

	2015 \$'000	2014 \$'000
<b>Own-Source Revenue</b>		

#### **Note 4A: Sale of Goods and Rendering of Services**

<b>Sale of goods in connection with</b>		
Related parties <sup>1</sup>	6,815,133	5,748,601
<b>Total sale of goods</b>	<b>6,815,133</b>	<b>5,748,601</b>

<b>Rendering of services in connection with</b>		
Related parties	3,895,931	3,732,250
<b>Total rendering of services</b>	<b>3,895,931</b>	<b>3,732,250</b>
<b>Total sale of goods and rendering of services</b>	<b>10,711,064</b>	<b>9,480,851</b>

<b>Goods and services are represented by</b>		
Defence Materiel Acquisition Agreement activity <sup>1</sup>	5,316,001	4,162,369
Defence Materiel Sustainment Agreement activity	5,395,063	5,318,482
<b>Total sale of goods and rendering of services</b>	<b>10,711,064</b>	<b>9,480,851</b>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

#### **Note 4B: Other Revenue**

<b>Resources received free of charge</b>		
From Defence	27,608	30,423
Remuneration of auditors	1,050	1,050
Other	3,726	669
<b>Total other revenue</b>	<b>32,384</b>	<b>32,142</b>

#### **Note 4C: Reversals of Previous Asset Write-Downs and Impairment**

<b>Reversal of impairment losses</b>	7,324	4
<b>Total reversals of previous asset write-downs and impairments</b>	<b>7,324</b>	<b>4</b>

#### **Note 4D: Revenue from Government**

<b>Appropriations</b>		
Departmental appropriations <sup>1</sup>	879,592	907,791
<b>Total revenue from Government</b>	<b>879,592</b>	<b>907,791</b>

<sup>1</sup> The 2014-15 departmental appropriation excludes \$1.439m of DMO's direct appropriations which was permanently withheld in accordance with section 51 of the PGPA Act.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 5: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.  
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.  
 Level 3: Unobservable inputs for the asset or liability.

#### Note 5A: Fair Value Measurement, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period		For Levels 2 and 3 fair value measurements					Sensitivity of the fair value measurements to changes in unobservable inputs
2015 \$'000	2014 \$'000	Category (Level 1, 2 or 3 <sup>4</sup> )	Valuation technique(s) <sup>2</sup>	Inputs used	Range (weighted average)		
Non-financial assets <sup>3</sup>							
Property, plant and equipment <sup>1</sup>	695	937	Level 2	Market Approach	Adjusted market transactions	(15.0%) - 5.0%	A significantly higher (lower) market transaction may result in a significantly higher (lower) fair value measurement.
Property, plant and equipment <sup>1</sup>	292	-	Level 3	Market Approach	Adjusted market transactions		
Property, plant and equipment <sup>1</sup>	3,745	4,124	Level 3	Depreciated Replacement Cost (DRC)	Replacement Cost New		
					Consumed economic benefit /Obsolescence of asset	(4.0%) - 33.3% (7.3%) per annum	A significant increase (decrease) in this consumed economic benefit/obsolescence of the asset would result in a significantly higher (lower) fair value measurement.
Total non-financial assets		4,732	5,061				
Total fair value measurement of assets in the statement of financial position		4,732	5,061				

1. DMO did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2015.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. There have been changes to the valuation techniques for assets in the property, plant and equipment class. In instances where sufficient observable inputs, such as market transactions of similar assets, were identified in this financial year, the valuation technique was changed from a DRC approach to a Market approach. In instances where sufficient observable inputs, such as market transactions of similar assets, were not identified in this financial year, the valuation technique was changed from a Market approach to a DRC approach.
3. Fair value measurements - highest and best use differs from current use for non-financial assets (NFAs)  
DMO's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of these assets is considered the highest and best use.
4. Recurring and non-recurring Level 3 fair value measurements – valuation processes  
DMO tests the procedures of the valuation model as an asset materiality review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. DMO engaged Australian Valuation Solutions (AVS) to undertake a valuation materiality review and confirm that the models developed comply with AASB 13 *Fair Value Measurement*.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life on each asset.

Significant Level 3 inputs utilised by DMO are derived and evaluated as follows:

Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measure utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

### **Note 5B: Level 1 and Level 2 Transfers for Recurring Fair Value Measurements**

There have been no transfers between levels of the hierarchy during the year.

DMO's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 5C: Reconciliation for Recurring Level 3 Fair Value Measurements**

Recurring Level 3 fair value measurements - reconciliation for assets	Non-financial assets			
	Property, plant and equipment		Total	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July</b>	<b>4,124</b>	<b>4,001</b>	<b>4,124</b>	<b>4,001</b>
Total gains/(losses) recognised in net cost of services <sup>1</sup>	(756)	(341)	(756)	(341)
Purchases	624	926	624	926
Sales	-	(462)	-	(462)
Transfers into Level 3 <sup>2</sup>	69	-	69	-
Transfers out of Level 3 <sup>3</sup>	(24)	-	(24)	-
<b>Total as at 30 June</b>	<b>4,037</b>	<b>4,124</b>	<b>4,037</b>	<b>4,124</b>
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-	-	-

1. These gains/(losses) are presented in the statement of comprehensive income under depreciation and amortisation and gains from sales of assets.
2. There have been transfers of property, plant and equipment asset fair value measurements into level 3 during the year due to changes in the valuation technique from a market approach to DRC.
3. There have been transfers of property, plant and equipment asset fair value measurements out of level 3 during the year due to changes in the valuation technique from DRC to a market approach. Fair value measurements have been determined without the use of significant unobservable inputs.

DMO's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 6: Financial Assets

	2015 \$'000	2014 \$'000
<b>Note 6A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit <sup>1,2</sup>	(32,619)	35,285
<b>Total cash and cash equivalents</b>	<b>(32,619)</b>	<b>35,285</b>

<sup>1</sup> To facilitate the whole of government management of cash balances, cash in excess of working capital requirements is held in the Official Public Account (OPA) reported by the Department of Finance. DMO is able to draw on these funds as required and reports an Appropriation Receivable in Note 6B. The negative cash balance at 30 June 2015 is due to a timing difference between the processing of payments and the draw down of cash from the OPA. This is a technical adjustment only and does not reflect the physical balance in the bank account.

<sup>2</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

#### Note 6B: Trade and Other Receivables

##### Good and services receivables in connection with

Related parties	1,602	7,274
External parties	486	1,519
<b>Total goods and services receivables</b>	<b>2,088</b>	<b>8,793</b>

##### Appropriations receivables

Special Account cash held in the Official Public Account	-	60,870
Existing programs <sup>1</sup>	113,623	113,623
<b>Total appropriations receivables</b>	<b>113,623</b>	<b>174,493</b>

##### Other receivables

Statutory receivables	112,017	106,880
Settlement of damages <sup>2</sup>	113,123	182,277
Other receivables from Defence	233,396	259,685
Other	1,382	1,279
<b>Total other receivables</b>	<b>459,918</b>	<b>550,121</b>
<b>Total trade and other receivables (gross)</b>	<b>575,629</b>	<b>733,407</b>

##### Less impairment allowance

Goods and services	(118)	(95)
Other receivables	(70)	(13)
<b>Total impairment allowance</b>	<b>(188)</b>	<b>(108)</b>
<b>Total trade and other receivables (net)</b>	<b>575,441</b>	<b>733,299</b>

##### Trade and other receivables (net) expected to be recovered

No more than 12 months	513,290	564,478
More than 12 months	62,151	168,821
<b>Total trade and other receivables (net)</b>	<b>575,441</b>	<b>733,299</b>

<sup>1</sup> An amount of \$35.4m (2014: \$35.4m) of DMO's direct appropriations has been quarantined and as such is unable to be utilised for DMO purposes. It is expected to be formally reduced in July 2016.

<sup>2</sup> Liquidated damages and agreed commercial settlements receivable from contractors for matters managed by DMO on behalf of Defence (refer Note 1.15).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2015 \$'000	2014 \$'000
<b>Trade and other receivables (gross) aged as follows</b>		
Not overdue	575,137	731,547
Overdue by		
0 to 30 days	197	1,725
31 to 60 days	143	104
61 to 90 days	10	-
More than 90 days	142	31
<b>Total trade and other receivables (gross)</b>	<b>575,629</b>	<b>733,407</b>
<b>Impairment allowance aged as follows</b>		
Not overdue	118	95
Overdue by		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	70	13
<b>Total impairment allowance</b>	<b>188</b>	<b>108</b>

Credit terms for goods and services were within 30 days (2014: 30 days).

#### Reconciliation of the Impairment Allowance

<b>Movements in relation to 2015</b>			
	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2014</b>	<b>95</b>	<b>13</b>	<b>108</b>
Amounts written off	-	-	-
Amounts recovered and reversed	-	-	-
Increase/(Decrease) recognised in net cost of services	23	57	80
<b>Total as at 30 June 2015</b>	<b>118</b>	<b>70</b>	<b>188</b>
<b>Movements in relation to 2014</b>			
	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2013</b>	<b>97</b>	<b>15</b>	<b>112</b>
Amounts written off	-	(6)	(6)
Amounts recovered and reversed	(2)	(2)	(4)
Increase/(Decrease) recognised in net cost of services	-	6	6
<b>Total as at 30 June 2014</b>	<b>95</b>	<b>13</b>	<b>108</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 7: Non-Financial Assets

	2015 \$'000	2014 \$'000
<b><u>Note 7A: Property, Plant and Equipment</u></b>		
<b>Property, plant and equipment</b>		
Fair value	7,637	7,218
Accumulated depreciation	(2,905)	(2,157)
<b>Total property, plant and equipment</b>	<b>4,732</b>	<b>5,061</b>

DMO does not hold any property, plant or equipment under finance leases.

A write-down and impairment charge of \$110,799 (2014: \$139,100) was applied to the property, plant and equipment balance for the year ended 30 June 2015. The assets in question were written off in the process.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

#### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1 and 5. All property, plant and equipment assets were revalued by an independent valuer as at 30 June 2015.

A revaluation increment of \$0 (2014: \$37,733) for property, plant and equipment was credited to the asset revaluation surplus by asset class and included in the equity section of the statement of financial position. Nil decrements were expensed (2014: Nil).

#### Note 7B: Intangibles

##### Computer software

Purchased	166	292
Accumulated amortisation	(160)	(279)
<b>Total computer software</b>	<b>6</b>	<b>13</b>
<b>Total intangibles</b>	<b>6</b>	<b>13</b>

No indicators of impairment were found for intangibles.

No intangibles are expected to be sold or disposed of within the next 12 months.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles**

**Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2015**

	Property, plant and equipment \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 1 July 2014</b>			
Gross book value	7,218	292	7,510
Accumulated depreciation/amortisation and impairment	(2,157)	(279)	(2,436)
<b>Total as at 1 July 2014</b>	<b>5,061</b>	<b>13</b>	<b>5,074</b>
<b>Additions</b>			
Purchase or internally developed	668	-	668
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in net cost of services	(111)	-	(111)
Depreciation/amortisation	(886)	(7)	(893)
Other movements	-	-	-
Disposals	-	-	-
Assets transferred to Defence free of charge	-	-	-
Other	-	-	-
<b>Total as at 30 June 2015</b>	<b>4,732</b>	<b>6</b>	<b>4,738</b>
<b>Total as at 30 June 2015 represented by</b>			
Gross book value	7,637	166	7,803
Accumulated depreciation/amortisation and impairment	(2,905)	(160)	(3,065)
<b>Total as at 30 June 2015</b>	<b>4,732</b>	<b>6</b>	<b>4,738</b>

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2014**

	Property, plant and equipment \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 1 July 2013</b>			
Gross book value	7,325	292	7,617
Accumulated depreciation/amortisation and impairment	(1,765)	(264)	(2,029)
<b>Total as at 1 July 2013</b>	<b>5,560</b>	<b>28</b>	<b>5,588</b>
<b>Additions</b>			
Purchase or internally developed	1,124	-	1,124
Revaluations and impairments recognised in other comprehensive income	38	-	38
Impairments recognised in net cost of services	(139)	-	(139)
Depreciation/amortisation	(975)	(14)	(989)
Other movements <sup>1</sup>	-	(1)	(1)
Disposals			
Assets transferred to Defence free of charge	19	-	19
Other	(528)		(528)
<b>Total as at 30 June 2014</b>	<b>5,099</b>	<b>13</b>	<b>5,112</b>
<b>Total as at 30 June 2014 represented by</b>			
Gross book value	7,218	292	7,510
Accumulated depreciation/amortisation and impairment	(2,157)	(279)	(2,436)
<b>Total as at 30 June 2014</b>	<b>5,061</b>	<b>13</b>	<b>5,074</b>

<sup>1</sup> Other movements relates to rounding.

## Defence Materiel Organisation

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2015 \$'000	2014 \$'000
<b>Note 7D: Prepayments</b>		
Prepayments <sup>1, 2</sup>	<u>2,909,916</u>	<u>1,470,693</u>
<b>Total prepayments</b>	<u>2,909,916</u>	<u>1,470,693</u>
<b>Prepayments are expected to be recovered</b>		
No more than 12 months	<u>2,744,959</u>	<u>1,308,474</u>
More than 12 months	<u>164,957</u>	<u>162,219</u>
<b>Total prepayments</b>	<u>2,909,916</u>	<u>1,470,693</u>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

<sup>2</sup> As a result of assurance activities conducted, the FMS-related component of the prepayment balance was impaired by \$8,000 (2014: \$3.2m). No other indicators of impairment were found for prepayments.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 8: Payables

	2015 \$'000	2014 \$'000
<b>Note 8A: Suppliers</b>		
Trade creditors and accruals <sup>1</sup>	1,417,301	1,256,862
<b>Total suppliers</b>	<b>1,417,301</b>	<b>1,256,862</b>
Suppliers are expected to be settled in no more than 12 months. Settlement is usually made within 30 days.		
<b>Suppliers in connection with</b>		
Related parties	88,019	11,188
External parties	1,329,282	1,245,674
<b>Total suppliers</b>	<b>1,417,301</b>	<b>1,256,862</b>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

<b>Note 8B: Unearned Income</b>		
Unearned revenue from Defence for MAAs and MSAs <sup>1</sup>	1,090,478	84,620
Other unearned income	540	-
<b>Total unearned income</b>	<b>1,091,018</b>	<b>84,620</b>

Unearned income is expected to be settled in no more than 12 months.

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

<b>Note 8C: Grants</b>		
Private sector		
Defence Industry	859	5,733
<b>Total grants</b>	<b>859</b>	<b>5,733</b>

Grants are expected to be settled in no more than 12 months.  
Settlement is usually made according to the terms and conditions of each grant. This is generally within 30 days of performance or eligibility.

<b>Note 8D: Other Payables</b>		
Wages and salaries	13,752	14,160
Superannuation	2,328	2,550
Separations and redundancies	366	52
Settlement of damages payable to Defence <sup>1</sup>	113,123	182,277
Other payables to Defence	103,157	39,515
<b>Total other payables</b>	<b>232,726</b>	<b>238,554</b>
<b>Other payables expected to be settled</b>		
No more than 12 months	232,726	165,062
More than 12 months	-	73,492
<b>Total other payables</b>	<b>232,726</b>	<b>238,554</b>

<sup>1</sup> Liquidated damages and agreed commercial settlements payable to Defence for matters managed by DMO on behalf of Defence (refer note 1.15).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 9: Provisions

	2015 \$'000	2014 \$'000
<b>Note 9A: Employee Provisions</b>		
Leave	156,310	180,415
<b>Total employee provisions</b>	<b>156,310</b>	<b>180,415</b>
<b>Employee provisions expected to be settled</b>		
No more than 12 months	45,070	47,320
More than 12 months	111,240	133,095
<b>Total employee provisions</b>	<b>156,310</b>	<b>180,415</b>
<b>Note 9B: Other Provisions</b>		
Other <sup>1</sup>	1,073	3,024
<b>Total other provisions</b>	<b>1,073</b>	<b>3,024</b>
<b>Other provisions expected to be settled</b>		
No more than 12 months	232	2,338
More than 12 months	841	686
<b>Total other provisions</b>	<b>1,073</b>	<b>3,024</b>

<sup>1</sup> Other provisions comprises royalties withholding tax to the Australian Taxation Office (2015: \$1.1m, 2014: \$0.8m). In 2014, the balance also included an allowance for excess flying hours over the life of a special purpose aircraft lease (\$2.2m) which was realised (used) in the current reporting period.

	Other Provisions \$'000	Total \$'000
<b>As at 1 July 2014</b>	<b>3,024</b>	<b>3,024</b>
Additional provisions made	412	412
Amounts used	(2,153)	(2,153)
Amounts reversed	(210)	(210)
<b>Total as at 30 June 2015</b>	<b>1,073</b>	<b>1,073</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 10: Cash Flow Reconciliation

	2015 \$'000	2014 \$'000
<b>Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement</b>		
<b>Cash and cash equivalents as per</b>		
Cash flow statement <sup>1</sup>	(32,619)	35,285
Statement of financial position <sup>1</sup>	(32,619)	35,285
<b>Discrepancy</b>	-	-
<b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>		
Net (cost of)/contribution by services	(796,545)	(835,358)
Revenue from Government	879,592	907,791
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	893	989
Net write down of non-financial assets	111	139
Resources transferred to Defence free of charge	-	19
Rounding adjustment	(1)	(1)
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase)/Decrease in net receivables	157,858	432,261
(Increase)/Decrease in prepayments <sup>1</sup>	(1,439,223)	(150,620)
<b>Liabilities</b>		
Increase/(Decrease) in employee provisions	(24,105)	5,434
Increase/(Decrease) in grants payable	(4,874)	622
Increase/(Decrease) in supplier payables <sup>1</sup>	160,439	(47,909)
Increase/(Decrease) in unearned income	1,006,398	(16,166)
Increase/(Decrease) in other payables	(5,828)	(237,379)
Increase/(Decrease) in other provisions	(1,951)	(2,857)
<b>Net cash from/(used by) operating activities</b>	<b>(67,236)</b>	<b>56,965</b>

<sup>1</sup> As outlined in Note 1.24, a prior period adjustment has been made to this balance.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 11: Contingent Assets and Liabilities

	Claims for damages or costs		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Contingent assets</b>				
Balance from previous period	9,100	37,500	9,100	37,500
New contingent assets recognised <sup>1</sup>	1,992	-	1,992	-
Re-measurement	(350)	(18,100)	(350)	(18,100)
Assets realised	(4,514)	(8,778)	(4,514)	(8,778)
Rights expired	(4,236)	(1,522)	(4,236)	(1,522)
<b>Total contingent assets</b>	<b>1,992</b>	<b>9,100</b>	<b>1,992</b>	<b>9,100</b>
<b>Contingent liabilities</b>				
Balance from previous period	9,100	37,550	9,100	37,550
New contingent liabilities recognised <sup>1</sup>	1,992	-	1,992	-
Re-measurement	(350)	(18,100)	(350)	(18,100)
Liabilities realised	(4,514)	(8,828)	(4,514)	(8,828)
Obligations expired	(4,236)	(1,522)	(4,236)	(1,522)
<b>Total contingent liabilities</b>	<b>1,992</b>	<b>9,100</b>	<b>1,992</b>	<b>9,100</b>
<b>Net contingent assets/(liabilities)</b>			<b>-</b>	<b>-</b>

<sup>1</sup>The contingent assets and contingent liabilities disclosed by DMO include those arising from matters managed on behalf of Defence.

#### Quantifiable Contingencies

The above table reports contingent liabilities in 2015 of \$2.0m (2014: \$9.1m). The table also reports \$2.0m contingent assets (2014: \$9.1m). There are a number of legal proceedings in various phases for matters that DMO manages on behalf of Defence. The estimates are based on precedents in such cases. DMO is of the opinion that disclosing further information may seriously prejudice the outcomes of ongoing proceedings.

#### Unquantifiable Contingencies

At 30 June 2015, DMO had 14 unquantifiable contingent assets (2014: 8). It was not possible to estimate the amounts of any eventual receipt/payment that may be required in relation to these claims. These were not included in the above table.

At 30 June 2015, DMO had 14 unquantifiable contingent liabilities (2014: 8). It was not possible to estimate the amounts of any eventual receipt/payment that may be required in relation to these claims. These were not included in the above table.

#### Significant Remote Contingencies

DMO had a number of remote contingent assets and contingent liabilities in relation to bank guarantees, indemnities, warranties and other undertakings in contracts and agreements. The likelihood of all categories resulting in any future liability is considered remote therefore these liabilities are not reported in the above table.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 12: Senior Management Personnel Remuneration

The remuneration and reportable remuneration of star ranked military officers posted to DMO are reported by the Department of Defence. In 2015, there were 26 such officers (2014: 29 officers). The total remuneration for these officers was \$8,107,193 (2014: \$7,505,195).

	2015 \$	2014 \$
<b>Short-term employee benefits</b>		
Salary	5,863,899	6,082,622
Performance bonuses	306,547	216,566
Motor vehicle allowance and other allowances	971,371	970,342
<b>Total short-term employee benefits</b>	<b>7,141,817</b>	<b>7,269,530</b>
<b>Post-employment benefits</b>		
Superannuation	978,117	959,310
<b>Total post-employment benefits</b>	<b>978,117</b>	<b>959,310</b>
<b>Other long-term employee benefits</b>		
Annual leave accrued	558,365	600,417
Long-service leave	141,491	156,581
<b>Total other long-term employee benefits</b>	<b>699,856</b>	<b>756,998</b>
<b>Termination benefits</b>		
Voluntary redundancy payments	369,064	-
<b>Total termination benefits</b>	<b>369,064</b>	<b>-</b>
<b>Total senior executive remuneration expenses</b>	<b>9,188,854</b>	<b>8,985,838</b>

The total number of senior management personnel that are included in the above table are 29 (2014: 30).

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 13: Financial Instruments

	2015 \$'000	2014 \$'000
<b>Note 13A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	(32,619)	35,285
Trade and other receivables	349,801	451,926
<b>Total loans and receivables</b>	<b>317,182</b>	<b>487,211</b>
<b>Total financial assets</b>	<b>317,182</b>	<b>487,211</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Suppliers payable	1,417,301	1,256,862
Grants payable	859	5,733
Other payables	216,280	221,792
<b>Total financial liabilities measured at amortised cost</b>	<b>1,634,440</b>	<b>1,484,387</b>
<b>Total financial liabilities</b>	<b>1,634,440</b>	<b>1,484,387</b>
<b>Note 13B: Net Gains or Losses on Financial Assets</b>		
<b>Loans and receivables</b>		
Exchange gains/(losses)	38	5
Impairment	(79)	(130)
<b>Net gains/(losses) on loans and receivables</b>	<b>(41)</b>	<b>(125)</b>
<b>Net gains/(losses) on financial assets</b>	<b>(41)</b>	<b>(125)</b>

There was no interest income from financial assets not at fair value through profit or loss for the year ending 30 June 2015 (2014: nil).

#### Note 13C: Net Gains or Losses on Financial Liabilities

<b>Financial liabilities measured at amortised cost</b>		
Exchange gains/(losses)	(39,799)	(18,062)
Interest expense	(20)	(1)
<b>Net gains/(losses) on financial liabilities measured at amortised cost</b>	<b>(39,819)</b>	<b>(18,063)</b>
<b>Net gains/(loss) on financial liabilities</b>	<b>(39,819)</b>	<b>(18,063)</b>

The total interest expense from financial liabilities not at fair value through profit or loss was \$20,498 (2014: \$1,000).

#### Note 13D: Fair Value of Financial Instruments

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts. The net fair values for financial liabilities and accruals which are short-term in nature are approximated by their carrying amounts.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 13E: Credit Risk

DMO's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. This amount was equal to the total amount of goods and services receivables, materiel acquisition and sustainment receivables from Defence and other receivables (2015: \$349.8m, 2014: \$451.9m).

DMO manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, DMO has policies and procedures that guide employee debt recovery techniques that are to be applied. DMO assessed the risk of default on payment and allocated \$0.1m in 2015 (2014: \$0.1m) to an impairment account.

DMO holds no collateral to mitigate against credit risk.

DMO has no significant exposures to any concentrations of credit risk.

#### Credit quality of financial assets not past due or individually determined as impaired

	Not past due nor impaired 2015 \$'000	Not past due nor impaired 2014 \$'000	Past due or impaired 2015 \$'000	Past due or impaired 2014 \$'000
Cash and cash equivalents	(32,619)	35,285	-	-
Trade and other receivables	349,191	449,971	610	1,955
<b>Total</b>	<b>316,572</b>	<b>485,256</b>	<b>610</b>	<b>1,955</b>

#### Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days 2015 \$'000	31 to 60 days 2015 \$'000	61 to 90 days 2015 \$'000	90 + days 2015 \$'000	Total 2015 \$'000
Trade and other receivables	197	143	10	72	422
<b>Total</b>	<b>197</b>	<b>143</b>	<b>10</b>	<b>72</b>	<b>422</b>

#### Ageing of financial assets that were past due but not impaired in 2014

	0 to 30 days 2014 \$'000	31 to 60 days 2014 \$'000	61 to 90 days 2014 \$'000	90 + days 2014 \$'000	Total 2014 \$'000
Trade and other receivables	1,725	104	-	18	1,847
<b>Total</b>	<b>1,725</b>	<b>104</b>	<b>-</b>	<b>18</b>	<b>1,847</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Note 13F: Liquidity Risk**

DMO's financial liabilities are payables. The exposure to liquidity risk is based on the notion that DMO will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as DMO is appropriated funding from the Australian Government. DMO manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, DMO has policies in place to ensure timely payments are made when due and has no past experience of default.

#### **Maturities for non-derivative financial liabilities in 2015**

	On demand 2015 \$'000	within 1 year 2015 \$'000	between 1 to 2 years 2015 \$'000	between 2 to 5 years 2015 \$'000	more than 5 years 2015 \$'000	Total 2015 \$'000
Suppliers	-	1,417,301	-	-	-	1,417,301
Grant payables	-	859	-	-	-	859
Other payables	-	216,280	-	-	-	216,280
<b>Total</b>	-	<b>1,634,440</b>	-	-	-	<b>1,634,440</b>

#### **Maturities for non-derivative financial liabilities in 2014**

	On demand 2014 \$'000	within 1 year 2014 \$'000	between 1 to 2 years 2014 \$'000	between 2 to 5 years 2014 \$'000	more than 5 years 2014 \$'000	Total 2014 \$'000
Suppliers	-	1,256,862	-	-	-	1,256,862
Grant payables	-	5,733	-	-	-	5,733
Other payables	-	178,506	30,207	13,079	-	221,792
<b>Total</b>	-	<b>1,441,101</b>	<b>30,207</b>	<b>13,079</b>	-	<b>1,484,387</b>

DMO has no derivative financial liabilities in either the current or prior year.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 13G: Market Risk

##### **Currency risk**

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. DMO is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currencies.

DMO is exposed to a wide range of foreign currencies.

The method used to arrive at the possible risk of 10.9% (2014: 11.5%) was based on both statistical and non-statistical analysis. The statistical analysis has been based on main currencies movements across the Commonwealth for the last five years. The five main currencies the Commonwealth has exposure to are the United States dollar, European euro, United Kingdom pound sterling, Japanese yen and New Zealand dollar. This information is then revised and adjusted for reasonableness under the current economic circumstances.

##### **Interest rate risk and other price risk**

DMO holds basic financial instruments that are not exposed to significant interest rate and other price risk.

#### **Sensitivity analysis of the risk that the entity is exposed to for 2015**

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	Exposed currency	+10.9%	34,693	34,693
Currency risk	Exposed currency	-10.9%	(43,182)	(43,182)

#### **Sensitivity analysis of the risk that the entity is exposed to for 2014**

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	Exposed currency	+11.5%	31,244	31,244
Currency risk	Exposed currency	-11.5%	(39,364)	(39,364)

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 14: Financial Assets Reconciliation

		2015 \$'000	2014 \$'000
	Notes		
<b>Total financial assets as per statement of financial position</b>		<b>542,822</b>	768,584
<b>Less: non-financial instrument components</b>			
Appropriation receivables	6B	<b>113,623</b>	174,493
Statutory receivables	6B	<b>112,017</b>	106,880
<b>Total non-financial instrument components</b>		<b>225,640</b>	281,373
<b>Total financial assets as per financial instruments note</b>	13A	<b>317,182</b>	487,211

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 15: Administered Expenses

	2015	2014
	\$'000	\$'000
<b>Note 15A: Foreign Exchange</b>		
<b>Foreign exchange gains</b>		
Non-speculative	379	124
<b>Foreign exchange losses</b>		
Non-speculative	-	(162)
<b>Total foreign exchange gains/(losses)</b>	<b>379</b>	<b>(38)</b>

#### Note 16: Administered Fair Value Measurements

No items were held at fair value in the administered schedule of assets and liabilities as at 30 June 2015.

#### Note 17: Administered Financial Assets

	2015	2014
	\$'000	\$'000
<b>Note 17A: Trade and Other Receivables</b>		
<b>Other receivables</b>		
Interest	73	3
Levies receivable from consortium	-	1,499
<b>Total trade and other receivables</b>	<b>73</b>	<b>1,502</b>

All trade and other receivables are expected to be recovered in no more than 12 months.

All trade and other receivables are not overdue.

#### Note 18: Administered Payables

	2015	2014
	\$'000	\$'000
<b>Note 18A: Other Payables</b>		
Other payables to Defence	-	1,539
<b>Total other payables</b>	<b>-</b>	<b>1,539</b>

All other payables are expected to be settled in no more than 12 months.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 19: Administered Cash Flow Reconciliation

	2015 \$'000	2014 \$'000
<b>Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement</b>		
<b>Cash and cash equivalents as per</b>		
Schedule of administered cash flow	-	-
Schedule of administered assets and liabilities	-	-
<b>Discrepancy</b>	-	-
<b>Reconciliation of net cost of services to net cash from/(used by) operating activities</b>		
Net (cost of)/contribution by services	1,413	1,990
<b>Movements in assets and liabilities</b>		
<b>Assets</b>		
(Increase)/Decrease in net receivables	1,429	557
<b>Liabilities</b>		
Increase/(Decrease) in other payables	(1,539)	1,539
<b>Net cash from/(used by) operating activities</b>	<b>1,303</b>	<b>4,086</b>

#### Note 20: Administered Contingent Assets and Liabilities

There are no administered contingent liabilities or administered contingent assets to report for the current or prior year.

# Defence Materiel Organisation

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 21: Administered Financial Instruments

	2015 \$'000	2014 \$'000
<b>Note 21A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Interest	73	3
Levies receivable from consortium	-	1,499
<b>Total loans and receivables</b>	<b>73</b>	<b>1,502</b>
<b>Total financial assets</b>	<b>73</b>	<b>1,502</b>
<b>Note 21B: Net Gains or Losses on Financial Assets</b>		
<b>Loans and receivables</b>		
Exchange gains/(losses)	379	(38)
<b>Net gains/(losses) on loans and receivables</b>	<b>379</b>	<b>(38)</b>
<b>Net gains/(losses) on financial assets</b>	<b>379</b>	<b>(38)</b>

### Note 21C: Fair Value of Financial Instruments

The fair values of DMO administered financial instruments approximate their carrying amounts.

### Note 21D: Credit Risk

DMO's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the administered schedule of assets and liabilities. This amount was equal to the total amount of trade and other receivables. DMO assessed the risk of default on payments and allocated \$0 (2014: \$0) to an impairment account.

There were no financial assets that were past due but not impaired in the current and prior periods.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Note 21E: Market Risk**

##### **Currency risk**

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. DMO is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency

DMO is exposed to foreign currency denominated in United States dollars.

The method used to arrive at the possible risk of 10.9% (2014: 11.5%) was based on both statistical and non-statistical analyses. The statistical analysis has been based on main currencies movements across the Commonwealth for the last five years. The five main currencies the Commonwealth has exposure to are the United States dollar, European euro, United Kingdom pound sterling, Japanese yen and New Zealand dollar. This information is then revised and adjusted for reasonableness under the current economic circumstances.

##### **Interest rate risk and other price risk**

DMO holds basic financial instruments that are not exposed to significant interest rate and other price risk.

#### **Sensitivity analysis of the risk that the entity is exposed to for 2015**

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	Exposed currency	10.9%	(8)	(8)
Currency risk	Exposed currency	-10.9%	9	9

#### **Sensitivity analysis of the risk that the entity is exposed to for 2014**

	Risk variable	Change in risk variable %	Effect on	
			Net cost of services \$'000	Equity \$'000
Currency risk	Exposed currency	11.5%	(155)	(155)
Currency risk	Exposed currency	-11.5%	195	195

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 22: Administered Financial Assets Reconciliation

	Notes	2015 \$'000	2014 \$'000
Total financial assets as per administered schedule of assets and liabilities		73	1,502
Less: Total non-financial instrument components		-	-
Total financial assets as per administered financial instruments note	21	73	1,502

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 23: Appropriations

#### Note 23A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2015		<i>Appropriation Act</i>		<i>PGPA Act</i>		Appropriation applied in 2015 (current and prior years) \$'000	Variance \$'000	Section 51 determination <sup>1</sup> \$'000
	Annual Appropriation \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000	Total appropriation \$'000			
<b>Departmental</b>								
Ordinary annual services	881,031	-	-	-	881,031	879,592	1,439	1,439
<b>Total departmental</b>	<b>881,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>881,031</b>	<b>879,592</b>	<b>1,439</b>	<b>1,439</b>
<b>Administered</b>								
Ordinary annual services								
Administered items	-	-	-	-	-	-	-	-
<b>Total administered</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes:

<sup>1</sup> As per the 2014-15 Additional Estimates, \$1,439,000 of the DMO Departmental appropriation was permanently withheld in 2014-15 due to transfers to Defence.

**Defence Materiel Organisation**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Annual Appropriations for 2014**

	<i>Appropriation Act</i>		<i>FMA Act</i>			Total appropriation \$'000	Appropriation applied in 2014 (current and prior years) \$'000	Variance \$'000
	Annual Appropriation <sup>1</sup> \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
Departmental								
Ordinary annual services	907,791	-	-	-	-	907,791	905,499	2,292
Total departmental	907,791	-	-	-	-	907,791	905,499	2,292
Administered								
Ordinary annual services								
Administered items	-	-	-	-	-	-	-	-
Total administered	-	-	-	-	-	-	-	-

Notes:

<sup>1</sup> Includes an amount of \$35,359,000 which, whilst appropriated by law, has been quarantined and is expected to be formally reduced on 1 July 2016.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 23B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2015 \$'000	2014 \$'000
<b>Departmental</b>		
Appropriation Act (No. 1) 2012-13	38,264	38,264
Appropriation Act (No. 1) 2013-14 <sup>1</sup>	75,359	75,359
Appropriation Act (No. 1) 2014-15 <sup>2</sup>	1,439	-
<b>Total departmental</b>	<b>115,062</b>	<b>113,623</b>

<sup>1</sup> Includes \$35.4m that has been quarantined and as such is unable to be utilised for departmental purposes.

<sup>2</sup> This amount has been permanently withheld in accordance with section 51 of the PGPA Act.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 24: Special Accounts

	Defence Materiel Special Account <sup>1</sup>	
	2015	2014
	\$'000	\$'000
<b>Balance brought forward from previous period</b>	<b>241,773</b>	<b>131,710</b>
<b>Increases</b>		
Appropriation credited to special account	879,592	907,791
Costs recovered	154,868	61,835
Goods and services receipts from Defence	11,871,617	9,988,618
Receipts on behalf of Foreign Governments	182,818	34,387
Other receipts	1,539	191
<b>Total increases</b>	<b>13,090,434</b>	<b>10,992,822</b>
<b>Available for payments</b>	<b>13,332,207</b>	<b>11,124,532</b>
<b>Decreases</b>		
<b>Departmental</b>		
Payments made to employees	(522,024)	(551,862)
Payments made to suppliers	(12,322,556)	(9,783,002)
Payments of grants	(11,757)	(12,378)
Funds returned to Defence <sup>2</sup>	(158,169)	(491,662)
Other payments	(17,503)	-
<b>Total departmental</b>	<b>(13,032,009)</b>	<b>(10,838,904)</b>
<b>Administered</b>		
Payments made	(4,381)	-
<b>Total administered</b>	<b>(4,381)</b>	<b>-</b>
<b>Assets held in trust</b>		
Payments made in regards to Foreign Government Activities	(79,592)	(43,855)
<b>Total assets held in trust</b>	<b>(79,592)</b>	<b>(43,855)</b>
<b>Total decreases</b>	<b>(13,115,982)</b>	<b>(10,882,759)</b>
<b>Total balance carried to the next period</b>	<b>216,225</b>	<b>241,773</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

<sup>1</sup> **Appropriation:** *Public Governance, Performance and Accountability Act 2013 s.78.*

**Establishing Instrument:** Financial Management and Accountability Determination 2005/09 – Defence Materiel Special Account Establishment 2005.

**Purpose:** The purposes of the *Financial Management and Accountability Determination 2005/09 - Defence Materiel Special Account Establishment 2005*, in relation to which amounts may be debited from the Special Account, are:

- a) supporting the Australian Defence Force's capability through development, acquisition, sustainment, disposal, and provision of goods and/or services;
- b) developing, acquiring, sustaining, and providing goods and/or services for foreign governments and other bodies;
- c) managing and marketing the Agency whose chief executive has been allocated responsibility for this Special Account;
- d) developing and implementing policies for, and providing advice to, the Australian Government, Defence, defence industry and other matters related to the provision of goods and/or services;
- e) to make a notional payment to Defence to return amounts received from, or on behalf of, Defence;
- f) activities that are incidental to a purpose mentioned in paragraphs (a), (b), (c), (d) and (e);
- g) to reduce the balance of the Special Account (and, therefore, the available appropriation for the Special Account) without making a real or notional payment;
- h) to repay amounts where an Act or other law requires or permits the repayment of an amount received.

To avoid doubt, incidental activities include:

- i) the administration of the Special Account; and
- j) dealing with direct and indirect costs.

<sup>2</sup> Throughout the year DMO returned funds initially provided by Defence for Materiel Acquisition Agreements and Materiel Sustainment Agreements activity as a result of adjustments to agreed funding levels including as a result of no win / no loss funding arrangements.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 25: Assets Held in Trust

##### Monetary assets

DMO has entered into a number of agreements to perform activities on behalf of foreign governments under which funding is provided in advance of expenditure being incurred. These monies are held in trust for the joint benefit of the Australian and foreign governments, rather than for the benefit of either DMO or the Australian Government and are reported as assets held in relation to activities performed on behalf of foreign governments, and as such are not able to be utilised for other purposes. Monetary assets held in trust were also disclosed as part of the Defence Materiel Special Account in Note 24.

	2015 \$'000	2014 \$'000
<b>Assets held in relation to activities performed on behalf of foreign governments -</b>		
<b>Monetary Assets</b>		
<b>As at 1 July</b>	<b>31,995</b>	41,463
Receipts	182,818	34,387
Payments	(79,592)	(43,855)
<b>Total as at 30 June</b>	<b>135,221</b>	31,995
<b>Total monetary assets held in trust</b>	<b>135,221</b>	31,995

##### Non-monetary assets

DMO has no non-monetary assets held in trust in both the current and prior reporting period.

Defence Materiel Organisation  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Note 26: Reporting of Outcomes**

**Note 26A: Net Cost of Outcome Delivery**

	Outcome 1		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Departmental</b>				
Expenses				
Own-source income	11,551,573	10,349,606	11,551,573	10,349,606
	10,755,028	9,514,248	10,755,028	9,514,248
<b>Administered</b>				
Expenses	-	38	-	38
Own-source income	1,413	2,028	1,413	2,028
<b>Net cost of outcome delivery</b>	<b>795,132</b>	<b>833,368</b>	<b>795,132</b>	<b>833,368</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 27: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the Defence Materiel Organisation. The Budget is not audited.

#### Note 27A: Departmental Budgetary Reports

##### Statement of Comprehensive Income for Defence Materiel Organisation

for the period ended 30 June 2015

	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits	515,086	599,271	(84,185)
Supplier expenses			
Goods and services:			
Cost of goods sold to Defence	6,371,121	7,424,397	(1,053,276)
Other goods and services procured on behalf of Defence	4,236,671	4,177,189	59,482
DMO goods and services	320,063	304,582	15,481
Other suppliers	60,877	62,874	(1,997)
<b>Total supplier expenses</b>	<b>10,988,732</b>	<b>11,969,042</b>	<b>(980,310)</b>
Grants	6,883	10,470	(3,587)
Depreciation and amortisation	893	1,313	(420)
Write-down and impairment of assets	198	-	198
Foreign exchange losses	39,761	-	39,761
Other expenses	20	-	20
<b>Total expenses</b>	<b>11,551,573</b>	<b>12,580,096</b>	<b>(1,028,523)</b>
<b>Own-Source Income</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	10,711,064	11,664,460	(953,396)
Interest	4,256	-	4,256
Other revenue	32,384	33,505	(1,121)
<b>Total own-source revenue</b>	<b>10,747,704</b>	<b>11,697,965</b>	<b>(950,261)</b>
<b>Gains</b>			
Reversals of previous asset write-downs and impairments	7,324	-	7,324
Other	-	1,100	(1,100)
<b>Total gains</b>	<b>7,324</b>	<b>1,100</b>	<b>6,224</b>
<b>Total own-source income</b>	<b>10,755,028</b>	<b>11,699,065</b>	<b>(944,037)</b>
<b>Net cost of services</b>	<b>(796,545)</b>	<b>(881,031)</b>	<b>84,486</b>
Revenue from Government	879,592	881,031	(1,439)
<b>Surplus attributable to the Australian Government</b>	<b>83,047</b>	<b>-</b>	<b>83,047</b>

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to net cost of services</b>			
Changes in asset revaluation surplus	-	-	-
<b>Total other comprehensive income</b>	-	-	-
<b>Total comprehensive income attributable to the Australian Government</b>	<b>83,047</b>	-	83,047

<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements).

<sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27B.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Statement of Financial Position for Defence Materiel Organisation as at 30 June 2015

	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	(32,619)	130,000	(162,619)
Trade and other receivables	575,441	550,304	25,137
<b>Total financial assets</b>	<b>542,822</b>	<b>680,304</b>	<b>(137,482)</b>
<b>Non-financial assets</b>			
Property, plant and equipment	4,732	6,009	(1,277)
Intangibles	6	-	6
Prepayments	2,909,916	1,434,647	1,475,269
<b>Total non-financial assets</b>	<b>2,914,654</b>	<b>1,440,656</b>	<b>1,473,998</b>
<b>Total assets</b>	<b>3,457,476</b>	<b>2,120,960</b>	<b>1,336,516</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	1,417,301	1,192,519	224,782
Unearned income	1,091,018	-	1,091,018
Grants	859	5,111	(4,252)
Other payables	232,726	337,130	(104,404)
<b>Total payables</b>	<b>2,741,904</b>	<b>1,534,760</b>	<b>1,207,144</b>
<b>Provisions</b>			
Employee provisions	156,310	177,645	(21,335)
Other provisions	1,073	5,881	(4,808)
<b>Total provisions</b>	<b>157,383</b>	<b>183,526</b>	<b>(26,143)</b>
<b>Total liabilities</b>	<b>2,899,287</b>	<b>1,718,286</b>	<b>1,181,001</b>
<b>Net assets</b>	<b>558,189</b>	<b>402,674</b>	<b>155,515</b>
<b>EQUITY</b>			
Contributed equity	155,368	155,368	-
Reserves	290	252	38
Retained surplus	402,531	247,054	155,477
<b>Total equity</b>	<b>558,189</b>	<b>402,674</b>	<b>155,515</b>

<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements).

<sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27B.

## Defence Materiel Organisation NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Statement of Changes in Equity for Defence Materiel Organisation for the period ended 30 June 2015

	Retained earnings			Asset revaluation surplus			Contributed equity			Total equity		
	Actual	Budget estimate Original <sup>1</sup>	Variance <sup>2</sup> 2015 \$'000	Actual	Budget estimate Original <sup>1</sup>	Variance <sup>2</sup> 2015 \$'000	Actual	Budget estimate Original <sup>1</sup>	Variance <sup>2</sup> 2015 \$'000	Actual	Budget estimate Original <sup>1</sup>	Variance <sup>2</sup> 2015 \$'000
<b>Opening balance</b>												
Balance carried forward from previous period	319,485	247,054	72,431	290	252	38	155,368	155,368	-	475,143	402,674	72,469
<b>Adjusted opening balance</b>	<b>319,485</b>	<b>247,054</b>	<b>72,431</b>	<b>290</b>	<b>252</b>	<b>38</b>	<b>155,368</b>	<b>155,368</b>	<b>-</b>	<b>475,143</b>	<b>402,674</b>	<b>72,469</b>
<b>Comprehensive income</b>												
Surplus for the period	83,047	-	83,047							83,047	-	83,047
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>83,047</b>	<b>-</b>	<b>83,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,047</b>	<b>-</b>	<b>83,047</b>
Other movements <sup>3</sup>	(1)	-	(1)	-	-	-	-	-	-	(1)	-	(1)
<b>Closing balance as at 30 June</b>	<b>402,531</b>	<b>247,054</b>	<b>155,477</b>	<b>290</b>	<b>252</b>	<b>38</b>	<b>155,368</b>	<b>155,368</b>	<b>-</b>	<b>558,189</b>	<b>402,674</b>	<b>155,515</b>

<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements).

<sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27B.

<sup>3</sup> Other movements relates to rounding.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Cash Flow Statement for Defence Materiel Organisation for the period ended 30 June 2015

	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	879,592	876,943	2,649
Sale of goods and rendering of services	12,089,301	11,664,460	424,841
Net GST received	687,597	840,380	(152,783)
Other	7,288	60,525	(53,237)
<b>Total cash received</b>	<b>13,663,778</b>	<b>13,442,308</b>	<b>221,470</b>
<b>Cash used</b>			
Employees	522,024	595,183	(73,159)
Suppliers	13,021,561	12,835,342	186,219
Funds returned to Defence	158,169	-	158,169
Grants	11,757	10,470	1,287
Other	17,503	-	17,503
<b>Total cash used</b>	<b>13,731,014</b>	<b>13,440,995</b>	<b>290,019</b>
<b>Net cash from/(used by) operating activities</b>	<b>(67,236)</b>	<b>1,313</b>	<b>(68,549)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>			
Purchase of property, plant and equipment	668	1,313	(645)
<b>Total cash used</b>	<b>668</b>	<b>1,313</b>	<b>(645)</b>
<b>Net cash used by investing activities</b>	<b>(668)</b>	<b>(1,313)</b>	<b>645</b>
<b>Net decrease in cash held</b>	<b>(67,904)</b>	<b>-</b>	<b>(67,904)</b>
Cash and cash equivalents at the beginning of the reporting period	35,285	130,000	(94,715)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(32,619)</b>	<b>130,000</b>	<b>(162,619)</b>

<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements).

<sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27B.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 27B: Departmental Major Budget Variances

Affected line item	Explanation of major variance
<i>Employee benefits</i>	Employee expenses were lower due to lower civilian workforce numbers and lower than expected per capita costs.
<i>Cost of goods sold to Defence</i>	The Acquisition expense outcome was approximately \$786m below the 2014-15 PBS estimate. This variance is largely attributable to the increased Foreign Military Sales (FMS) prepayments paid by DMO for goods and services that will be received in future reporting periods. Expenses will be recognised when the goods and services are received. The Sustainment Program expense outcome was \$253m below the 2014-15 PBS estimate. This variance is mainly related to the handback to Defence of \$264m associated with the transfer of the Fuels and Lubricants procurement function to Defence.
<i>Foreign exchange losses</i>	DMO does not budget for foreign exchange gains or losses.
<i>Cash and cash equivalents</i>	The negative amount recorded as an actual represents the required accounting treatment where payment instructions sent to the Reserve Bank for payment the following day are treated as offsets to the bank account balance. In addition, due to contractual obligations relating to military equipment purchases DMO is required to hold cash in overseas bank accounts. The accounting policy in relation to cash held in these overseas bank accounts changed during the financial year and are now classified as prepayments due to their nature.
<i>Prepayments</i>	Prepayments include amounts paid to the Foreign Military Sales (FMS) Account in the United States for purchases of Military Equipment. Payments are made in accordance with the Special Billing Arrangements in the Memorandum of Understanding. The increased balance reflects the increased activity against major FMS cases. The higher than estimated prepayment balance also reflects the cash held in overseas banks for several major capital equipment projects that has been reclassified as prepayments during 2014-15.
<i>Suppliers payable</i>	Supplier payables represent activity performed during the year but unpaid at year end. These amounts vary from year to year dependent on the timing of work delivered by suppliers and the payment terms of contracts.
<i>Unearned income</i>	Unearned income represents amounts paid by Defence to DMO for activity that still remains to be delivered at year end. As described under supplier expenses above, an amount of initial planned activity remains outstanding and will be delivered in future periods.
<i>Employee provisions</i>	Employee provisions include annual leave and long service leave amounts payable to DMO employees. The variance from actual to budget estimate is reflective of a lower level of workforce and transfers of functions from DMO to Defence.
<i>Net GST received</i>	DMO is required to make GST payments on eligible goods and services and the GST received represents the refund of those amounts from the Australian Taxation Office. GST estimates are based on prior year trends and varies from year to year based on the payments for goods and services within, and outside Australia. Due to the large overseas payments required in 2014-15 to facilitate major capital purchases, GST actual payments were less than those initially forecast.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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<b>Affected line item</b>	<b>Explanation of major variance</b>
<i>Other operating cash received</i>	Initial budget estimates for other cash received included cash flows for goods and services to be provided by DMO to foreign governments. The accounting policy for these receipts and payments changed in the 2013-14 year and the estimates were updated in the 2015-16 Portfolio Budget Statements to reflect this change in accounting policy.
<i>Employees cash used</i>	Similar to employee benefits the estimate for cash payments was updated in the 2015-16 Portfolio Budget Statements to reflect lower workforce levels and lower than expected per capita costs.
<i>Funds returned to Defence</i>	This amount represents the return of funds to Defence where planned activity has changed during the year. An estimate is not provided in the budget estimate as any amounts to be returned were unknown at that time.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Note 27C: Administered Budgetary Reports

#### Administered Schedule of Comprehensive Income for Defence Materiel Organisation for the period ended 30 June 2015

	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>			
<b>Expenses</b>			
Foreign exchange losses	-	-	-
<b>Total expenses</b>	-	-	-
<b>Income</b>			
<b>Revenue</b>			
<b>Non-taxation revenue</b>			
Interest	134	250	(116)
Other revenue	900	-	900
<b>Total non-taxation revenue</b>	<b>1,034</b>	<b>250</b>	<b>784</b>
<b>Total revenue</b>	<b>1,034</b>	<b>250</b>	<b>784</b>
<b>Gains</b>			
Foreign exchange gains	379	-	379
<b>Total gains</b>	<b>379</b>	<b>-</b>	<b>379</b>
<b>Total income</b>	<b>1,413</b>	<b>250</b>	<b>1,163</b>
<b>Net contribution by services</b>	<b>1,413</b>	<b>250</b>	<b>1,163</b>
<b>Surplus after income tax</b>	<b>1,413</b>	<b>250</b>	<b>1,163</b>
<b>Total comprehensive income</b>	<b>1,413</b>	<b>250</b>	<b>1,163</b>

<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements).

<sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27D.

## Defence Materiel Organisation

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Administered Schedule of Assets and Liabilities for Defence Materiel Organisation <i>as at 30 June 2015</i>			
	Actual	Budget estimate	
		Original <sup>1</sup>	Variance <sup>2</sup>
	2015	2015	2015
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Trade and other receivables	73	2,059	(1,986)
<b>Total financial assets</b>	73	2,059	(1,986)
<b>Total assets administered on behalf of Government</b>	73	2,059	(1,986)
<b>LIABILITIES</b>			
<b>Payables</b>			
Other payables	-	-	-
<b>Total payables</b>	-	-	-
<b>Total liabilities administered on behalf of Government</b>	-	-	-
<b>Net assets</b>	73	2,059	(1,986)
<sup>1</sup> DMO's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from Defence's 2014-15 Portfolio Budget Statements). <sup>2</sup> Between the actual and original budgeted amounts for 2015. Explanations of variances are provided at Note 27D.			
<b>Note 27D: Administered Major Budget Variances</b>			
<b>Affected line item</b>	<b>Explanation of major variance</b>		
<i>Interest</i>	An approximation was applied to DMO's budget estimate for administered interest based on historical observation. This line item is subject to inherent uncertainty associated with the operation of a number of bank accounts in foreign countries.		
<i>Other revenue</i>	At the time of the original budget, DMO did not anticipate that any levies revenue would be generated in 2014-15.		
<i>Foreign exchange gains</i>	DMO does not budget for foreign exchange gains or losses.		
<i>Trade and other receivables</i>	In late 2014-15, all amounts linked to levies generated were returned to DMO. This transaction was not anticipated at the time the original budget was generated.		



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# **Women in the ADF Report**

**2014–15**

**Supplement to the Defence Annual Report 2014–15**



Defence People Group, Department of Defence, Australia 2015.

Cover photo by Able Seaman Imagery Specialist Jo Dilocenzo, 1st Joint Public Affairs Unit.

*Two women deployed to Afghanistan as part of Operation Slipper look out over the heavy weapons range in Tarin Kowt, Afghanistan.*

**Source:** Australian Defence Image Library

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## Women in the ADF

In March 2012, Defence leadership set out a unified statement of cultural intent and supporting strategy in *Pathway to Change*. Informed by reviews such as the Sex Discrimination Commissioner's Reviews into the treatment of women in the Australian Defence Force, *Pathway to Change* reflected an acknowledgement that gender inequity is not only a moral issue, but one that impedes organisational capability by not maximising the potential of female ADF members, and the potential of half of the Australian labour force.

The Chief of the Defence Force and the Chiefs of Service maintain a strong message throughout the organisation that increased capability through diversity and inclusion is vital in meeting Defence's aim to be a force which is trusted to defend, proven to deliver, and respectful always.

To support the Chiefs' intent, Defence has been progressing a raft of initiatives to increase the participation and advancement of women in the ADF. An important guide to Defence's initiatives has been the recommendations in the Review into the treatment of women in the ADF Phase 2. The Review's Phase 2 report recommendations 3, 6, 9 and 13 identified that the publication of a 'Women in the ADF report', covering aspects of women's participation, women's experience and flexible work access would provide Defence, the Government, and the Australian public with a measure of the success of Defence's efforts; identify areas for remediation; and reinforce Defence's commitment to diversity and inclusion.

The inaugural Women in the ADF report was published as an online supplement to the Defence Annual Report 2012–13, and provided a strong baseline for future reporting regarding women's participation and experiences in the ADF. The 2013–14 report was then able to include this baseline to report progress against the previous year.

The 2014–15 Women in the ADF report again capitalises on the data collected for the previous year's report, comparing past and current data. This facilitates a quantitative assessment of the progress that Defence's cultural reform efforts continue to achieve. While cultural reform takes time, this comparison shows that steady progress continues to be made in the growth and advancement of women in the ADF. Notable improvement has occurred in recruiting achievements for women entering technical trades and in the numbers of female senior officers in the Navy, with five women being promoted to the rank of Captain or Commodore. This report also indicates that men are beginning to see the benefits of cultural reform, with men perceiving greater availability of flexible work, and becoming more positive about the benefits that *Pathway to Change's* cultural reform can bring.

These improvements indicate the initial success of the implementation of the Review Phase 2 report recommendations, and of the broader *Pathway to Change* strategy. They also reinforce the need for Defence to remain committed to cultural reform and to continue to make further progress. Defence will continue to produce the Women in the ADF report each year, to enable an accurate measurement of progress in women's employment and experience, identify areas of concern and highlight successful initiatives across the three Services.

## ***Women's participation***

Defence senior leaders firmly believe that the continued capability and success of the ADF relies on cultivating a diverse workforce with an inclusive culture. Gender diversity brings tangible benefits to organisations such as attracting the best talent, increasing capability, more accurately reflecting the community<sup>1</sup>, and bringing a diversity of thought to decision-making<sup>2</sup>. Gender diversity in a military organisation is particularly important, maximising operational effectiveness in a strategic context that demands local cultural understanding and organisational diversity to tackle the often complex tasks needed in stabilisation<sup>3</sup>.

This section analyses various aspects of women's participation, including current workforce participation at different ranks and gender differences in pay at those ranks, recruitment, separations and promotions; and enabling factors such as mentoring, sponsorship, and continuing employment after maternity leave.

The tables begin by showing the number and proportion of women and men within the ADF workforce by rank, employment location and occupational group.

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<sup>1</sup> Catalyst, 2004, *The bottom line: Connecting corporate performance and gender diversity*.

<sup>2</sup> Catalyst, 2011, *The bottom line: Connecting corporate performance and women's representation on boards*.

<sup>3</sup> Egnell, R. 2014. *Gender, military effectiveness, and organizational change: The Swedish model*. Palgrave Macmillan.

**Table 1: ADF permanent force, by gender and rank, 30 June 2015** <sup>[1][8][9][10][11]</sup>

2014-15	Navy					Army					Air Force					ADF				
	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
<b>Officers</b> <sup>[2]</sup>																				
General (E) (O10)	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	1	100.0%
Lieutenant General (E) (O09)	0	0.0%	0.0%	3	100.0%	0	0.0%	0.0%	2	100.0%	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	6	100.0%
Major General (E) (O08)	1	7.1%	0.9%	13	92.9%	1	6.7%	0.8%	14	93.3%	0	0.0%	0.0%	11	100.0%	2	5.0%	0.3%	38	95.0%
Brigadier (E) (O07)	4	10.5%	8.0%	34	89.5%	6	10.9%	0.6%	49	89.1%	3	7.9%	-2.1%	35	92.1%	13	9.9%	1.9%	118	90.1%
Colonel (E) (O06)	16	13.9%	-2.3%	99	86.1%	19	10.4%	-0.1%	163	89.6%	17	12.1%	0.5%	124	87.9%	52	11.9%	-0.5%	386	88.1%
<b>Sub-total ADF Senior Leaders</b> <sup>[3]</sup>	<b>21</b>	<b>12.4%</b>	<b>0.6%</b>	<b>149</b>	<b>87.6%</b>	<b>26</b>	<b>10.2%</b>	<b>0.2%</b>	<b>228</b>	<b>89.8%</b>	<b>20</b>	<b>10.4%</b>	<b>-0.1%</b>	<b>172</b>	<b>89.6%</b>	<b>67</b>	<b>10.9%</b>	<b>0.2%</b>	<b>549</b>	<b>89.1%</b>
Lieutenant Colonel (E) (O05)	47	11.8%	-0.1%	351	88.2%	87	13.8%	1.3%	543	86.2%	76	15.1%	1.0%	427	84.9%	210	13.7%	0.9%	1,321	86.3%
<b>Sub-total Pipeline for ADF Senior Leaders</b> <sup>[4]</sup>	<b>47</b>	<b>11.8%</b>	<b>-0.1%</b>	<b>351</b>	<b>88.2%</b>	<b>87</b>	<b>13.8%</b>	<b>1.3%</b>	<b>543</b>	<b>86.2%</b>	<b>76</b>	<b>15.1%</b>	<b>1.0%</b>	<b>427</b>	<b>84.9%</b>	<b>210</b>	<b>13.7%</b>	<b>0.9%</b>	<b>1,321</b>	<b>86.3%</b>
Major (E) (O04)	148	19.2%	-0.3%	624	80.8%	273	15.3%	0.3%	1,514	84.7%	223	19.5%	0.1%	922	80.5%	644	17.4%	0.1%	3,060	82.6%
Captain (E) (O03)	281	22.1%	0.1%	989	77.9%	288	15.2%	0.2%	1,610	84.8%	397	22.1%	0.8%	1,399	77.9%	966	19.5%	0.4%	3,998	80.5%
Lieutenant (E) (O02)	61	20.8%	-1.7%	232	79.2%	215	23.1%	1.6%	717	76.9%	176	28.2%	0.5%	448	71.8%	452	24.4%	0.8%	1,397	75.6%
Second Lieutenant (E) (O01)	11	20.0%	3.0%	44	80.0%	4	44.4%	-5.6%	5	55.6%	47	19.1%	0.5%	199	80.9%	62	20.0%	1.4%	248	80.0%
Officer Cadet (E) (O00)	78	23.9%	1.3%	248	76.1%	133	16.0%	-0.1%	697	84.0%	124	27.0%	4.2%	336	73.0%	335	20.7%	1.4%	1,281	79.3%
<b>Total Officers</b>	<b>647</b>	<b>19.7%</b>	<b>0.0%</b>	<b>2,637</b>	<b>80.3%</b>	<b>1,026</b>	<b>16.2%</b>	<b>0.5%</b>	<b>5,314</b>	<b>83.8%</b>	<b>1,063</b>	<b>21.4%</b>	<b>0.9%</b>	<b>3,903</b>	<b>78.6%</b>	<b>2,736</b>	<b>18.8%</b>	<b>0.5%</b>	<b>11,854</b>	<b>81.2%</b>
<b>Other Ranks</b> <sup>[2]</sup>																				
Warrant Officer Class 1 (E) (E10 and E09) <sup>[5]</sup>	16	7.5%	0.9%	198	92.5%	66	10.1%	0.2%	590	89.9%	48	8.6%	0.7%	511	91.4%	130	9.1%	0.4%	1,299	90.9%
Warrant Officer Class 2 (E) (E08)/Staff Sergeant (E07)	95	9.7%	0.6%	882	90.3%	192	9.7%	0.1%	1,788	90.3%	117	14.9%	-0.3%	666	85.1%	404	10.8%	0.1%	3,336	89.2%
Sergeant (E) (E06)	178	12.9%	0.3%	1,197	87.1%	283	11.2%	-0.1%	2,241	88.8%	254	15.4%	0.0%	1,393	84.6%	715	12.9%	0.1%	4,831	87.1%
Corporal (E) (E05)/Lance Corporal (E04) <sup>[6]</sup>	489	20.9%	0.5%	1,856	79.1%	648	11.8%	-0.2%	4,829	88.2%	412	17.4%	0.3%	1,953	82.6%	1,549	15.2%	0.1%	8,638	84.8%
Private Proficient (E) (E03)	757	19.7%	-0.6%	3,086	80.3%	636	8.8%	0.8%	6,613	91.2%	501	17.7%	0.1%	2,329	82.3%	1,894	13.6%	0.3%	12,028	86.4%
Private (E) (E02)	205	22.2%	0.6%	720	77.8%	330	13.0%	-0.1%	2,200	87.0%	132	25.9%	3.8%	377	74.1%	667	16.8%	0.3%	3,297	83.2%
Private Trainee(E) (E01 and E51) <sup>[7]</sup>	187	24.8%	6.2%	567	75.2%	240	12.5%	0.6%	1,680	87.5%	113	23.4%	0.3%	369	76.6%	540	17.1%	2.2%	2,616	82.9%
Private Recruit (E) (E00)	54	23.3%	-9.3%	178	76.7%	100	19.3%	1.1%	417	80.7%	17	14.0%	-10.0%	104	86.0%	171	19.7%	-2.0%	699	80.3%
<b>Total Other Ranks</b>	<b>1,981</b>	<b>18.6%</b>	<b>0.3%</b>	<b>8,684</b>	<b>81.4%</b>	<b>2,495</b>	<b>10.9%</b>	<b>0.2%</b>	<b>20,358</b>	<b>89.1%</b>	<b>1,594</b>	<b>17.1%</b>	<b>0.2%</b>	<b>7,702</b>	<b>82.9%</b>	<b>6,070</b>	<b>14.2%</b>	<b>0.3%</b>	<b>36,744</b>	<b>85.8%</b>
<b>Total ADF Permanent</b>	<b>2,628</b>	<b>18.8%</b>	<b>0.2%</b>	<b>11,321</b>	<b>81.2%</b>	<b>3,521</b>	<b>12.1%</b>	<b>0.3%</b>	<b>25,672</b>	<b>87.9%</b>	<b>2,657</b>	<b>18.6%</b>	<b>0.5%</b>	<b>11,605</b>	<b>81.4%</b>	<b>8,806</b>	<b>15.3%</b>	<b>0.3%</b>	<b>48,598</b>	<b>84.7%</b>

**Source:** Defence HR system.

## Notes

- Figures in this table are based on the ADF permanent force (substantive headcount) as at 30 June 2015.
- The Army rank descriptions with an (E) following them also refer to the equivalent rank in the Navy and Air Force.
- For the purposes of this report, ADF senior leaders refer to those with ranks of Colonel (E) and above.
- In this report, the pipeline for senior leadership roles includes those members at Lieutenant Colonel (E) level.
- Warrant Officer Class 1 figures include Warrant Officer—Navy, Regimental Sergeant Major—Army (E10) and Warrant Officer—Air Force.
- E04 is an Army-only rank.
- The Air Force rank of Non-Commissioned Officer Cadet (E51) is included with Private Trainee (E) figures.
- Delta (Δ) figures show the difference in percentages of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Cells highlighted in orange indicate that the 2014–15 percentage of women was at least 5.0 per cent less than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.

**Figure 1: Percentage of women at each officer rank, by Service, 30 June 2015**

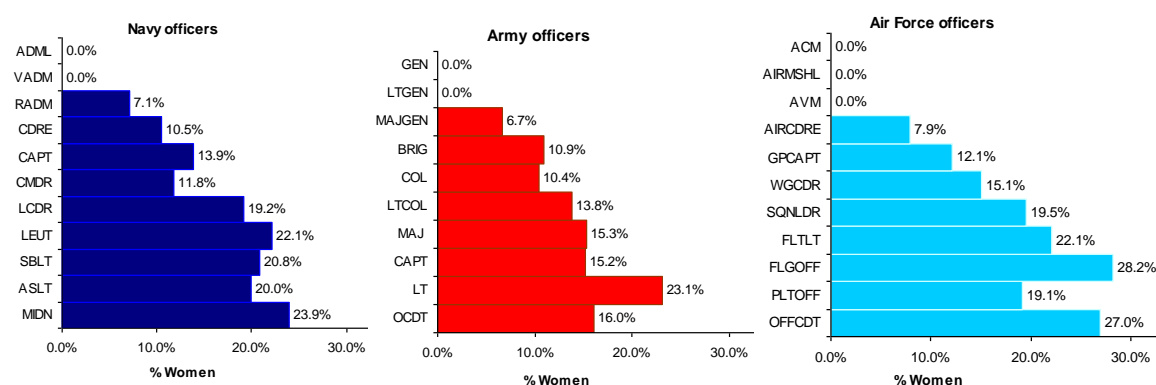


Figure 1 shows the proportion of women throughout the ADF officer workforce. The Navy has a comparatively strong proportion of women in the junior officer ranks; however, that proportion decreases at the Commander level, with lower proportions in the most senior ranks. The profile for Navy is largely the same as in 2013–14, with the most notable difference being the growth in the proportion of women at the rank of Commodore, rising from 2.6 per cent to 10.5 per cent which represents an increase from one to four women at this rank. The proportion of 7.1 per cent at Rear Admiral rank represents one woman in a total of 14 permanent two-star positions. The proportion of female Acting Sub Lieutenants has increased; however, this reflected an increase of only three women in the small group at this rank.

While most of the lower levels of the Army have a smaller proportion of women than the Navy and the Air Force, Figure 1 shows that the Army is relatively successful in retaining women's representation with increasing rank. The proportion of 6.7 per cent at the rank of Major General represents one woman in a total of 15 permanent two-star positions. There were no large changes in the proportion of women in the Army's officer ranks during 2014–15. The rank of Second Lieutenant has not been included in this chart as that rank is not commonly used; there are only nine Army members at that rank.

The rank of Air Force Flying Officer has the highest proportion of women throughout the Services, at 28.2 per cent. This proportion steadily declines with each increase in rank, with the smallest proportion being at the rank of Air Commodore, and no women at the rank of Air Vice Marshal or above. There were very few changes in the proportion of women at most Air Force officer ranks compared to 2013–14; however, the proportion of female Officer Cadets rose from 22.7 per cent to 27.0 per cent over 2014–15.

The overall proportion of female ADF officers rose from 18.3 per cent (2,652 women) to 18.8 per cent (2,736 women) during 2014–15. The proportion of female officers in the senior leadership group is 10.9 per cent representing an increase of 0.2 per cent (one woman) from 2013–14.

**Figure 2: Percentage of women at each other rank, by Service, 30 June 2015**

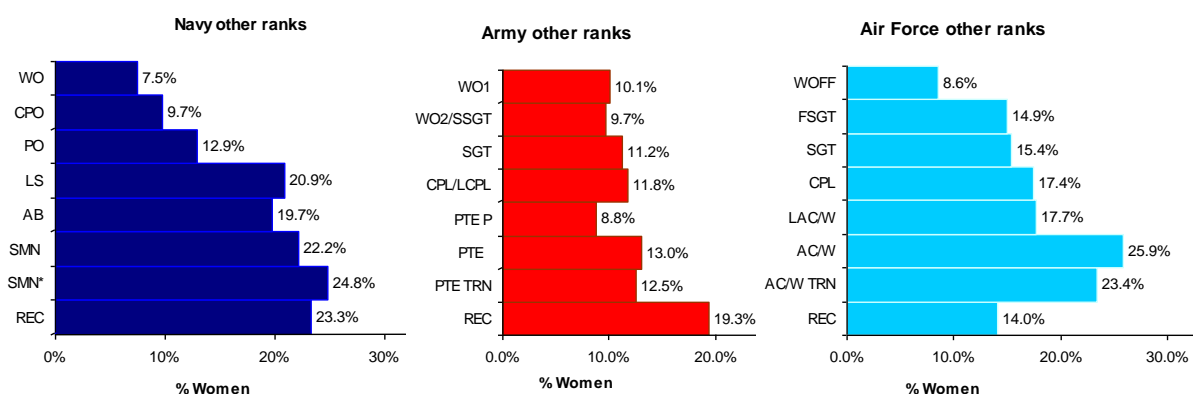


Figure 2 shows the proportions of women at each of the other ranks for each of the Services. The Navy has the highest proportion of women in ranks up to and including Leading Seaman; then, mirroring the pattern of Navy officers, there is a decline from Petty Officer to Warrant Officer. During 2014–15, the Navy has capitalised on the high proportion of women recruited in 2013–14, progressing these women through their employment training. This resulted in a higher proportion of women at the Seaman-in-training rank at 24.8 per cent compared with 18.6 per cent at the end of 2013–14.

While the Army's other ranks hold the lowest proportion of women throughout the ADF at 10.9 per cent, the Army has less variation in the proportion of women throughout its other ranks, resulting in a relatively flat rank profile. The Army has the highest proportion of women in the Warrant Officer (E09) rank compared with the other Services. There was very little change in the proportion of women at each other rank compared with 2013–14 for the Army.

The Air Force has the highest proportion of women at the Sergeant (E06) and Flight Sergeant (E07/E08) ranks of all the Services, with the drop at higher ranks evident for the other Services at the Sergeant (E06) level not occurring until Warrant Officer (E09). There was a decline in the proportion of female recruits in 2014–15, which fell from 24.0 per cent in 2013–14 to 14.0 per cent in 2014–15. The higher proportion of female recruits in 2013–14 is now evident in the slightly higher proportion of women at the Aircraftman/woman rank (25.9 per cent) compared with 22.2 per cent in 2013–14.

The proportion of women in the ADF at 30 June 2015 is 15.3 per cent, compared with 15.0 per cent at 30 June 2014. This reflects a net increase of 238 women.

**Table 2: ADF permanent force, by gender and employment location, 30 June 2015** <sup>[1][2][6][7][8]</sup>

2014-15	Navy					Army					Air Force					ADF				
	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
<b>NSW</b>																				
Greater Sydney	1,026	18.5%	0.0%	4,527	81.5%	432	12.3%	0.6%	3,094	87.7%	265	16.7%	1.4%	1,323	83.3%	1,723	16.2%	0.5%	8,944	83.8%
Hunter and Northern NSW	1	3.1%	-0.6%	31	96.9%	21	2.7%	0.2%	769	97.3%	377	15.3%	-0.3%	2,095	84.7%	399	12.1%	0.2%	2,895	87.9%
Southern and Central NSW	169	12.9%	1.6%	1,140	87.1%	172	15.1%	-0.3%	964	84.9%	130	19.8%	-2.4%	526	80.2%	471	15.2%	-0.3%	2,630	84.8%
<b>Total NSW</b>	<b>1,196</b>	<b>17.3%</b>	<b>0.3%</b>	<b>5,698</b>	<b>82.7%</b>	<b>625</b>	<b>11.5%</b>	<b>0.2%</b>	<b>4,827</b>	<b>88.5%</b>	<b>772</b>	<b>16.4%</b>	<b>-0.1%</b>	<b>3,944</b>	<b>83.6%</b>	<b>2,593</b>	<b>15.2%</b>	<b>0.3%</b>	<b>14,469</b>	<b>84.8%</b>
<b>QLD</b>																				
Brisbane and Southern QLD	29	21.2%	-3.4%	108	78.8%	803	13.1%	0.4%	5,341	86.9%	519	21.0%	1.0%	1,952	79.0%	1,351	15.4%	2.4%	7,401	84.6%
Darling Downs and Central QLD	7	25.9%	4.1%	20	74.1%	78	11.9%	0.0%	578	88.1%	10	25.0%	5.4%	30	75.0%	95	13.1%	-4.0%	628	86.9%
Northern QLD	129	19.3%	0.3%	541	80.7%	554	10.5%	0.3%	4,715	89.5%	96	20.7%	0.3%	367	79.3%	779	12.2%	0.1%	5,623	87.8%
<b>Total QLD</b>	<b>165</b>	<b>19.8%</b>	<b>0.0%</b>	<b>669</b>	<b>80.2%</b>	<b>1,435</b>	<b>11.9%</b>	<b>0.4%</b>	<b>10,634</b>	<b>88.1%</b>	<b>625</b>	<b>21.0%</b>	<b>1.3%</b>	<b>2,349</b>	<b>79.0%</b>	<b>2,225</b>	<b>14.0%</b>	<b>0.4%</b>	<b>13,652</b>	<b>86.0%</b>
<b>VIC and TAS</b> <sup>[3]</sup>																				
Greater Melbourne	13	19.1%	-4.1%	55	80.9%	131	12.9%	-0.5%	883	87.1%	70	17.4%	0.0%	332	82.6%	214	14.4%	-0.5%	1,270	85.6%
Regional Victoria and Tasmania	339	22.2%	0.1%	1,188	77.8%	317	14.0%	-0.4%	1,955	86.0%	103	17.7%	0.6%	478	82.3%	759	17.3%	-0.1%	3,621	82.7%
<b>Total VIC and TAS</b>	<b>352</b>	<b>22.1%</b>	<b>-0.1%</b>	<b>1,243</b>	<b>77.9%</b>	<b>448</b>	<b>13.6%</b>	<b>-0.4%</b>	<b>2,838</b>	<b>86.4%</b>	<b>173</b>	<b>17.6%</b>	<b>0.4%</b>	<b>810</b>	<b>82.4%</b>	<b>973</b>	<b>16.6%</b>	<b>-0.1%</b>	<b>4,891</b>	<b>83.4%</b>
<b>SA</b>	17	16.5%	-1.4%	86	83.5%	102	7.4%	0.7%	1,284	92.6%	291	14.5%	0.6%	1,717	85.5%	410	11.7%	0.8%	3,087	88.3%
<b>Total SA</b>	<b>17</b>	<b>16.5%</b>	<b>-1.4%</b>	<b>86</b>	<b>83.5%</b>	<b>102</b>	<b>7.4%</b>	<b>0.7%</b>	<b>1,284</b>	<b>92.6%</b>	<b>291</b>	<b>14.5%</b>	<b>0.6%</b>	<b>1,717</b>	<b>85.5%</b>	<b>410</b>	<b>11.7%</b>	<b>0.8%</b>	<b>3,087</b>	<b>88.3%</b>
<b>WA</b>	404	18.1%	-0.1%	1,826	81.9%	91	10.5%	0.8%	773	89.5%	56	15.7%	-0.1%	301	84.3%	551	16.0%	0.1%	2,900	84.0%
<b>Total WA</b>	<b>404</b>	<b>18.1%</b>	<b>-0.1%</b>	<b>1,826</b>	<b>81.9%</b>	<b>91</b>	<b>10.5%</b>	<b>0.8%</b>	<b>773</b>	<b>89.5%</b>	<b>56</b>	<b>15.7%</b>	<b>-0.1%</b>	<b>301</b>	<b>84.3%</b>	<b>551</b>	<b>16.0%</b>	<b>0.1%</b>	<b>2,900</b>	<b>84.0%</b>
<b>ACT</b> <sup>[4]</sup>	397	25.8%	1.3%	1,141	74.2%	481	17.5%	0.0%	2,265	82.5%	500	25.3%	0.4%	1,479	74.7%	1,378	22.0%	0.4%	4,885	78.0%
<b>Total ACT</b>	<b>397</b>	<b>25.8%</b>	<b>1.3%</b>	<b>1,141</b>	<b>74.2%</b>	<b>481</b>	<b>17.5%</b>	<b>0.0%</b>	<b>2,265</b>	<b>82.5%</b>	<b>500</b>	<b>25.3%</b>	<b>0.4%</b>	<b>1,479</b>	<b>74.7%</b>	<b>1,378</b>	<b>22.0%</b>	<b>0.4%</b>	<b>4,885</b>	<b>78.0%</b>
<b>NT</b>	88	14.7%	-1.2%	510	85.3%	324	10.4%	0.4%	2,800	89.6%	195	20.3%	1.2%	767	79.7%	607	13.0%	0.4%	4,077	87.0%
<b>Total NT</b>	<b>88</b>	<b>14.7%</b>	<b>-1.2%</b>	<b>510</b>	<b>85.3%</b>	<b>324</b>	<b>10.4%</b>	<b>0.4%</b>	<b>2,800</b>	<b>89.6%</b>	<b>195</b>	<b>20.3%</b>	<b>1.2%</b>	<b>767</b>	<b>79.7%</b>	<b>607</b>	<b>13.0%</b>	<b>0.4%</b>	<b>4,077</b>	<b>87.0%</b>
<b>Total Australia</b>	<b>2,619</b>	<b>19.0%</b>	<b>0.1%</b>	<b>11,173</b>	<b>81.0%</b>	<b>3,506</b>	<b>12.1%</b>	<b>0.3%</b>	<b>25,421</b>	<b>87.9%</b>	<b>2,612</b>	<b>18.7%</b>	<b>0.5%</b>	<b>11,367</b>	<b>81.3%</b>	<b>8,737</b>	<b>15.4%</b>	<b>0.3%</b>	<b>47,961</b>	<b>84.6%</b>
<b>Total Overseas</b> <sup>[5]</sup>	<b>9</b>	<b>5.7%</b>	<b>-1.7%</b>	<b>148</b>	<b>94.3%</b>	<b>15</b>	<b>5.6%</b>	<b>-2.3%</b>	<b>251</b>	<b>94.4%</b>	<b>45</b>	<b>15.9%</b>	<b>-0.8%</b>	<b>238</b>	<b>84.1%</b>	<b>69</b>	<b>9.8%</b>	<b>-0.8%</b>	<b>637</b>	<b>90.2%</b>

**Source:** Defence HR system.

**Notes**

- Figures in this table are based on the ADF permanent force (substantive headcount) as at 30 June 2015.
- Members serving in ships are included against the state or territory in which the ship is home-ported.
- Victorian and Tasmanian figures include members located in Albury NSW.
- ACT figures include members located in Jervis Bay Territory, Queanbeyan and Bungendore.
- Overseas figures represent members posted for long-term duty.
- Delta (Δ) figures show the difference in the percentages of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.

**Figure 3: Percentage of ADF women in each state and territory, 30 June 2015**

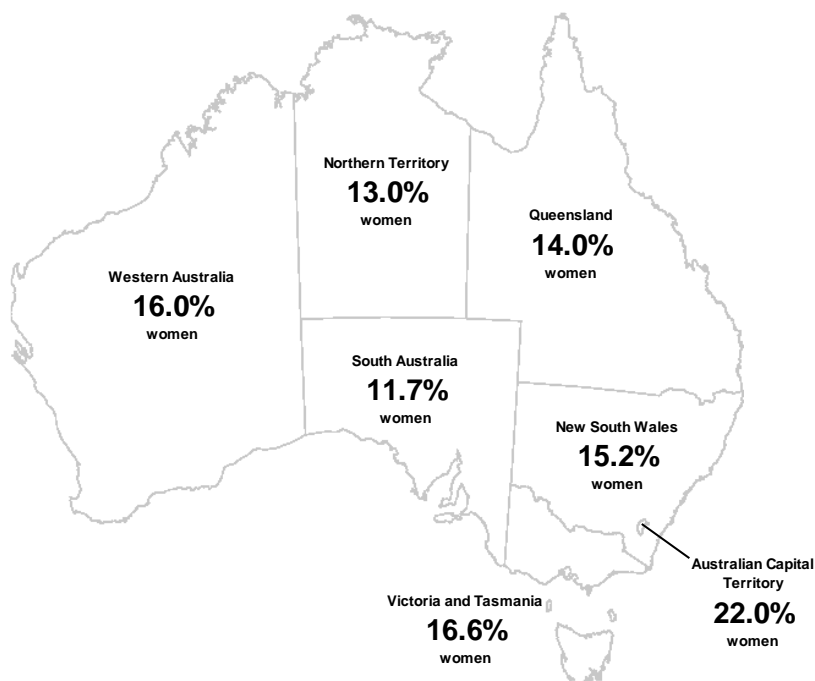


Figure 3 shows the proportion of women in the permanent ADF in each Australian state or territory at the end of 2014–15. While there was some variation between the states, the Australian Capital Territory had by far the highest proportion of women. This was most likely influenced by the higher proportion of officer-rank roles and work related to occupations in which women have greater representation (such as intelligence, logistics, administration and support), and the lower proportion of operational roles in the ACT, compared with the rest of the country. There has been little change in these figures over 2014–15.

The proportions of women in each state and territory are influenced by the main bases there. There are several bases and establishments in each state as well as offices in capital cities' central business districts. Table 3 summarises the main bases and the Service of the main base population.

**Table 3: Key bases in each Australian state and territory, by Service**

	Navy	Army	Air Force	Tri-Service
New South Wales	Garden Island Precinct HMAS Albatross	Holsworthy Barracks Kapooka	RAAF Williamtown RAAF Richmond	
Queensland	HMAS Cairns	Lavarack Barracks Enoggera Barracks	RAAF Amberley	
Victoria and Tasmania	HMAS Cerberus	Simpson Barracks Puckapunyal Military Area Gaza Ridge Barracks	RAAF Williams RAAF East Sale	Angelsea Barracks
South Australia		Keswick Barracks	RAAF Edinburgh	
Western Australia	HMAS Stirling	Karrakatta	RAAF Pearce	
Australian Capital Territory	HMAS Harman – Navy	Duntroon		Russell Offices Headquarters Joint Operations Command
Northern Territory	Darwin Fleet Base North	Robertson Barracks Larrakeyah Barracks	RAAF Darwin RAAF Tindal	

**Table 4: ADF permanent force, by gender, occupational group and rank group, 30 June 2015<sup>[1][2][3][4][5]</sup>**

	Navy					Army					Air Force					ADF				
	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
<b>2014-15</b>																				
<b>Aviation</b>																				
Officers	17	5.4%	0.0%	300	94.6%	21	5.1%	0.0%	392	94.9%	195	9.9%	0.5%	1,768	90.1%	233	8.7%	0.4%	2,460	91.3%
Other Ranks	5	3.9%	-0.5%	122	96.1%	41	11.8%	0.9%	305	88.2%	66	34.0%	0.7%	128	66.0%	112	16.8%	0.8%	555	83.2%
<b>Total Aviation</b>	<b>22</b>	<b>5.0%</b>	<b>-0.1%</b>	<b>422</b>	<b>95.0%</b>	<b>62</b>	<b>8.2%</b>	<b>0.4%</b>	<b>697</b>	<b>91.8%</b>	<b>261</b>	<b>12.1%</b>	<b>0.7%</b>	<b>1,896</b>	<b>87.9%</b>	<b>345</b>	<b>10.3%</b>	<b>0.5%</b>	<b>3,015</b>	<b>89.7%</b>
<b>Combat and Security</b>																				
Officers	260	18.8%	-0.1%	1,125	81.2%	33	2.2%	0.2%	1,442	97.8%	7	6.6%	0.8%	99	93.4%	300	10.1%	0.1%	2,666	89.9%
Other Ranks	422	16.5%	1.0%	2,130	83.5%	103	1.3%	0.1%	7,911	98.7%	107	10.8%	1.0%	882	89.2%	632	5.5%	0.3%	10,923	94.5%
<b>Total Combat and Security</b>	<b>682</b>	<b>17.3%</b>	<b>0.6%</b>	<b>3,255</b>	<b>82.7%</b>	<b>136</b>	<b>1.4%</b>	<b>0.1%</b>	<b>9,353</b>	<b>98.6%</b>	<b>114</b>	<b>10.4%</b>	<b>0.9%</b>	<b>981</b>	<b>89.6%</b>	<b>932</b>	<b>6.4%</b>	<b>0.2%</b>	<b>13,589</b>	<b>93.6%</b>
<b>Communications, Intelligence and Surveillance</b>																				
Officers	20	27.4%	1.7%	53	72.6%	131	18.5%	-0.6%	576	81.5%	67	33.2%	0.8%	135	66.8%	218	22.2%	-0.1%	764	77.8%
Other Ranks	499	31.7%	0.8%	1,074	68.3%	257	12.5%	0.2%	1,797	87.5%	279	21.7%	-0.6%	1,008	78.3%	1,035	21.1%	0.3%	3,879	78.9%
<b>Total Communications, Intelligence and Surveillance</b>	<b>519</b>	<b>31.5%</b>	<b>0.9%</b>	<b>1,127</b>	<b>68.5%</b>	<b>388</b>	<b>14.1%</b>	<b>0.0%</b>	<b>2,373</b>	<b>85.9%</b>	<b>346</b>	<b>23.2%</b>	<b>-0.4%</b>	<b>1,143</b>	<b>76.8%</b>	<b>1,253</b>	<b>21.3%</b>	<b>0.2%</b>	<b>4,643</b>	<b>78.7%</b>
<b>Engineering, Technical and Construction</b>																				
Officers	81	10.5%	0.1%	691	89.5%	90	8.8%	0.3%	930	91.2%	129	10.4%	0.7%	1,112	89.6%	300	9.9%	0.4%	2,733	90.1%
Other Ranks	286	6.3%	0.5%	4,235	93.7%	98	1.8%	0.1%	5,257	98.2%	163	3.5%	0.4%	4,488	96.5%	547	3.8%	0.3%	13,980	96.2%
<b>Total Engineering, Technical and Construction</b>	<b>367</b>	<b>6.9%</b>	<b>0.5%</b>	<b>4,926</b>	<b>93.1%</b>	<b>188</b>	<b>2.9%</b>	<b>0.1%</b>	<b>6,187</b>	<b>97.1%</b>	<b>292</b>	<b>5.0%</b>	<b>0.5%</b>	<b>5,600</b>	<b>95.0%</b>	<b>847</b>	<b>4.8%</b>	<b>0.4%</b>	<b>16,713</b>	<b>95.2%</b>
<b>Health</b>																				
Officers	69	42.3%	-0.9%	94	57.7%	311	47.0%	1.7%	350	53.0%	217	61.1%	0.5%	138	38.9%	597	50.6%	0.9%	582	49.4%
Other Ranks	175	49.4%	-0.7%	179	50.6%	375	41.9%	1.8%	521	58.1%	131	53.9%	1.3%	112	46.1%	681	45.6%	1.2%	812	54.4%
<b>Total Health</b>	<b>244</b>	<b>47.2%</b>	<b>-0.7%</b>	<b>273</b>	<b>52.8%</b>	<b>686</b>	<b>44.1%</b>	<b>1.8%</b>	<b>871</b>	<b>55.9%</b>	<b>348</b>	<b>58.2%</b>	<b>0.8%</b>	<b>250</b>	<b>41.8%</b>	<b>1,278</b>	<b>47.8%</b>	<b>1.1%</b>	<b>1,394</b>	<b>52.2%</b>
<b>Logistics, Administration and Support</b>																				
Officers	197	37.7%	-0.2%	325	62.3%	299	25.4%	0.2%	877	74.6%	445	42.5%	1.5%	603	57.5%	941	34.3%	0.7%	1,805	65.7%
Other Ranks	594	38.6%	-0.5%	943	61.4%	1,621	26.2%	1.1%	4,566	73.8%	848	43.9%	0.0%	1,083	56.1%	3,063	31.7%	0.6%	6,592	68.3%
<b>Total Logistics, Administration and Support</b>	<b>791</b>	<b>38.4%</b>	<b>-0.4%</b>	<b>1,268</b>	<b>61.6%</b>	<b>1,920</b>	<b>26.1%</b>	<b>0.9%</b>	<b>5,443</b>	<b>73.9%</b>	<b>1,293</b>	<b>43.4%</b>	<b>0.5%</b>	<b>1,686</b>	<b>56.6%</b>	<b>4,004</b>	<b>32.3%</b>	<b>0.6%</b>	<b>8,397</b>	<b>67.7%</b>
<b>Not Allocated to Occupational Group</b>																				
Senior Officers	3	5.8%	5.8%	49	94.2%	8	11.1%	1.1%	64	88.9%	3	5.9%	-0.2%	48	94.1%	14	8.0%	2.1%	161	92.0%
Warrant Officer of the Service	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	3	100.0%
Unallocated Trainees	0	0	0.0%	0	0	133	16.3%	0.2%	683	83.7%	0	0	0.0%	0	0	133	16.3%	0.2%	683	83.7%
<b>Total Not Allocated to Occupational Group</b>	<b>3</b>	<b>5.7%</b>	<b>5.7%</b>	<b>50</b>	<b>94.3%</b>	<b>141</b>	<b>15.9%</b>	<b>0.4%</b>	<b>748</b>	<b>84.1%</b>	<b>3</b>	<b>5.8%</b>	<b>-0.2%</b>	<b>49</b>	<b>94.2%</b>	<b>147</b>	<b>14.8%</b>	<b>0.7%</b>	<b>847</b>	<b>85.2%</b>
<b>Total ADF Permanent</b>	<b>2,628</b>	<b>18.8%</b>	<b>0.2%</b>	<b>11,321</b>	<b>81.2%</b>	<b>3,521</b>	<b>12.1%</b>	<b>0.3%</b>	<b>25,672</b>	<b>87.9%</b>	<b>2,657</b>	<b>18.6%</b>	<b>0.5%</b>	<b>11,605</b>	<b>81.4%</b>	<b>8,806</b>	<b>15.3%</b>	<b>0.3%</b>	<b>48,598</b>	<b>84.7%</b>

**Source:** Defence HR system.

#### Notes

- Figures are based on the ADF permanent force substantive headcount as at 30 June 2015.
- Delta (Δ) figures show the difference in the percentages of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.
- Occupations in each occupational group are listed below.

**Aviation:** Air Combat Officer, Aircrew, Aviation Officer, Aviation Operations Manager, Crew Attendant, Groundcrewman, Joint Battlefield Airspace Control, Loadmaster, Maritime Aviation Warfare Officer, Pilot, Aviation Instructors.

**Combat and security:** Investigators, Air Base Protection, Airfield Defence Guards, Armoured Officer, Artillery, Combat Instructors, Cavalryman, Combat Controller, Commando, Driver Armoured Fighting Vehicle (AFV), Emergency Responder, Firefighter, Ground Based Air Defence, Infantry Officer, Light Cavalry, Offensive Support, Surveillance and Target Acquisition, Military Police, Operator Radar, Patrolman, Rifleman, SAS Trooper, Security Police, Tank Crewman, Boatswain's Mate, Clearance Diver, Combat Systems Operator, Maritime Geospatial Officer, Maritime Warfare Officer, Naval Police Coxswain, Principal Warfare Officer.

**Communications, intelligence and surveillance:** Acoustic Warfare Analyst, Air Intelligence Analyst, Air Surveillance Operator, Airborne Electronics Analyst, Analyst Intelligence Operations, Intelligence Instructor, Communications and Information Systems Controller, Communications Systems, Cryptologic Linguist, Electronic Warfare, Geospatial Imagery Intelligence Analyst, Geospatial Technician, Hydrographic Systems Operator, Imagery Specialist, Information Systems, Intelligence, Operator Unmanned Aerial System, Operator, Supervisor Communications.

**Engineering, technical and construction:** Aeronautical Engineer, Air Technician, Aircraft Fitter, Aircraft Finisher, Airfield Engineer, Armament, Armament Engineer, Artificer, Engineering Instructor, Avionics, Bricklayer, Carpenter, Combat Engineer, Communication Electronic, Draftsman Architectural, Electrical and Mechanical Engineering Officer, Electrical Engineer, Electrician, Electronics Submariner, Engineer, Explosive Ordnance Disposal, Fitter Armament, Flight Engineer, General Hand, Ground Mechanical

Engineering, Ground Support Engineering Manager, Ground Support Equipment, Manager Works, Marine Engineer, Marine Technician, Mechanic Recovery, Mechanic Vehicle, Metalsmith, Non-Destructive Inspection Technician, Plant Operator, Painter, Plumber, Technician Aircraft, Technician Avionics, Technician Electrical, Technician Electronic Systems, Telecommunications Systems, Weapons Electrical Aircraft Engineer, Weapons Electrical Engineer, Works Supervisor.

Health: Allied Health Professional, Health Instructor, Combat Medical Attendant, Combat Paramedic, Dental Assistant, Dentist, Dental Technician, Environmental Health Officer, Examiner Psychological, Laboratory Technician, Medical Administration, Medical Assistant, Medical Officer, Medical Operator, Nurse, Operating Theatre Technician, Pharmacist, Physical Training Instructor, Physiotherapist, Preventive Medicine, Psychologist, Radiographer, Radiologist, Scientist.

Logistics, administration and support: Air Dispatcher, Ammunition Supplier, Administration Assistant, Baker, Band Officer, Batman, Cargo Specialist, Catering Officer, Chaplain, Clerk, Storeman, Cook, Driver, Education Officer, Executive Warrant Officer, Handler Petroleum, Infantry Operations Clerk, Infantry Resource Storeman, Legal Officer, Logistics Officer, Management Executive, Marine Specialist, Maritime Logistics Personnel Operations, Maritime Logistics Chef, Maritime Logistics Officer, Maritime Logistics Steward, Maritime Logistics Supply Chain, Mess Operator, Motor Transport Driver, Movements, Multimedia Technician, Musician, Operator Admin, Operator Catering, Operator Movements, Operator Petroleum, Operator Supply, Operator Unit Supply, Ordnance Officer, Pay Officer, Personnel Capability Officer, Photographer Public Relations, Piper Drummer Bugler, Postal Clerk, Public Relations Officer, Reporter, Rigger Parachute, Supplier, Training Systems Officer, Transport Officer.

**Figure 4: Percentage of women in each occupational group, by Service, 30 June 2015**

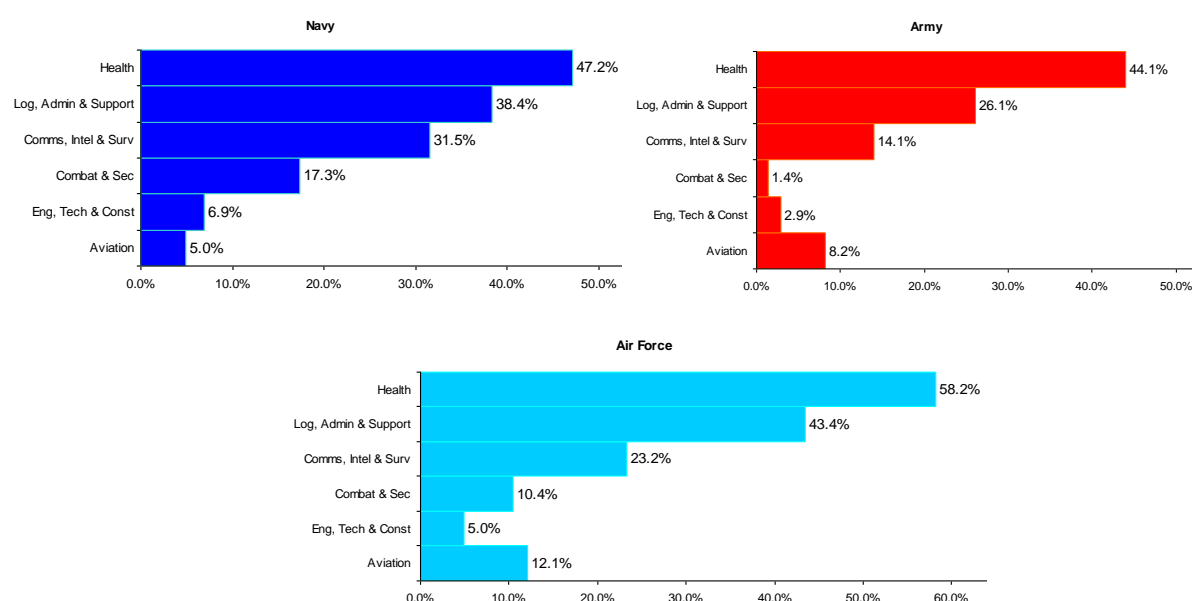


Figure 4 shows how gender representation differs between occupation groups, and how those differences are broadly consistent between the Services. One notable difference between the Services is Combat and Security, where Navy and Air Force have a higher proportion of women than Army. In each Service, health and logistics, administration and support have the highest proportion of women, while the occupation groups with the lowest proportion of women are combat and security; engineering, technical and construction; and aviation. These concentrations of women and men are closely aligned with traditional female and male work roles. There has been little change in the proportions of women in occupation groups over 2014–15.

Defence leadership is committed to addressing occupational segregation in the ADF, and each Service has a dedicated strategy to achieve greater gender balance.

The Navy remains committed to a female participation target of 25% by 2023 and has set recruiting goals for occupational groups with less than 15% of women while, at the same time, maintaining the current female participation levels in occupational groups with a higher proportion of women. The Navy has implemented several initiatives to achieve these occupational group targets as set out in the Navy Diversity and Inclusion Strategy (2014 – 2018). For example, in November 2014, Navy partnered with the Macquarie Graduate School of Management (MGSM) Women in MBA (WiMBA) program. As one of five foundation partners, Navy has offered two Maritime Warfare Officers the opportunity to complete an MBA under the Scholarship program. This is one of the employment groups identified by the Review into the Treatment of Women in the ADF Phase 2 as requiring targeted measures to address occupational segregation ensuring women are well supported.

Navy has also reduced the Initial Minimum Period of Service (IMPS) for selected categories as a targeted measure designed to reduce occupational segregation. Ongoing monitoring will evaluate the effectiveness of this scheme.

The Army is often perceived to be a non-traditional career choice for women as it offers a large number of non-traditional roles. Current advertising has focused on increasing overall female representation rather than focusing on recruiting to specific employment fields such as combat and other non-traditional roles. Concentrating on increasing overall

female representation through general recruiting is designed to provide the Army with a sustainable foundation for future growth. As female representation increases overall, the Army will introduce deliberate campaigns focused on attracting women to combat and non-traditional employment categories with low female representation.

The Air Force has implemented Project Winter (women in non traditional roles) to specifically address issues of occupational segregation in employment groups that have a low representation of women (aircrew, engineering and technical). This includes a focus on addressing attraction and recruitment through:

- delivery of targeted programs
- implementation of specialist recruitment teams
- offering a reduction of return of service obligations (ROSO).

Retention and advancement is being addressed through the implementation of a talent management framework, networking groups and specific guidance for the career management of women in these roles.

## ADF enlistments

Table 5 to Table 7 show the numbers and proportions of women enlisted into the ADF permanent force in 2014–15 by Service, rank group and mode of entry. Enlistments in this section refer to appointments, which relate to officers, as well as other ranks enlistments.

**Table 5: ADF permanent force enlistments (all modes of entry), by gender and rank group, 2014–15<sup>[1][2][3][4]</sup>**

2014-15	Navy						Army						Air Force						ADF					
	Women	%	Δ	Men	%		Women	%	Δ	Men	%		Women	%	Δ	Men	%		Women	%	Δ	Men	%	
Officers Entry	39	21.7%	4.6%	141	78.3%		101	23.7%	1.8%	326	76.3%		88	33.6%	5.5%	174	66.4%		228	26.2%	3.6%	641	73.8%	
Total Officers Entry	39	21.7%	4.6%	141	78.3%		101	23.7%	1.8%	326	76.3%		88	33.6%	5.5%	174	66.4%		228	26.2%	3.6%	641	73.8%	
Other Ranks (General Entry)																								
General Entry - Technical	49	10.0%	4.4%	441	90.0%		13	4.1%	1.6%	304	95.9%		33	12.4%	5.9%	234	87.6%		95	8.8%	4.1%	979	91.2%	
General Entry - Non-Technical	220	35.5%	-0.5%	400	64.5%		384	14.2%	-2.5%	2,320	85.8%		100	32.3%	-3.4%	210	67.7%		704	19.4%	-2.4%	2,930	80.6%	
Total Other Ranks (General Entry)	269	24.2%	1.4%	841	75.8%		397	13.1%	-1.9%	2,624	86.9%		133	23.1%	-3.1%	444	76.9%		799	17.0%	-1.2%	3,909	83.0%	
Total ADF Permanent	308	23.9%	1.9%	982	76.1%		498	14.4%	-1.5%	2,950	85.6%		221	26.3%	-0.4%	618	73.7%		1,027	18.4%	-0.4%	4,550	81.6%	

**Source:** Defence HR system.

### Notes

- Figures in this table show permanent force members (headcount) enlisted from all sources. This includes *ab initio* enlistments and prior service enlistments (which includes overseas transfers, reserve transfers, Service transfers, re-enlistments, and ADF Gap Year transfers). Table 6 and Table 7 show the split between *ab initio* enlistments and prior service enlistments.
- Delta (Δ) figures show the differences in percentage of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.

**Table 6: ADF permanent force *ab initio* enlistments, by gender and rank group, 2014–15<sup>[1][2][3][4]</sup>**

2014-15	Navy						Army						Air Force						ADF					
	Women	%	Δ	Men	%		Women	%	Δ	Men	%		Women	%	Δ	Men	%		Women	%	Δ	Men	%	
Officers Entry	33	23.6%	3.8%	107	76.4%		78	22.9%	3.4%	262	77.1%		77	35.0%	5.3%	143	65.0%		188	26.9%	4.4%	512	73.1%	
Total Officers Entry	33	23.6%	3.8%	107	76.4%		78	22.9%	3.4%	262	77.1%		77	35.0%	5.3%	143	65.0%		188	26.9%	4.4%	512	73.1%	
Other Ranks (General Entry)																								
General Entry - Technical	48	10.7%	5.4%	400	89.3%		12	4.3%	1.7%	265	95.7%		32	13.0%	6.4%	214	87.0%		92	9.5%	4.8%	879	90.5%	
General Entry - Non-Technical	208	36.6%	-1.8%	361	63.4%		350	14.7%	-2.8%	2,038	85.3%		87	33.7%	-4.7%	171	66.3%		645	20.1%	-2.8%	2,570	79.9%	
Total Other Ranks (General Entry)	256	25.2%	1.4%	761	74.8%		362	13.6%	-2.2%	2,303	86.4%		119	23.6%	-3.7%	385	76.4%		737	17.6%	-1.4%	3,449	82.4%	
Total	289	25.0%	1.7%	868	75.0%		440	14.6%	-1.6%	2,565	85.4%		196	27.1%	-0.9%	528	72.9%		925	18.9%	-0.5%	3,961	81.1%	

**Source:** Defence HR system.

### Notes

- Figures in this table show permanent force *ab initio* enlistments (headcount).
- Delta (Δ) figures show the difference in percentage of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.

**Figure 5: Percentage of female ADF permanent force enlistments, by type and Service, 2014–15**

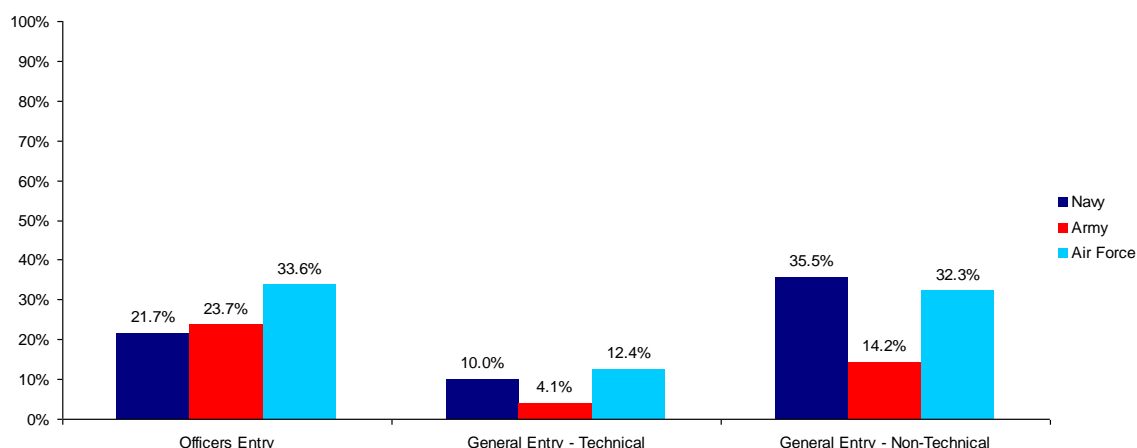


Figure 5 shows the proportion of female permanent force enlistments who have been appointed as officers, and who have enlisted through general entry for either technical or non-technical roles. Technical roles for general entry enlistees are the most challenging in recruiting women for all Services. For the Navy, general entry for non-technical enlistments have a higher proportion of women than officer appointments; however, the opposite is true for the Army, where the proportion of women appointed as officers is higher than for non-technical general entry enlistments.

The proportion of women appointed as officers has increased for the Navy and the Air Force over 2014–15 by 4.6 per cent and 5.5 per cent respectively. There have also been increases for general entry—technical enlistees; while the proportions are still small, the proportion of women recruited to those roles has nearly doubled for each Service. This is a positive outcome as this is the group which has been the most challenging for the recruitment of women.

**Figure 6: Percentage of female ADF permanent force *ab initio* enlistments, by type and Service, 2014–15**

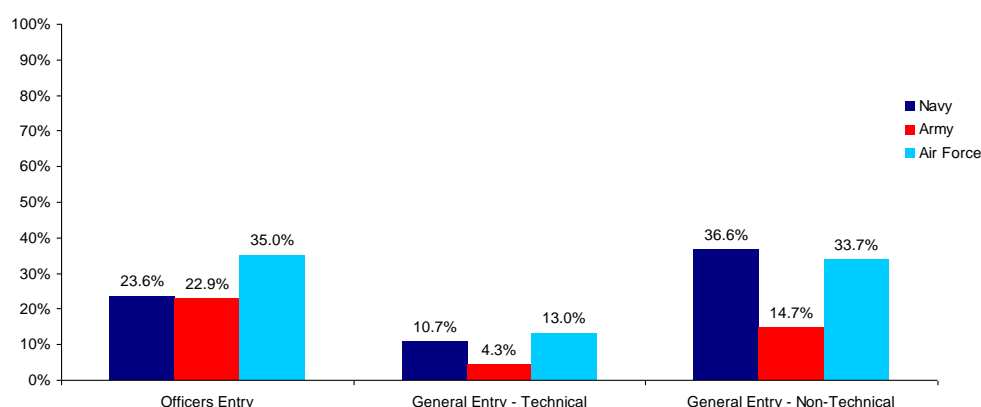


Figure 6 shows the proportion of female *ab initio* enlistments by type of enlistment for each Service. This includes recruits who have not had prior military service. *Ab initio* enlistments make up most of the total enlistments (4,886 out of 5,577), so the proportions of female *ab initio* enlistments are very similar to the proportions seen in the total enlistments. Compared with 2013–14, the proportion of *ab initio* women in the 2014–15 officer intake and among general entry—technical enlistees increased, and the proportion of women in the *ab initio* general entry—non-technical intake decreased slightly.

**Table 7: ADF permanent force prior service enlistments by gender, mode of entry, and rank group, 2014–15<sup>[1][2][3][4][5]</sup>**

	Navy					Army					Air Force					ADF				
2014-15	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
<b>OVERSEAS ENTRANTS</b>																				
Officers	0	0.0%	-14.3%	6	100.0%	1	6.3%	-3.4%	15	93.8%	0	0.0%	-9.1%	1	100.0%	1	4.3%	-6.8%	22	95.7%
Sub-total Officer Entry	0	0.0%	-14.3%	6	85.7%	1	6.3%	-3.4%	15	93.8%	0	0.0%	-9.1%	1	100.0%	1	4.3%	-6.8%	22	95.7%
Other Ranks																				
General Entry - Technical	0	0.0%	-3.7%	12	100.0%	0	0.0%	0.0%	10	100.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	-2.3%	22	100.0%
General Entry - Non-Technical	1	100.0%	100.0%	0	0.0%	0	0.0%	0.0%	29	100.0%	0	0.0%	0.0%	0	0.0%	1	3.3%	3.3%	29	96.7%
Sub-total Other Ranks (General Entry)	1	7.7%	5.4%	12	92.3%	0	0.0%	0.0%	39	100.0%	0	0.0%	0.0%	0	0	1	1.9%	0.7%	51	98.1%
Total Overseas Entrants	1	5.3%	-0.9%	18	94.7%	1	1.8%	-2.6%	54	98.2%	0	0.0%	-9.1%	1	100.0%	2	2.7%	-2.9%	73	97.3%
<b>RESERVE TRANSFERS</b>																				
Officers	5	33.3%	33.3%	10	66.7%	16	39.0%	-4.0%	25	61.0%	8	32.0%	10.0%	17	68.0%	29	35.8%	4.1%	52	64.2%
Sub-total Officer Entry	5	33.3%	33.3%	10	66.7%	16	39.0%	-4.0%	25	61.0%	8	32.0%	10.0%	17	68.0%	29	35.8%	4.1%	52	64.2%
Other Ranks																				
General Entry - Technical	1	6.3%	6.3%	15	93.8%	1	4.5%	1.0%	21	95.5%	0	0.0%	0.0%	4	100.0%	2	4.8%	2.6%	40	95.2%
General Entry - Non-Technical	5	41.7%	16.7%	7	58.3%	30	13.3%	-0.7%	196	86.7%	4	25.0%	-4.0%	12	75.0%	39	15.4%	-1.0%	215	84.6%
Sub-total Other Ranks (General Entry)	6	21.4%	2.9%	22	78.6%	31	12.5%	-0.6%	217	87.5%	4	20.0%	-5.0%	16	80.0%	41	13.9%	-0.9%	255	86.1%
Total Reserve transfers	11	25.6%	10.7%	32	74.4%	47	16.3%	-2.1%	242	83.7%	12	26.7%	3.3%	33	73.3%	70	18.6%	0.0%	307	81.4%
<b>SERVICE TRANSFERS</b>																				
Officers	0	0.0%	0.0%	10	100.0%	3	20.0%	7.5%	12	80.0%	2	20.0%	-10.0%	8	80.0%	5	14.3%	-1.7%	30	85.7%
Sub-total Officer Entry	0	0.0%	0.0%	10	100.0%	3	20.0%	7.5%	12	80.0%	2	20.0%	-10.0%	8	80.0%	5	14.3%	-1.7%	30	85.7%
Other Ranks																				
General Entry - Technical	0	0.0%	-16.7%	6	100.0%	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	5	100.0%	0	0.0%	-8.3%	12	100.0%
General Entry - Non-Technical	2	10.0%	-11.7%	18	90.0%	0	0.0%	-10.5%	7	100.0%	6	30.0%	5.0%	14	70.0%	8	17.0%	-2.3%	39	83.0%
Sub-total Other Ranks (General Entry)	2	7.7%	-12.3%	24	92.3%	0	0.0%	-9.1%	8	100.0%	6	24.0%	6.8%	19	76.0%	8	13.6%	-2.7%	51	86.4%
Total Service Transfers	2	5.6%	-11.1%	34	94.4%	3	13.0%	3.0%	20	87.0%	8	22.9%	2.3%	27	77.1%	13	13.8%	-2.4%	81	86.2%
<b>RE-ENLISTMENTS</b>																				
Officers	1	11.1%	11.1%	8	88.9%	3	20.0%	20.0%	12	80.0%	1	16.7%	-26.2%	5	83.3%	5	16.7%	0.9%	25	83.3%
Sub-total Officer Entry	1	11.1%	11.1%	8	88.9%	3	20.0%	20.0%	12	80.0%	1	16.7%	-26.2%	5	83.3%	5	16.7%	0.9%	25	83.3%
Other Ranks																				
General Entry - Technical	0	0.0%	-18.2%	8	100.0%	0	0.0%	0.0%	7	100.0%	1	8.3%	-8.3%	11	91.7%	1	3.7%	-7.8%	26	96.3%
General Entry - Non-Technical	4	22.2%	-14.6%	14	77.8%	4	7.4%	4.0%	50	92.6%	3	18.8%	2.6%	13	81.3%	11	12.5%	-0.3%	77	87.5%
Sub-total Other Ranks (General Entry)	4	15.4%	-14.6%	22	84.6%	4	6.6%	3.6%	57	93.4%	4	14.3%	-1.9%	24	85.7%	12	10.4%	-2.2%	103	89.6%
Total Re-enlistments	5	14.3%	-13.8%	30	85.7%	7	9.2%	6.6%	69	90.8%	5	14.7%	-5.7%	29	85.3%	17	11.7%	-1.3%	128	88.3%
<b>ADF GAP YEAR TRANSFERS</b>																				
Officers	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
Sub-total Officer Entry	0	0.0%	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
Other Ranks																				
General Entry - Technical	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
General Entry - Non-Technical	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
Sub-total Other Ranks (General Entry)	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
Total ADF Gap Year Transfers	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
Total Prior Service Entry	19	14.3%	-0.3%	114	85.7%	58	13.1%	-1.1%	385	86.9%	25	21.7%	0.7%	90	78.3%	102	14.8%	-0.7%	589	85.2%

**Source:** Defence HR system.

**Notes**

- Figures in this table show permanent force prior service enlistments (headcount).
- Delta (Δ) figures show the differences in percentage of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Cells highlighted in orange indicate that the 2014–15 percentage of women was at least 5.0 per cent less than the 2013–14 percentage of women.
- Percentages may not sum due to rounding.

**Figure 7: Percentage of female ADF permanent force prior service enlistments, by type and Service, 2014–15**

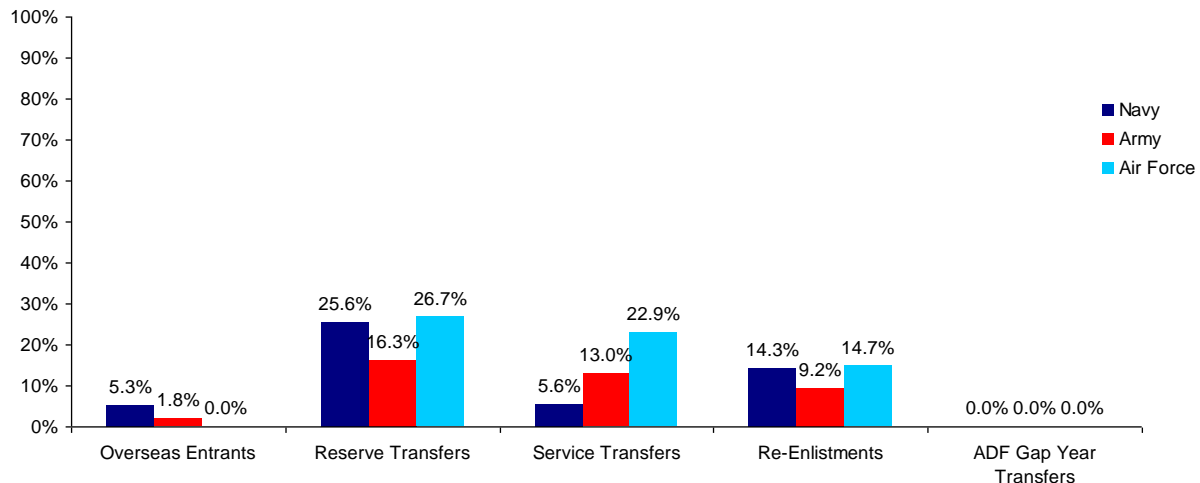


Figure 7 shows the proportion of women enlisted to the ADF who had prior service. Prior service enlistees make up 12.4 per cent of total enlistees, and women with prior service make up 9.9 per cent of total female enlistees. The most common type of prior service is Reserve service (54.6 per cent of all prior service enlistments). This is especially true for women: 68.6 per cent of all female prior service enlistments transferred from the Reserves. Reserve transfers had the highest proportions of women for each Service of all prior service enlistment types.

The proportion of ADF Gap Year programme transfers was zero, as the January 2015 intake of Gap Year participants will not complete their programme until January 2016. The proportions of women in each enlistment type changed, but this is due to the very small numbers in each group. The most notable change was that a higher proportion of prior service enlistments to the permanent Navy came from Reserves in 2014–15 compared with 2013–14.

## Recruitment of women initiatives

### Navy

The Navy has committed to increasing the number of women in employment categories where women are currently under-represented and is aiming to achieve this through a number of targeted recruiting initiatives, including:

- All Navy positions (sailor and officer) are now open to women, consequently there is no upper limit on female recruitment for the 2015–2016 financial year.
- The sustainment of the Women in Navy website (on the Defence jobs website) profiling a category or job which is currently under-represented but showcases a current serving female member pursuing and excelling in her role. This continues to provide candidates with direct insight into the possibility of a career in the Navy and in a non-traditional role.
- Continuation of the Specialist Recruiting Team – Women (SRT-W), in which four Navy positions (Petty Officer/Leading Seaman) are embedded within the Brisbane, Parramatta, Melbourne and Perth Recruiting Centres. The primary focus for the team is the attraction, mentoring and recruitment of female candidates. These positions are supported by one Navy position (Lieutenant Commander) at Head Quarters Defence Force Recruiting (HQDFR), the Executive Officer of Diversity, to provide support and direction to and review of the progress of the SRT-W initiatives.
- Communication of Navy recruiting goals, particularly for employment categories in which women are under-represented (i.e. less than 15 per cent) within Defence

Force Recruiting (DFR) to ensure Recruiting Centres can identify and subsequently address the Navy's priority work groups.

- Introduction of the Gap Year programme for a total of 75 candidates in 2016; 25 in each of three intakes. Of these positions, the Navy has provided a target of 33 women; 11 in each intake. Applications have closed for the positions and Recruiting Centres are working through the applications to ensure letters of offer are delivered well in advance of intake dates. The Gap Year programme will provide all candidates with an opportunity to gain an understanding of the Navy and the career opportunities available to them. It also provides an avenue for entry for those who decide to continue to serve beyond the Gap Year.

## Army

**Table 8: Recruitment of women initiatives, Army, 2014–15**

Recruiting Initiative		Women Recruited
Recruit to Area		3
Reduced Initial Minimum Period of Service	247 (across 12 employment categories)	
Recruit When Ready		18
Army Pre-Conditioning Course		22

**Source:** Director General Personnel—Army

The 'Recruit When Ready' initiative has been refined to ensure that female recruits do not spend more than three months in a holding platoon in accordance with the Chief of Army's direction.

While the figure for women recruited through the reduced initial minimum period of service (IMPS) initiative is high, this figure also includes women who have been involved in other recruitment initiatives (for example, joined through Recruit When Ready on reduced IMPS). In addition, as the reduced IMPS was applied across specific employment categories any candidate applying for these categories was subject to a reduced IMPS. The selected categories represented employment areas that traditionally attracted women or in many cases regularly achieved their recruiting targets. As a result, the reduced IMPS figure for women is likely to include individuals who would have enlisted in these categories in the absence of the reduced IMPS scheme. Future reduced IMPS schemes will focus on under-achieving categories and Arms Corps categories for female candidates, for example, women may be offered an optional two-year IMPS if they join the Royal Australian Infantry.

While the previous reduced IMPS scheme assisted in attracting more women, there was an increased separation rate at the conclusion of the IMPS. As such, enlistment under the one-year IMPS initiative will cease from end December 2015 and two-year IMPS for selected employment categories will commence in January 2016.

The Army Pre-Conditioning Course continues to be a successful initiative to assist female recruits in meeting the required entry-level fitness standards if they demonstrate suitability in all other requirements through Defence Force Recruiting. The candidates are provisionally enlisted four weeks prior to their allocated recruit course to undertake fitness training. This training is conducted separately to the Ashley Platoon, which provides re-training for recruits (women and men) who fail to meet the fitness standard once they have commenced their course.

Gap Year 2015 commenced with 30 Army women, of which four left the recruit training course (three were assessed as not suitable to be a soldier and one was the result of the withdrawal of parental consent). The total number of applications for Gap Year 2016 is 2,184 of which 628 (28.8 per cent) are women, the first round of applications have closed; however, applications will open again in early 2015–16 for a short period.

The Army continues to maintain its specialist recruiting team of 10 uniformed female members allocated to Defence Recruiting Centres in Perth, Brisbane, Canberra, Melbourne, Adelaide and Parramatta.

## Air Force

**Table 9: Recruitment of women initiatives, Air Force, 2014–15**

Recruiting Initiative	Women Recruited
Recruit to Area	Nil - Program not yet implemented
Reduced Initial Minimum Period of Service	83
Recruit When Ready	Nil - Not required this financial year

**Source:** Director General Personnel—Air Force

During 2014–15, the Air Force implemented the following recruiting initiatives to attract and retain women:

**Female Targets.** As was also the case in 2013–14, specific female recruiting targets were set against employment categories in which women are under-represented. These categories predominantly relate to the engineering, technical and aircrew workforces. For 2014–15 a total of 125 targets were set, with 86 achieved (68 per cent). This is up from an achievement of 54 against a target of 132 (41 per cent) during 2013–14. The establishment of female recruiting targets will continue for the foreseeable future.

**Recruit to Area.** This initiative is linked to the female recruiting targets. Development of this initiative is being finalised with full implementation expected in 2015–16.

**Reduced Initial Minimum Period of Service (IMPS).** Commencing in July 2013, the Air Force implemented a two-year trial of IMPS reductions for many employment categories. The trial has been extended for an additional two years to the end of 2016–17 to enable a more accurate assessment of the success of this initiative. During 2014–15, 48 female airmen and 35 female officers (83 total) were recruited to workforces with a reduced IMPS. This figure is lower than 2013–14 due to an overall reduction in recruiting targets against the subject workforces when compared to 2013–14.

**Recruit When Ready.** This initiative will see women found suitable for the Air Force fast-tracked through the recruitment process. This initiative was not required in 2014–15 due to availability of sufficient recruiting windows for female candidates.

**Changes to Female Pilot Obligations.** The Air Force has set aside the IMPS for direct entry female pilots and is trialling, as a replacement, a two-year return of service obligation commencing on graduation from the initial operational conversion course. This initiative removes an otherwise lengthy on-appointment commitment which might dissuade women from joining the Air Force as a pilot. In 2014–15, 10 female direct entry pilots were recruited who will be managed under this initiative.

**Graduate Pilot Scheme.** The Graduate Pilot Scheme is a targeted pilot recruitment model that aims to encourage women already pursuing careers as civilian pilots and studying a Bachelor of Aviation degree at a civilian university to consider joining the Air Force. Three female pilots were recruited under this scheme in 2014–15 (included in the 10 direct entry pilots above).

**Experiential Camp for Girls.** In an effort to raise the Air Force profile as an employer of choice for women aged between 16 and 24 years, the Air Force established two experiential camps for girls. These experiential camps were first run in 2013. The camps are designed to provide a week of positive, tailored work experiences to participants, promoting the Air Force as a positive employment option, particularly for non-traditional employment roles. The primary objective of Flight Camp and Tech Camp is to provide a hands-on, risk-free experiential learning opportunity for young women to experience aviation and technical roles (particularly pilot) in the Air Force. This includes the

opportunity to engage with current serving women from those employment groups and provide exposure to Air Force life, fitness standards, leadership and adventurous training.

As at July 2015, all programs have been fully subscribed. A camp is programmed for Tasmania in September 2015, aimed at encouraging women to join the Air Force who may be interested in direct officer entry as opposed to ADFA.

The experiential camp statistics are outlined below. These numbers change regularly as the participants progress through the recruitment pipeline. A significant number of the participants have indicated a willingness to join Air Force and are waiting until they are eligible to apply.

**Table 10: Experiential Camp Statistics, 2015**

Experiential Camp Statistics	2015
Camp locations	East Sale Amberley
Number of applications received	94
Number completed program	30
Number appointed/enlisted or awaiting Letter of Offer for Air Force	1 Air Combat Officer 1 Joint Battlefield Airspace Controller 1 Intelligence Officer 2 Pilots
Number currently engaged with Defence Force Recruiting	13
Number applied but not medically suitable	1

**Source:** Director General Personnel—Air Force.

## Recruitment growth targets

### Navy

The Navy has set a target for increasing the participation of women to 25 per cent by 2023. To achieve this, the Navy set recruitment goals for the 2014–15 financial year which were to recruit additional female officers and sailors. As shown in Table 5, the Navy recruited 33 *ab initio* female officers and 256 female sailors, which is a modest increase from 2013–14, in which 32 female officers and 244 female sailors were recruited. Female sailor recruiting goals for financial year 2015–16 are set at approximately 28.5 per cent (281), which provides a potential growth of 20 on the previous year. All targets (sailor and officer) are open to women, consequently there is no upper limit on female recruitment.

Achievement against Navy recruiting targets is reported in Table 5 to Table 7. Workforce modelling analysis carried out earlier in 2015 indicates that the Navy is progressing well against recruiting targets, and is on track to meet the 2023 goal.

### Army

The Chief of Service Committee has set the Army a long-term target for increasing the participation of women to 15 per cent by 2023. The Army set a short term goal of 12 per cent female representation by 1 July 2014, achieving 11.8 per cent at that date. The Chief of Army set a further target of 13 per cent female representation by 1 July 2015, with female representation reaching 12.1 per cent at that date. The Army is currently assessing extant recruiting initiatives with a view to reinvigorating female recruiting as a strategic priority. The Army embedded 10 specialist female recruiters at Defence Force Recruiting in 2013. The positions have been extended until January 2016, and the extension of these positions is currently being considered. Army continues to offer special measure recruitment mechanisms to meet future recruitment targets.

Achievement against Army recruiting initiatives to increase the representation of women is reported in Table 8, and overall recruiting achievement figures are reported in Table 5 to Table 7. Workforce modelling analysis carried out earlier in 2015 indicated that the Army is progressing well against recruiting targets, with the 2023 goal remaining achievable.

## *Air Force*

Air Force is seeking to increase female representation to 25 per cent by 2023. To achieve this target, Air Force has developed a non-linear growth path for the number of women to be recruited. This path consists of planned growth of no more than 0.5 per cent (net increase of 70 women each year) for the first two years commencing 2013–14, followed by an increase of 1 per cent annually commencing 2015–16.

In support of this growth path Air Force has implemented, or is in the process of implementing, a number of recruitment and retention initiatives including:

- specific female recruiting targets
- recruit to area (where desired)
- a *Women in the Air Force* marketing campaign
- the embedding of a specialist women recruitment team in Defence Force Recruiting
- the trial of a reduction of Initial Minimum Period of Service (IMPS) for a number of workforces (gender-neutral reductions)
- introduction of the Graduate Pilot Scheme (GPS) for women
- changes to direct entry female pilot return of service obligations
- experiential camps for girls (technical and aircrew focussed programs).

Female representation in Air Force has continued to increase, with overall representation rising from 18.2 per cent as at 30 June 2014 to 18.6 per cent as at 30 June 2015, reflecting satisfactory progress against the growth target. Furthermore, workforce modelling analysis indicates that Air Force is progressing well towards the 2023 female participation goal.

Achievement against Air Force recruiting initiatives to increase the representation of women is reported in Table 9, and overall recruiting achievement is reported in Table 5 to Table 7.

## ADF promotions

**Table 11: ADF permanent force promotions (number and proportion of women and men substantively promoted to each rank), 2014–15<sup>[1][2][5][6][7][8]</sup>**

2014-15	Navy					Army					Air Force					ADF				
	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
<b>Officers</b>																				
General (E) (O10)	0	0	0.0%	0	0	0	0	0.0%	0	0	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	1	100.0%
Lieutenant General (E) (O09)	0	0	0.0%	0	0	0	0.0%	0.0%	1	100.0%	0	0	0.0%	0	0	0	0.0%	0.0%	1	100.0%
Major General (E) (O08)	0	0.0%	0.0%	2	100.0%	0	0.0%	-25.0%	3	100.0%	0	0.0%	0.0%	3	100.0%	0	0.0%	-9.1%	8	100.0%
Brigadier (E) (O07)	3	50.0%	50.0%	3	50.0%	1	12.5%	-5.7%	7	87.5%	0	0.0%	-16.7%	6	100.0%	4	20.0%	7.0%	16	80.0%
Colonel (E) (O06)	2	13.3%	-4.8%	13	86.7%	2	6.3%	-8.0%	30	93.8%	3	16.7%	-9.4%	15	83.3%	7	10.8%	-8.6%	58	89.2%
Lieutenant Colonel (E) (O05)	3	11.1%	-7.8%	24	88.9%	12	17.4%	-4.3%	57	82.6%	12	23.1%	8.6%	40	76.9%	27	18.2%	0.0%	121	81.8%
Major (E) (O04)	15	17.4%	-4.9%	71	82.6%	28	14.6%	-1.9%	164	85.4%	24	17.1%	-8.2%	116	82.9%	67	16.0%	-3.9%	351	84.0%
<b>Total Officers</b>	<b>23</b>	<b>16.9%</b>	<b>-2.5%</b>	<b>113</b>	<b>83.1%</b>	<b>43</b>	<b>14.1%</b>	<b>-3.3%</b>	<b>262</b>	<b>85.9%</b>	<b>39</b>	<b>17.7%</b>	<b>-3.8%</b>	<b>181</b>	<b>82.3%</b>	<b>105</b>	<b>15.9%</b>	<b>-3.2%</b>	<b>556</b>	<b>84.1%</b>
<b>Other Ranks</b>																				
Warrant Officer Class 1 (E) (E10 and E09) <sup>[3]</sup>	3	15.0%	9.7%	17	85.0%	8	11.8%	1.2%	60	88.2%	8	13.6%	1.3%	51	86.4%	19	12.9%	2.5%	128	87.1%
Warrant Officer Class 2 (E) (E08)	14	14.3%	4.6%	84	85.7%	14	8.6%	-2.4%	149	91.4%	13	11.7%	-3.6%	98	88.3%	41	11.0%	-0.9%	331	89.0%
Sergeant (E) (E06)	29	19.6%	6.6%	119	80.4%	33	12.0%	2.0%	243	88.0%	31	15.3%	1.3%	172	84.7%	93	14.8%	3.0%	534	85.2%
Corporal (E) (E05)/Lance Corporal (E04) <sup>[4]</sup>	85	22.4%	3.5%	294	77.6%	176	10.4%	0.8%	1,522	89.6%	58	19.4%	-3.9%	241	80.6%	319	13.4%	0.4%	2,057	86.6%
<b>Total Other Ranks</b>	<b>131</b>	<b>20.3%</b>	<b>4.4%</b>	<b>514</b>	<b>79.7%</b>	<b>231</b>	<b>10.5%</b>	<b>0.7%</b>	<b>1,974</b>	<b>89.5%</b>	<b>110</b>	<b>16.4%</b>	<b>-1.8%</b>	<b>562</b>	<b>83.6%</b>	<b>472</b>	<b>13.4%</b>	<b>0.8%</b>	<b>3,050</b>	<b>86.6%</b>
<b>Total ADF Permanent</b>	<b>154</b>	<b>19.7%</b>	<b>3.3%</b>	<b>627</b>	<b>80.3%</b>	<b>274</b>	<b>10.9%</b>	<b>0.1%</b>	<b>2,236</b>	<b>89.1%</b>	<b>149</b>	<b>16.7%</b>	<b>-2.3%</b>	<b>743</b>	<b>83.3%</b>	<b>577</b>	<b>13.8%</b>	<b>0.2%</b>	<b>3,606</b>	<b>86.2%</b>

**Source:** Defence HR system.

### Notes

- Figures in this table show ADF permanent force members (trained force only) promoted to each rank in 2014–15.
- Only promotions to those ranks for which merit selection applies are shown (i.e. promotions to the officer ranks of O04 and above and the other ranks of E04 and above).
- Warrant Officer Class 1 (E) figures include Warrant Officer—Navy, Regimental Sergeant Major—Army, and Warrant Officer—Air Force.
- There are no members in the E04 rank in the Navy or Air Force.
- Percentages may not sum due to rounding.
- Delta (Δ) figures show the differences in percentage of women from 30 June 2015 to 30 June 2014.
- Cells highlighted in green indicate that the 2014–15 percentage of women was at least 5.0 per cent greater than the 2013–14 percentage of women.
- Cells highlighted in orange indicate that the 2014–15 percentage of women was at least 5.0 per cent less than the 2013–14 percentage of women.

## Navy

**Figure 8: Percentage of Navy officer promotions filled by women and percentage of women in ranks below, 2014–15**

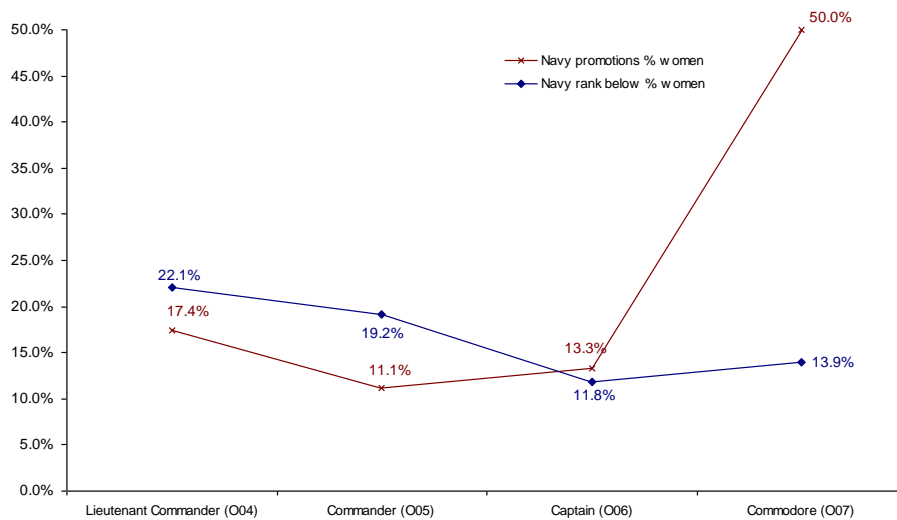


Figure 8 shows the proportion of Navy officer ranks promotions from Lieutenant Commander to Commodore filled by women during 2014–15. Around one-sixth (16.9 per cent) of all Navy officer promotions were filled by women, which is slightly lower than the 2013–14 figure, which was 19.4 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. For promotions to Lieutenant Commander and Commander, promotions are slightly under-represented, while promotions to Captain are approximately evenly represented as a proportion of the women in the rank below. With three of the six promotions to Commodore being filled by women, half of promotions to this rank were women, which is far higher than the proportion of women at the rank below.

**Figure 9: Percentage of Navy other ranks promotions filled by women and percentage of women in ranks below, 2014–15**

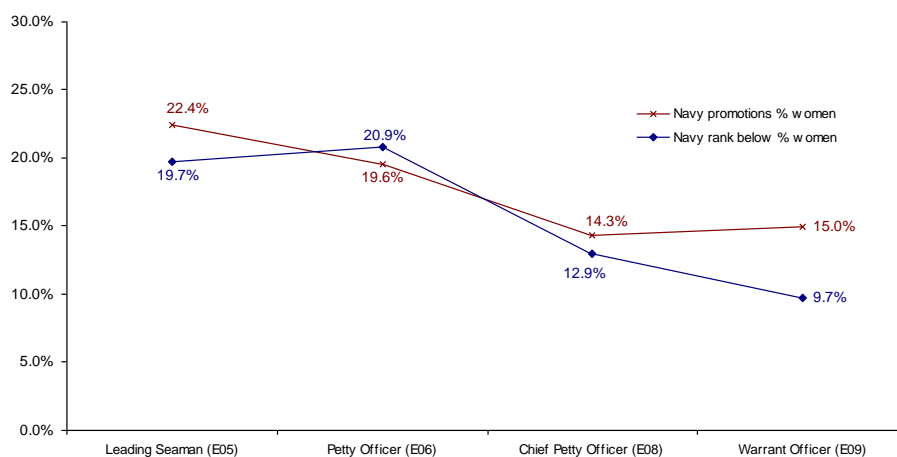


Figure 9 shows the proportion of Navy other ranks promotions filled by women during 2014–15. Around one-fifth (20.3 per cent) of all Navy other ranks promotions were filled by women, which is higher than the 2013–14 figure, which was 15.9 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. Female promotions to the

ranks of Leading Seaman and Warrant Officer were over-represented compared to the proportion of women in the ranks below, while promotions to Petty Officer and Chief Petty Officer ranks were approximately evenly represented.

**Table 12: Navy officer staff college attendance and command appointments, 2014–15 <sup>[1]</sup>**

2014-15	Proportion of Women in Selection Pool			Representation of Women Achieved		
	Total Pool	Women	% Women	Total Appointments	Women	% Women
Command and Staff College (inc CMTCC) <sup>[2]</sup>	298	77	25.8%	28	6	21.4%
Centre for Defence and Strategic Studies	40	10	25.0%	5	2	40.0%
Command Appointments (CAPT/CMDR)	124	11	8.9%	36	5	13.9%
Charge Appointments (LCDR)				61	8	13.1%

**Source:** Director General Navy People.

**Note**

1. Figures are for the Permanent Naval Forces only.
2. In the majority of cases, the selection pool for ACSC (including CTMC) consists of Lieutenant Commanders with minimum two years seniority who have completed Charge time (equivalent to sub-unit command).

Table 12 shows the proportion of women in the eligible pool for selection for each appointment type, including Australian Command and Staff College (ACSC), Capability Technical Management Program (CTMP), Centre for Defence and Strategic Studies (CDSS) and Command. ACSC is not a promotion gateway for the Navy because of the relatively small number of positions available, but it does increase merit for promotion. The Navy also considers ACSC and CTMP to be equal, broadening the pool and opportunities for development and merit for promotion.

For CDSS and Command appointments, the percentage of women selected was higher than the percentage of women in the eligible pool. Of note, 13.8 per cent of officers selected for Command were women which exceeded the percentage of women in the available pool by 5 per cent. This year is the first time the Navy has included Charge appointments in the data noting these are influential leadership positions, and they also form the pool from which future Commanding Officers will be selected. This is the first time Charge appointments have been included in the report, however, clear data around the proportion of women in the eligible pool is not available retrospectively. This data will be tracked for future years during the selection process. Additionally, a gender representative is included in every promotion, course and Command/Charge selection panel.

**Table 13: Navy other ranks promotional gateway to Petty Officer, Chief Petty Officer and Warrant Officer (Navy Sergeant, Warrant Officer Class 2 and Warrant Officer Class 1 equivalent), 2014–15 <sup>[1]</sup>**

2014-15	Proportion of Women in Selection Pool			Representation of Women Achieved		
	Total Pool	Women	% Women	Total Appointments	Women	% Women
Petty Officer Promotion Course	314	48	15.3%	210	41	19.5%

**Source:** Director General Navy People.

**Note**

1. Figures are for the Permanent Naval Forces only.

Table 13 shows the proportion of women in the competitive pool for the Petty Officer promotion course (15.3 per cent) and the proportion of women who are attending the course (19.5 per cent). The proportion of women attending the course is almost identical

to the proportion in the competitive pool, indicating that women are well-represented on this promotion course.

## Army

**Figure 10: Percentage of Army officer promotions filled by women and percentage of women in ranks below, 2014–15**

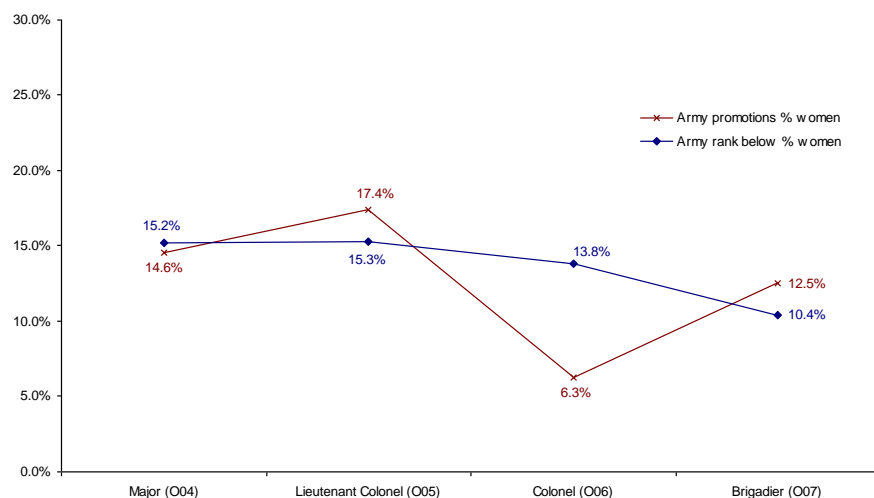


Figure 10 shows the proportion of promotions to the Army officer ranks of Major to Brigadier filled by women during 2014–15. Around one-seventh (14.1 per cent) of all Army officer promotions were filled by women, which is slightly lower than the 2013–14 figure, which was 17.4 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. For promotions to Major, Lieutenant Colonel, and Brigadier, women are roughly proportionately represented, while promotions to Colonel are filled by a lower proportion of women (6.3 per cent) compared with the proportion of women in the rank below (13.8 per cent).

**Figure 11: Percentage of Army other ranks promotions filled by women and percentage of women in ranks below, 2014–15**

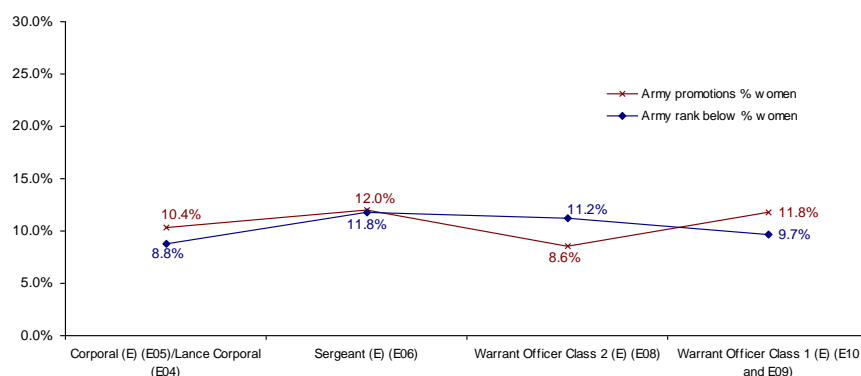


Figure 11 shows the proportion of Army other ranks promotions filled by women during 2014–15. Around one-tenth (10.5 per cent) of all Army other ranks promotions were filled by women, which is very slightly higher than the 2013–14 figure, which was 9.8 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. Female promotions to

each of the ranks shown are roughly in proportion with the proportion of women at the ranks below, with proportions promoted within 3 per cent of the proportions in the rank below.

**Table 14: Army officer staff college attendance and command appointments, 2014–15<sup>[1][2]</sup>**

2014-15	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/ Appointments	Women	% Women
Australian Command and Staff College	159	10	6.3%	75	12	16.0%
Centre for Defence and Strategic Studies	31	2	6.5%	11	2	18.2%
Command Appointments	250	20	8.0%	36	6	16.7%

**Source:** Director General Personnel—Army.

**Notes**

1. Figures are for the Australian Regular Army only.
2. Completion of the Centre for Defence and Strategic Studies is normally a prerequisite for promotion to Brigadier on the Command and Leadership Pathway.

Table 14 shows the proportion of women in leadership development opportunities such as staff college and command appointment, which increase eligibility for promotion, and in some cases is a prerequisite.

For ACSC, outcomes shown in 2015 compared to 2014 indicate a decrease in the number of competitive women presenting (down to 10 from 22 in 2014) and an increase in attendance in 2015 (12, up from 7 in 2014). The difference between the proportion of women in the competitive pool (10) and the representation achieved (12) is due to women who were competitive in the pool the previous year, but due to a combination of personal circumstances and service need were selected for attendance at ACSC this year. For CDSS the number of women in the competitive pool and those selected in 2015 remains consistent with 2014 (two women both considered and selected). The number of women competing for unit command decreased from 38 in 2014, while the number of unit command opportunities and women selected for unit command remained consistent with 2014.

**Table 15: Army other ranks promotional gateways to rank of Sergeant, 2014–15<sup>[1][2]</sup>**

2014-15	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/ Appointments	Women	% Women
Subject 1 for Sergeant	DTR: 522 Panelled: 384	40	10.4%	Panelled: 384	40	10.4%

**Source:** Director General Personnel—Army.

**Notes**

1. Subject 1 for Sergeant is a promotion course that is a prerequisite for promotion to Sergeant for all Army trades. In addition, each trade has one or more additional trade-specific promotion training requirement.
2. Figures are for the Australian Regular Army only.

Table 15 shows the proportion of women panelled for the training course which is a prerequisite for promotion to Sergeant. The competitive pool is inclusive of all Corporals (women and men) in the Army panelled to attend the course due to their time in rank and prerequisite requirements being fulfilled for attendance on the Subject 1 Sergeant Course. Female and male participation is based on merit selection. The Directorate of Soldier Career Management – Army (DSCM-A) does not have target allocations for female participation on subject courses or promotion. There is only minor variance in this area annually. DSCM-A works to achieve the directed training requirement set by Headquarters Forces Command each year; however due to current rank and trade structures this is not always achievable.

Considerations for course selection and promotion are merit-based and gender-neutral enabling all soldiers, including the Army's most talented soldiers, to balance progressive and rewarding careers through a fair and transparent procedure. In addition, the proportion of women presented to Sergeant Promotion Advisory Committee (PAC) for the most recent career management cycle was 10.5 per cent and it is assessed that this is a highly competitive cohort.

## Air Force

**Figure 12: Percentage of Air Force officer promotions filled by women and percentage of women in ranks below, 2014–15**

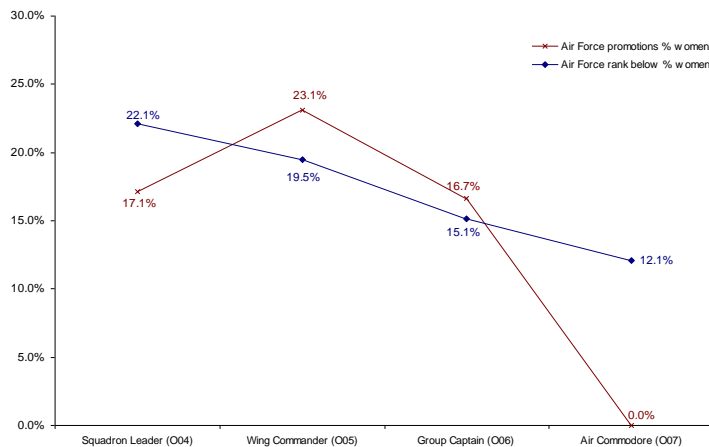


Figure 12 shows the proportion of promotions to the Air Force officer ranks of Squadron Leader to Air Commodore filled by women during 2014–15. Over one-sixth (17.7 per cent) of Air Force officer promotions were filled by women in 2014–15, which is slightly lower than the 2013–14 figure, which was 21.6 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. Promotions to Group Captain are roughly proportionately filled by women compared to the proportion of women in the rank below. Women are slightly over-represented in promotions to Wing Commander, and under-represented in promotions to Squadron Leader. The proportion of women promoted to Air Commodore was zero; however, there were only six promotions to Air Commodore in total during 2014–15.

**Figure 13: Percentage of Air Force other ranks promotions filled by women and percentage of women in ranks below, 2014–15**

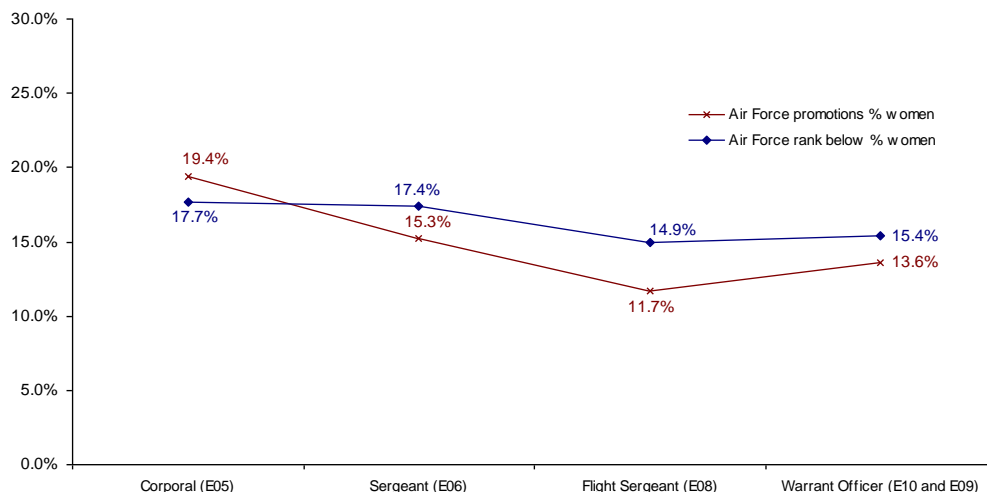


Figure 13 shows the proportion of women who were promoted to Air Force other ranks in 2014–15. Around one-sixth (16.4 per cent) of all Air Force other ranks promotions were filled by women, which is slightly lower than the 2013–14 figure, which was 18.1 per cent. The proportion of women promoted is given context when combined with the proportion of women in the rank below. While not all members in the rank below are eligible for promotion, this provides a point of reference, giving some indication of whether women are over- or under-represented in promotions to the next level. For each of the ranks shown, women are promoted at a rate roughly proportionate to the composition of women in the ranks below.

**Table 16: Air Force officer staff college attendance and command appointments, 2014–15<sup>[6]</sup>**

2014-15	Proportion of Women in Competitive Pool			Representation of Women Achieved		
	Total (Women and Men)	Women	% Women	Total Places/Appointments	Women	% Women
Command and Staff College Total Pool <sup>[1]</sup>	749	131	17.5%			
Command and Staff College (Applicants/ Placements) <sup>[2]</sup>	108	18	16.7%	43	5	11.6%
Centre for Defence and Strategic Studies (Pool Placements) <sup>[3]</sup>	123	12	9.8%	8	3	37.5%
Command Appointments (WGCDR) (Pool/ Placements) <sup>[4]</sup>	366	65	17.8%	29	4	13.8%
Command Appointments (GPCAPT) (Pool/ Placements) <sup>[5]</sup>	90	14	15.6%	26	1	3.8%

**Source:** Director General Personnel—Air Force.

**Notes**

1. Squadron Leaders with greater than two years of seniority with effect 1 January 2015 who have not completed Command Staff College.
2. Command and Staff College includes applicants who applied for Australian and Overseas colleges.
3. Group Captains who have not completed Centre for Defence and Strategic Studies courses.
4. Wing Commanders less those who have already held an O05 command position (repeat command tours can be an option, although not usual).
5. Group Captains less those who have already held an O06 command position (repeat command tours unlikely).
6. Figures are for the Permanent Air Force only.

Table 16 shows the proportion of women participating in leadership development opportunities such as staff college and command appointment, which increase eligibility for promotion. Successful completion of Command and Staff Course (CSC) (Australian and overseas equivalent) is not a barrier to promotion to Wing Commander or for selection to command. Nevertheless, achievement of this qualification does favourably influence promotion and command selection.

Importantly, the Air Force has been progressively removing unnecessary barriers to promotion since 2007. As such, highly talented officers who may have missed out on selection to attend CSC can still expect to be identified for promotion and command. This is evidenced by the command selections for January 2015, whereupon 29 officers were selected, four of whom were women. Of the 33 selections for command for 2016, seven women have been identified to undertake command in January 2016.

Subsequent promotion to Group Captain is influenced primarily by performance in a command role rather than completion of CSC. The number of women holding Group Captain command roles is still relatively low. Largely, these positions are specialist flying and engineering roles and there is an absence of women in the competitive pool. As initiatives for the recruitment, career management and progression of women mature, it is expected that the competitive pool will increase with a subsequent increase in women holding Group Captain commands.

The promotion figures shown in Figure 12 and Figure 13 give a broader representation of progress. The promotion rates are consistent with those of recent years and are likely to be a product of ongoing enhancement to promotion board processes. Recent attention has also been placed on recognising the importance of alternate career paths and reduced emphasis on the occurrence of career breaks. For the 2015 promotion board, candidates were presented in alphabetical order and independent silent voting was used before the committee deliberation. Women continue to be included as voting members on all promotion boards (since approximately 2003) and an independent member was present for all promotion boards to Warrant Officer, Wing Commander and Group Captain.

### Representation of women on Defence senior decision-making committees

Table 17 shows the gender balance on key Defence decision-making bodies at 30 June 2015.

**Table 17: Gender balance on key Defence decision-making bodies, 30 June 2015<sup>[1][2]</sup>**

Committee	ADF		APS		Non-Defence		Vacant Positions	Headcount	Total	
	Women	Men	Women	Men	Women	Men			% Women	% Men
Secretary and Chief of the Defence Force Advisory Committee (SCAC)	0	6	2	9	0	0	0	17	11.8%	88.2%
Defence Committee (DC)	0	6	2	9	0	0	0	17	11.8%	88.2%
Chiefs of Service Committee (COSC)	1	7	1	2	0	0	0	11	18.2%	81.8%
Defence Capability Committee	0	10	2	8	0	0	0	20	10.0%	90.0%
Defence Civilian Committee	0	1	4	9	0	0	0	14	28.6%	71.4%
Defence Audit and Risk Committee (DARC)	0	1	0	2	1	2	0	6	16.7%	83.3%
Defence Capability and Investment Committee (DCIC)	0	6	1	10	0	0	0	17	5.9%	94.1%
Chief of Navy Senior Advisory Committee (CNSAC)	1	8	1	0	0	0	0	10	20.0%	80.0%
Chief of Army Senior Advisory Committee (CASAC)	1	9	1	0	0	0	0	11	18.2%	81.8%
Chief of Air Force Advisory Committee (CAFAC)	1	12	0	1	0	0	0	14	7.1%	92.9%
Human Resources Development Board (HRDB)	1	4	1	2	0	0	0	8	25.0%	75.0%

**Source:** Senior committee secretariats.

#### Notes

1. Appointment on these boards and committees is determined by position.
2. Figures include permanent members only; invited guests and observers are not included.

**Figure 14: Percentage of women and men on key Defence decision-making bodies, 30 June 2015**

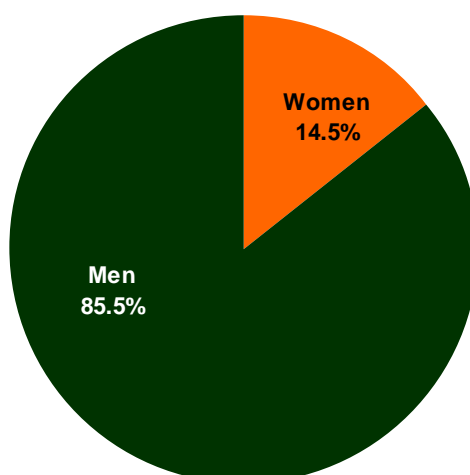


Figure 14 shows the proportions of women and men on key Defence decision-making bodies. There was very little increase in the total proportion of women on these committees, growing from 13.9 per cent at 30 June 2014 to 14.5 per cent at

30 June 2015, which is due to a decrease in the overall number of members, but numbers of women remaining approximately the same. Eight of the committees have the same (or within 2 per cent) proportions of women as in 2013–14, two (Chief of Service Committee and Defence Capability Committee) have had small decreases (6.8 per cent and 5.8 per cent respectively), and the Human Resources Development Board has had a large increase in the proportion of women, mainly due to a reduction in the overall size of the board.

## Women and men retained after parental leave

Table 18 to Table 20 show the numbers and percentages of members retained after taking maternity or parental leave in the 18 months to 30 June 2015. The tables include the numbers of women and men at each rank who took any variant of parental leave (including maternity and adoption leave), and how many of these women and men were still serving with the ADF at 30 June 2015. Women and men not considered to be retained include those who have discharged, and those who transferred from the permanent forces to serve in a Reserve capacity.

**Table 18: Numbers and proportions of Navy members retained after taking paid maternity or parental leave in the 18 months to 30 June 2015<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
Admiral (O10)	-	-	-	Admiral (O10)	-	-	-
Vice Admiral (O09)	-	-	-	Vice Admiral (O09)	-	-	-
Rear Admiral (O08)	-	-	-	Rear Admiral (O08)	-	-	-
Commodore (O07)	-	-	-	Commodore (O07)	-	-	-
Captain (O06)	-	-	-	Captain (O06)	-	-	-
Commander (O05)	-	-	-	Commander (O05)	6	6	100.0%
Lieutenant Commander (O04)	9	9	100.0%	Lieutenant Commander (O04)	27	25	92.6%
Lieutenant (O03)	22	20	90.9%	Lieutenant (O03)	48	42	87.5%
Sub Lieutenant (O02)	-	-	-	Sub Lieutenant (O02)	5	5	100.0%
Acting Sub Lieutenant (O01)	1	1	100.0%	Acting Sub Lieutenant (O01)	-	-	-
Midshipman (O00)	-	-	-	Midshipman (O00)	-	-	-
Warrant Officer (E09)	1	1	100.0%	Warrant Officer (E09)	3	3	100.0%
Chief Petty Officer (E08)	-	-	-	Chief Petty Officer (E08)	23	23	100.0%
Petty Officer (E06)	18	16	88.9%	Petty Officer (E06)	55	48	87.3%
Leading Seaman (E05)	44	35	79.5%	Leading Seaman (E05)	132	114	86.4%
Able Seaman (E03)	53	32	60.4%	Able Seaman (E03)	117	103	88.0%
Seaman (E02)	5	5	100.0%	Seaman (E02)	19	19	100.0%
Seaman* (E01)	2	0	0.0%	Seaman* (E01)	2	2	100.0%
<b>Total</b>	<b>155</b>	<b>119</b>	<b>76.8%</b>	<b>Total</b>	<b>437</b>	<b>390</b>	<b>89.2%</b>

**Source:** Defence HR system.

### Note

1. Leave types include adoption leave paid, forces maternity leave—ADF, paid parental leave—ADF, maternity leave paid and parental leave.

**Table 19: Numbers and proportions of Army members retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2015<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
General (O10)	-	-	-	General (O10)	-	-	-
Lieutenant General (O09)	-	-	-	Lieutenant General (O09)	-	-	-
Major General (O08)	-	-	-	Major General (O08)	-	-	-
Brigadier (O07)	-	-	-	Brigadier (O07)	-	-	-
Colonel (O06)	-	-	-	Colonel (O06)	1	1	100.0%
Lieutenant Colonel (O05)	3	3	100.0%	Lieutenant Colonel (O05)	18	15	83.3%
Major (O04)	21	20	95.2%	Major (O04)	68	61	89.7%
Captain (O03)	28	27	96.4%	Captain (O03)	109	101	92.7%
Lieutenant (O02)	9	9	100.0%	Lieutenant (O02)	35	33	94.3%
Second Lieutenant (O01)	-	-	-	Second Lieutenant (O01)	-	-	-
Officer Cadet (O00)	-	-	-	Officer Cadet (O00)	3	3	100.0%
Warrant Officer Class 1 (E09)	-	-	-	Warrant Officer Class 1 (E09)	6	5	83.3%
Warrant Officer Class 2 (E08)	8	7	87.5%	Warrant Officer Class 2 (E08)	36	33	91.7%
Sergeant (E06)	20	20	100.0%	Sergeant (E06)	163	147	90.2%
Corporal (E05)	54	49	90.7%	Corporal (E05)	266	241	90.6%
Lance Corporal (E04)	8	6	75.0%	Lance Corporal (E04)	104	88	84.6%
Private Proficient (E03)	46	32	69.6%	Private Proficient (E03)	406	314	77.3%
Private (E02)	4	4	100.0%	Private (E02)	48	46	95.8%
Private Trainee (E01)	-	-	-	Private Trainee (E01)	15	15	100.0%
<b>Total</b>	<b>201</b>	<b>177</b>	<b>88.1%</b>	<b>Total</b>	<b>1,278</b>	<b>1,103</b>	<b>86.3%</b>

**Source:** Defence HR system.

### Note

1. Leave types include adoption leave paid, forces maternity leave—ADF, paid parental leave—ADF, maternity leave paid and parental leave.

**Table 20: Numbers and proportions of Air Force members retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2015<sup>[1]</sup>**

Women				Men			
Rank	Taken Leave	Retained	% Retained	Rank	Taken Leave	Retained	% Retained
Air Chief Marshal (O10)	-	-	-	Air Chief Marshal (O10)	-	-	-
Air Marshal (O09)	-	-	-	Air Marshal (O09)	-	-	-
Air Vice-Marshal (O08)	-	-	-	Air Vice-Marshal (O08)	-	-	-
Air Commodore (O07)	-	-	-	Air Commodore (O07)	1	1	100.0%
Group Captain (O06)	-	-	-	Group Captain (O06)	1	1	100.0%
Wing Commander (O05)	1	1	100.0%	Wing Commander (O05)	8	8	100.0%
Squadron Leader (O04)	10	10	100.0%	Squadron Leader (O04)	46	41	89.1%
Flight Lieutenant (O03)	28	27	96.4%	Flight Lieutenant (O03)	98	93	94.9%
Flying Officer (O02)	7	7	100.0%	Flying Officer (O02)	17	16	94.1%
Pilot Officer (O01)	1	1	100.0%	Pilot Officer (O01)	3	3	100.0%
Officer Cadet (O00)	1	1	100.0%	Officer Cadet (O00)	4	2	50.0%
Non-Commissioned Officer Cadet (E51)	-	-	-	Non-Commissioned Officer Cadet (E51)	3	3	100.0%
Warrant Officer (E09)	2	2	100.0%	Warrant Officer (E09)	6	6	100.0%
Flight Sergeant (E08)	3	3	100.0%	Flight Sergeant (E08)	8	8	100.0%
Sergeant (E06)	20	19	95.0%	Sergeant (E06)	83	74	89.2%
Corporal (E05)	43	37	86.0%	Corporal (E05)	176	160	90.9%
Leading Aircraftman/Woman (E03)	60	58	96.7%	Leading Aircraftman/Woman (E03)	136	123	90.4%
Aircraftman/Woman (E02)	5	4	80.0%	Aircraftman/Woman (E02)	12	11	91.7%
Aircraftman/Woman Trainee (E01)	2	2	100.0%	Aircraftman/Woman Trainee (E01)	6	6	100.0%
<b>Total</b>	<b>183</b>	<b>172</b>	<b>94.0%</b>	<b>Total</b>	<b>608</b>	<b>556</b>	<b>91.4%</b>

**Source:** Defence HR system.

**Note**

1. Leave types include adoption leave paid, forces maternity leave—ADF, paid parental leave—ADF, maternity leave paid and parental leave.

**Figure 15: Percentages of women and men retained after taking paid maternity or parental leave in the 18 months prior to 30 June 2015**

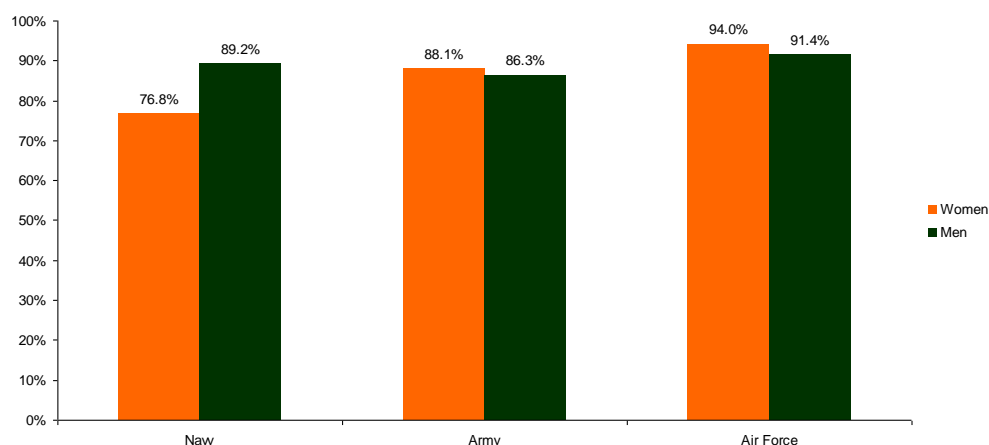


Figure 15 shows the proportions of women and men in each Service who continued to serve in Defence after a period of maternity or parental leave. Most women and men continued working for Defence in a permanent capacity in the 18 months after they take maternity or paternity leave. These retention rates are comparable with retention rates which would be expected given the Service's separation rates for women and men over an 18-month period, with the exception of Navy women. The rate at which members are retained after such leave is lower for Navy women, driven mostly by lower rates at the Able Seaman and Leading Seaman ranks. This may reflect the unique challenge faced by Navy members in balancing primary care or other responsibilities with a seagoing commitment which is higher for those in the junior ranks. Compared to 2013-14, these rates are quite similar, with the biggest change being for Air Force women, rising slightly from 89.6 per cent to 94.0 per cent.

## Career breaks

Table 21 to Table 23 show the number of women and men at each rank who have returned from a career break in 2014–15. Such a break has been defined as a continuous period of annual leave, leave without pay, or long service leave of three months or longer, followed by three months of active duty. Those who took leave but then discharged are not included; only those retained in the ADF for at least three months after their return from leave are considered to have been on a career break.

**Table 21: Navy members retained after taking a career break of three months or more, 2014–15**<sup>[1][2][3][4]</sup>

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				Total
	Women	%	Men	%	
Admiral (O10)	-	-	-	-	-
Vice Admiral (O09)	-	-	-	-	-
Rear Admiral (O08)	-	-	-	-	-
Commodore (O07)	-	-	-	-	-
Captain (O06)	-	-	-	-	-
Commander (O05)	0	0.0%	8	100.0%	8
Lieutenant Commander (O04)	6	42.9%	8	57.1%	14
Lieutenant (O03)	6	85.7%	1	14.3%	7
Sub Lieutenant (O02)	0	0.0%	2	100.0%	2
Acting Sub Lieutenant (O01)	2	100.0%	0	0.0%	2
Midshipman (O00)	0	0.0%	1	100.0%	1
Warrant Officer (E09)	0	0.0%	2	100.0%	2
Chief Petty Officer (E08)	0	0.0%	11	100.0%	11
Petty Officer (E06)	3	30.0%	7	70.0%	10
Leading Seaman (E05)	0	0.0%	7	100.0%	7
Able Seaman (E03)	4	40.0%	6	60.0%	10
Seaman (E02)	0	0.0%	3	100.0%	3
Seaman * (E01)	-	-	-	-	-
Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>21</b>	<b>27.3%</b>	<b>56</b>	<b>72.7%</b>	<b>77</b>

**Source:** Defence HR system.

**Notes**

1. Figures include members who took a continuous period of leave for three months or longer, and who remained in the Service for at least three months after returning from leave.
2. Leave types include long service leave, forces annual leave and leave without pay.
3. Figures exclude members who took a leave break but were subsequently discharged.
4. Figures exclude members who took any form of paid maternity or parental leave in the 18 months before the first date of leave.

**Table 22: Army members retained after taking a career break of three months or more, 2014–15**<sup>[1][2][3][4]</sup>

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				Total
	Women	%	Men	%	
General (O10)	-	-	-	-	-
Lieutenant General (O09)	-	-	-	-	-
Major General (O08)	-	-	-	-	-
Brigadier (O07)	-	-	-	-	-
Colonel (O06)	0	0.0%	8	100.0%	8
Lieutenant Colonel (O05)	3	10.0%	27	90.0%	30
Major (O04)	9	12.2%	65	87.8%	74
Captain (O03)	15	28.3%	38	71.7%	53
Lieutenant (O02)	8	88.9%	1	11.1%	9
Officer Cadet (O00)	-	-	-	-	-
Warrant Officer Class 1 (E09)	1	7.1%	13	92.9%	14
Warrant Officer Class 2 (E08)	0	0.0%	30	100.0%	30
Sergeant (E06)	2	6.3%	30	93.8%	32
Corporal (E05)	18	36.0%	32	64.0%	50
Lance Corporal (E04)	6	40.0%	9	60.0%	15
Private Proficient (E03)	2	5.7%	33	94.3%	35
Private (E02)	-	-	-	-	-
Private Trainee (E01)	-	-	-	-	-
Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>64</b>	<b>18.3%</b>	<b>286</b>	<b>81.7%</b>	<b>350</b>

**Source:** Defence HR system

**Notes**

1. Figures include members who took a continuous period of leave for three months or longer and who remained in the Service for at least three months after returning from leave.
2. Leave types include long service leave, forces annual leave and leave without pay.
3. Figures exclude members who took a leave break but were subsequently discharged.
4. Figures exclude members who took any form of paid maternity or parental leave in the 18 months before the first date of leave.

**Table 23: Air Force members retained after taking a career break of three months or more, 2014–15**<sup>[1][2][3][4]</sup>

Rank	Number and Proportion of Women and Men Taking Career Breaks at each Rank (Retained only)				Total
	Women	%	Men	%	
Air Chief Marshal (O10)	-	-	-	-	-
Air Marshal (O09)	-	-	-	-	-
Air Vice-Marshal (O08)	-	-	-	-	-
Air Commodore (O07)	-	-	-	-	-
Group Captain (O06)	3	1	0	0	3
Wing Commander (O05)	-	-	-	-	-
Squadron Leader (O04)	3	33.3%	6	66.7%	9
Flight Lieutenant (O03)	5	55.6%	4	44.4%	9
Flying Officer (O02)	2	100.0%	0	0.0%	2
Officer Cadet (O00)	0	0	1	1	1
Warrant Officer (E09)	1	14.3%	6	85.7%	7
Flight Sergeant (E08)	4	57.1%	3	42.9%	7
Sergeant (E06)	6	42.9%	8	57.1%	14
Corporal (E05)	6	22.2%	21	77.8%	27
Leading Aircraftman/Woman (E03)	3	15.0%	17	85.0%	20
Aircraftman/Woman (E02)	1	0.5	1	0.5	2
Aircraftman/Woman Trainee (E01)	-	-	-	-	-
Aircraftman/Woman Recruit (E00)	-	-	-	-	-
<b>Total</b>	<b>34</b>	<b>33.7%</b>	<b>67</b>	<b>66.3%</b>	<b>101</b>

**Source:** Defence HR system.

**Notes**

- 1 Figures include members who took a continuous period of leave for three months or longer; and who remained in the Service for at least three months after returning from leave.
2. Leave types include long service leave, forces annual leave and leave without pay.
3. Figures exclude members who took a leave break but were subsequently discharged.
4. Figures exclude members who took any form of paid maternity or parental leave in the 18 months before the first date of leave.

**Figure 16: Percentage of career breaks taken by women and men, by Service, 2014–15**

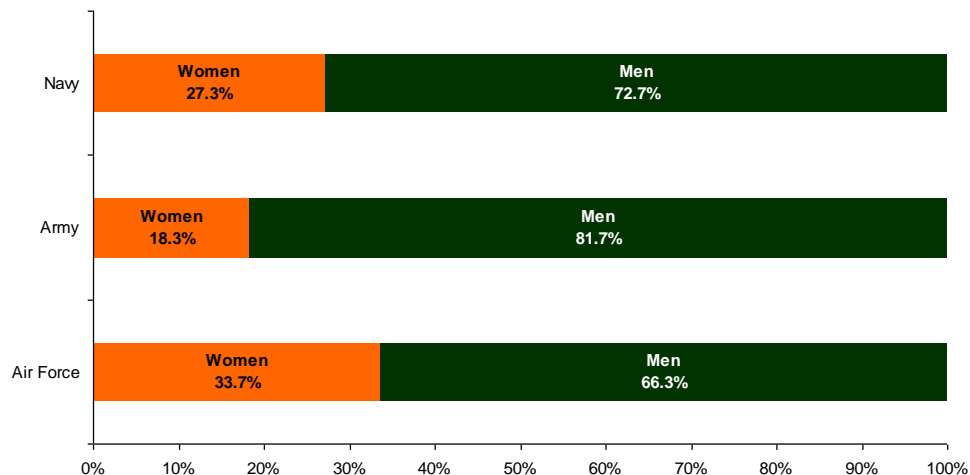


Figure 16 charts the proportion of career breaks taken by women and men by Service. In each Service, the proportion of career breaks taken by women is higher than the proportion of women in each Service (Navy 18.8 per cent, Army 12.1 per cent, Air Force 18.6 per cent). As might be expected, members at very junior and very senior ranks are less likely to take career breaks. Compared with figures for 2013–14, there was a small reduction in the number of Navy and Air Force members taking career breaks.

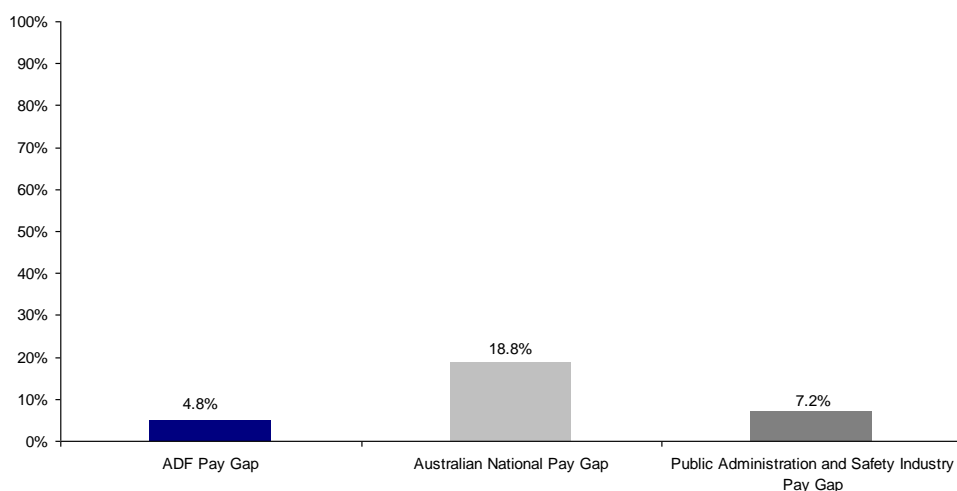
## Gender pay audit

A key indicator of gender equity in Australia, in various industries, and in each organisation is gender pay equity as measured by the gender pay gap. The gap is the percentage difference between women's average salary and men's average salary. This metric is of interest at the national level and is one of the gender equity indicators that private companies in Australia must report in accordance with the *Workplace Gender Equality Act 2012*. While Defence is not compelled to report under that Act, a gender pay gap analysis is a useful indicator in assessing gender equity.

Pay equity is achieved when women and men receive equal pay for work of equal or comparable value; meaning that women and men performing the same role at the same performance standard are paid the same amount<sup>4</sup>. Under Defence's remuneration system, men and women are paid the same in the same circumstances. A gender pay gap does not necessarily indicate gender bias or an undervaluation of traditionally female roles, but can reflect legitimate differences in pay due to different work undertaken. These differences are influenced by structural contributors such as women occupying less well-remunerated occupations and ranks, which Defence is continuing to address through the implementation of the Review in to the Treatment of Women in the ADF Phase 2 report's recommendations and Pathway to Change.

This section presents outcomes of a gender pay audit, which includes an analysis of the overall Defence gender pay gap, which is guided by how private companies examine gender pay gaps to satisfy the Workplace Gender Equality Agency reporting requirements. Gender pay gaps have also been calculated for each rank in each Service.

**Figure 17: ADF gender pay gap, Australian national pay gap, and public administration and safety industry pay gap**



**Source:** ADF pay - Defence HR system. Australian and industry pay - ABS (2015), Average weekly earnings, Australia, November 2014, cat. no 6302.0.

Figure 17 shows the ADF gender pay gap alongside the Australian national pay gap, and the pay gap that exists in the industry most relevant to Defence; public administration and safety. The gender pay gap is the difference between the average male salary and the average female salary, expressed as a proportion of the average male salary. The average ADF woman is paid 4.8 per cent less than the average ADF man. This is an improvement on the 2013–14 ADF gender pay gap of 5.3 per cent, particularly in the context of the national pay gap increasing from 17.1 per cent to 18.8 per cent. The ADF gender pay gap is contributed to by ADF women being disproportionately represented in lower ranks and in occupational groups that are in the lower pay grades. The gap is also influenced by women's lower average length of service, and their lower average seniority

<sup>4</sup> Workforce Gender Equality Agency website - <https://wgea.gov.au/lead/addressing-pay-equity>.

at rank. Defence is addressing each of these factors by increasing overall female participation and by facilitating longer careers for women by providing adequate support, for example, by supporting flexible work and flexible career pathways.

Table 24 shows the outcome of the gender pay audit by rank for the ADF workforce at 30 June 2015.

**Table 24: Gender pay gap in ADF—comparisons of average actual salary, by Service and rank, 30 June 2015** <sup>[1][2][3][4][5]</sup>

Navy Officers		Army Officers		Air Force Officers	
Rank	% Salary Difference	Rank	% Salary Difference	Rank	% Salary Difference
Rear Admiral (O08)	-20.42%	Major General (O08)	3.04%	Air Commodore (O07)	-8.30%
Commodore (O07)	-6.46%	Brigadier (O07)	0.27%	Group Captain (O06)	5.93%
Captain (O06)	-0.50%	Colonel (O06)	-0.56%	Wing Commander (O05)	1.65%
Commander (O05)	1.84%	Lieutenant Colonel (O05)	0.23%	Squadron Leader (O04)	6.16%
Lieutenant Commander (O04)	3.90%	Major (O04)	1.37%	Flight Lieutenant (O03)	9.12%
Lieutenant (O03)	4.00%	Captain (O03)	2.54%	Flying Officer (O02)	2.77%
Sub Lieutenant (O02)	1.35%	Lieutenant (O02)	3.71%	Pilot Officer (O01)	5.02%
Acting Sub Lieutenant (O01)	0.40%	Officer Cadet (O00)	1.76%	Officer Cadet (O00)	1.35%
Midshipman (O00)	3.37%				

Navy Other Ranks		Army Other Ranks		Air Force Other Ranks	
Rank	% Salary Difference	Rank	% Salary Difference	Rank	% Salary Difference
Warrant Officer (E09)	2.92%	Warrant Officer Class 1 (E09)	4.68%	Warrant Officer (E09)	5.96%
Chief Petty Officer (E08)	4.82%	Warrant Officer Class 2 (E08)	4.91%	Flight Sergeant (E08)	6.15%
Petty Officer (E06)	5.04%	Sergeant (E06)	4.68%	Sergeant (E06)	5.33%
Leading Seaman (E05)	4.19%	Corporal (E05)	5.07%	Non-Commissioned Officer Cadet (E51)	0.00%
Able Seaman (E03)	3.19%	Lance Corporal (E04)	4.04%	Corporal (E05)	7.15%
Seaman (E02)	1.75%	Private Proficient (E03)	4.86%	Leading Aircraftman/Woman (E03)	4.45%
Seaman* (E01)	0.52%	Private (E02)	-0.81%	Aircraftman/Woman (E02)	1.56%
Recruit (E00)	0.00%	Private Trainee (E01)	0.45%	Aircraftman/Woman Trainee (E01)	1.46%
		Recruit (E00)	0.00%	Aircraftman/Woman Recruit (E00)	0.00%

**Source:** Defence HR system.

#### Notes

1. Positive numbers indicate that average salary is higher for men; negative numbers indicate that average salary is higher for women.
2. Based on average actual salaries.
3. Excludes allowances.
4. Based on permanent and continuous full-time service ADF members.
5. Calculated from the average salary of men at rank, minus the average salary of women at rank. The difference is expressed as a percentage of the average salary of men at rank.

**Figure 18: Average gender pay gap at each officer rank, by Service, 30 June 2015**

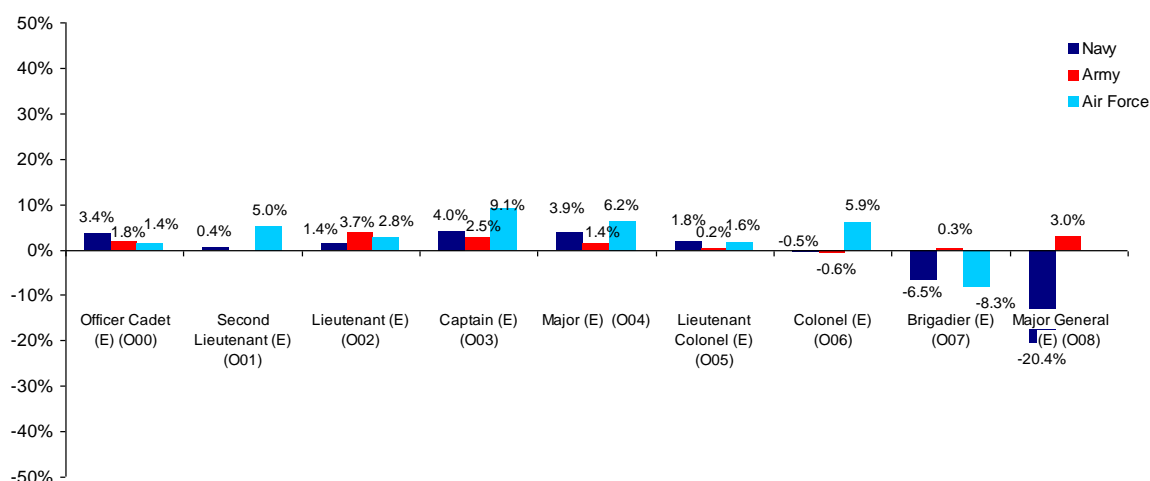


Figure 18 shows the percentage difference between the average salaries of male and female officers in each Service. The largest differences are in women's favour, at Navy's Commodore and Rear Admiral ranks (equivalent to Brigadier and Major General respectively). Differences at these levels should be interpreted with caution, due to the small numbers of women in the star ranks. Women's representation in specialist roles, such as medical, accounts for the higher average salary at O07 and O08 ranks. The smaller, but more consistent differences are in men's favour at less senior officer ranks. Most of the differences are less than five percent and reflect women's lower

representation in the most highly remunerated occupation groups. The Army's gender pay gap tends to be lower at most officer ranks, as Army officers' pay grades are based more on rank than occupation.

**Figure 19: Average gender pay gap at each other rank, by Service, 30 June 2015**

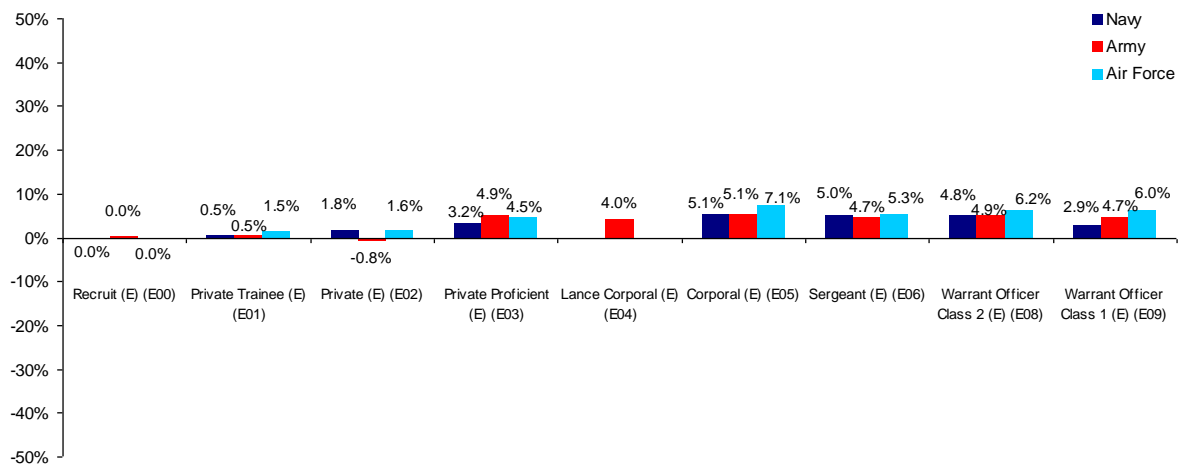


Figure 19 shows the percentage difference between the average salaries of female and male ADF members at the other ranks at the end of 2014–15. There were small gender pay gaps: average male salaries were slightly higher than average female salaries. There was no difference in men's and women's pay among Recruits, and a very small gap for the junior ranks. Small gaps begin to appear in the more senior NCO ranks, as differences in occupations and seniority levels begin to affect pay averages.

There are several possible contributing factors to consider in interpreting some small pay gaps in Defence. Defence recognises that gender bias and gender-based undervaluation can cause a gender pay gap. This was noted in Ian Watson's analysis<sup>5</sup> which found that between 65 per cent and 90 per cent of the gender pay gap among Australian managers could not be explained by any legitimate variable, and that a major part of the earnings gap is 'simply due to women managers being female'. Other research<sup>6</sup> suggests that men's concentration in higher-paid occupations is due to higher work value being ascribed to those occupations simply because they are occupied by men. In fact, as more women enter an occupation, the average salary decreases.

Defence is aware of the potential for these biases and historical gender-based undervaluation and therefore has a robust process to ensure that pay is determined fairly and equitably. The ADF determines work value and subsequent remuneration proposals based primarily on capability delivery. Where there is a direct or similar civilian (non-military) occupation, market relativities may contribute to remuneration determinations. One example of this is in Defence's technical trades, where there are measurable market influences and relativity for trades such as vehicle mechanics. In contrast, many trades do not have a market equal, such as those found in the Army's combat arms (e.g. an Infantry Sergeant or Tank Commander). Such trades must be grown from within the ADF. In this context, direct contributors to ADF capability (military combat outputs) may be ascribed a higher work value.

The process of ascribing pay grades to trades is most often initiated by the industrial relations cells of the individual Services. Proposals are then developed and proofed through a Defence committee process, and an endorsed proposal is submitted to the independent Defence Force Remuneration Tribunal. The tribunal makes a determination

<sup>5</sup> Watson, I. (2010). *Decomposing the Gender Pay Gap in the Australian Managerial Labour Market*, Australian Journal of Labour Economics, 13(1).

<sup>6</sup> Olsen, W., & Walby, S. (2004) *Modelling gender pay gaps* Working Paper Series No. 17, Equal Opportunities Commission, Manchester.

on the Defence salary and/or salary-related allowance. This process provides several points at which trade pay grade considerations can be reviewed for fairness and equity.

Because these processes reduce the likelihood of gender bias or discrimination, it is likely that the small gender pay gaps in Defence are due to more structural issues such as women being concentrated in less highly remunerated occupations, and men being represented more among higher ranks, and often having greater seniority. Defence recognises these issues and has a multifaceted strategy to address them through the implementation of the Review into the Treatment of Women in the ADF Phase 2 report's recommendations. To increase the proportion of women in non-traditional roles, Defence has enhanced recruiting targets, has established tailored mentoring and networking support for women in these roles, and is removing gender restrictions on combat roles. To increase the proportion of women in more senior ranks, the organisation aims to ensure that women are well-represented in promotional gateways, further education and leadership development programs.

## Separation rates

**Table 25: ADF permanent force 12-month rolling separation rates by gender and rank group, 30 June 2015**<sup>[1][2]</sup>

2014-15	Women	Δ	Men	Δ	Total	Δ
<b>Navy</b>						
Officers	7.4%	2.8%	6.3%	1.1%	6.5%	1.4%
Other Ranks	9.9%	-1.0%	8.0%	-1.1%	8.4%	-1.0%
<b>Total Navy</b>	<b>9.3%</b>	<b>0.0%</b>	<b>7.6%</b>	<b>-0.6%</b>	<b>7.9%</b>	<b>-0.5%</b>
<b>Army</b>						
Officers	7.8%	1.0%	7.3%	0.2%	7.4%	0.3%
Other Ranks	12.9%	0.5%	12.3%	-1.7%	12.4%	-1.5%
<b>Total Army</b>	<b>11.4%</b>	<b>0.7%</b>	<b>11.3%</b>	<b>-1.3%</b>	<b>11.3%</b>	<b>-1.1%</b>
<b>Air Force</b>						
Officers	4.5%	1.3%	5.3%	1.3%	5.1%	1.2%
Other Ranks	6.2%	-0.1%	5.9%	-0.5%	6.0%	-0.4%
<b>Total Air Force</b>	<b>5.6%</b>	<b>0.5%</b>	<b>5.7%</b>	<b>0.1%</b>	<b>5.7%</b>	<b>0.2%</b>
<b>ADF</b>						
Officers	6.5%	1.6%	6.4%	0.7%	6.4%	0.9%
Other Ranks	10.2%	-0.1%	10.0%	-1.3%	10.0%	-1.2%
<b>Total ADF</b>	<b>9.0%</b>	<b>0.4%</b>	<b>9.1%</b>	<b>-0.8%</b>	<b>9.1%</b>	<b>-0.6%</b>

**Source:** Defence HR system.

**Note**

1. Separation rates are based on the total permanent force; including both the trained and the training force.
2. Delta (Δ) columns indicate the differences in separation rates between 2014-15 and 2013-14.

**Figure 20: ADF permanent force 12-month rolling separation rate, by Service, rank group and gender, 30 June 2015**

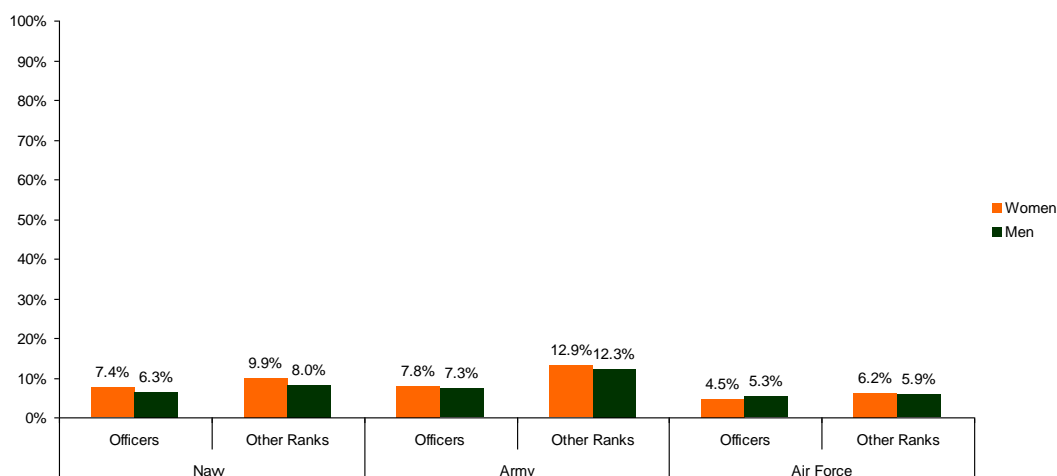


Figure 20 shows the 12-month rolling separation rate for permanent ADF women and men by each Service and by rank group. For all ranks combined in the ADF overall, the separation rates for women and men are nearly identical, at 9.0 and 9.1 per cent respectively. There are small differences between rank groups and between Services. Generally, the separation rate for officers in each Service is lower than for other ranks in that Service. While there are not large gender differences in separation rates, female separation rates are slightly higher than male separation rates for both rank groups in Navy and Army, and for other ranks in Air Force.

In 2013–14, ADF women had a lower separation rate (8.6 per cent) than ADF men (9.9 per cent). This gap has narrowed over 2014–15. The changes which have most contributed to this gap narrowing include the female separation rate for Navy officers rising from 4.6 per cent to 7.4 per cent, and the male separation rate for Army other ranks falling from 14.0 per cent to 12.3 per cent.

## ***Women's experience***

### **Attitudes and perceptions**

The experiences of women as they join and work in Defence help to form their perceptions and attitudes, which then affect their decision to remain in the ADF, and their degree of engagement with the organisation. This section explores women's perceptions of and attitudes towards work-related issues compared with those of men. In particular, some items selected are 'outcome measures', which have been determined to be the most representative of people's experience of an organisation, and the most salient when they are deciding whether they want to continue in Defence. Survey responses for 2014–15 are disaggregated by Service and gender, and are compared to survey responses for 2013–14.

**Table 26: YourSay surveys (August 2014 and February 2015)—responses on ADF women's and men's experiences** <sup>[1][2][3][4][5][6]</sup>

YourSay Survey	Navy		Army		Air Force		Total ADF	
	Women	Men	Women	Men	Women	Men	Women	Men
Percentage Agree/ Strongly Agree								
My job gives me a feeling of personal accomplishment	68.4%	69.7%	70.3%	69.0%	69.6%	68.9%	69.5%	69.1%
My job gives me opportunities to utilise my skills and training	67.4%	69.0%	71.0%	72.5%	71.9%	71.2%	70.3%	71.2%
I am satisfied with the recognition I receive for doing a good job	50.3%	46.8%	53.7%	48.6%	54.7%	47.3%	53.0%	47.7%
The people in my work group are honest, open and transparent in their dealings	66.1%	70.3%	61.5%	65.9%	58.4%	73.1%	61.7%	69.3%
My supervisor encourages me	77.5%	75.9%	69.9%	74.5%	72.5%	75.3%	73.0%	75.1%
I have a good supervisor	76.6%	79.9%	70.5%	77.1%	▼71.7%	78.0%	72.7%	78.1%
Communication between Defence senior leaders and other employees is effective	41.8%	36.6%	42.1%	37.7%	43.6%	41.9%	42.5%	38.7%
My workplace provides access to effective learning and development opportunities	65.2%	64.2%	62.0%	61.3%	62.6%	61.2%	63.1%	62.0%
Employees in the Navy/Army/Air Force/Department of Defence feel they are valued for their contribution	38.1%	37.2%	42.3%	44.1%	44.9%	45.4%	42.0%	42.7%
When someone praises the accomplishments of the Navy/Army/Air Force/ Department of Defence, it feels like a personal compliment to me	47.6%	43.8%	44.6%	40.5%	39.7%	42.7%	43.8%	42.1%
I am actively looking at leaving Defence/ (Service)	24.1%	26.9%	21.4%	25.2%	14.0%	17.4%	19.6%	23.2%
I like the job I do in my current position	64.3%	66.5%	67.4%	66.4%	68.4%	66.0%	66.9%	66.3%
Overall, I am satisfied with my job	65.0%	63.4%	63.6%	64.7%	68.1%	66.0%	65.6%	64.8%
I am proud to tell others that I am a member of Defence	84.8%	79.5%	85.4%	82.8%	88.5%	83.8%	86.3%	82.3%
I feel a strong sense of belonging to Defence	67.1%	66.2%	72.8%	70.0%	70.1%	69.1%	70.2%	68.7%
How would you rate your current individual level of morale? (% high/very high)	39.6%	40.3%	41.6%	42.0%	44.3%	42.7%	41.9%	41.8%
I could easily find employment outside of Defence	57.3%	67.4%	60.7%	60.3%	52.3%	55.2%	56.8%	60.6%
I believe Defence will benefit from Pathway to Change	58.4%	▲53.7%	36.5%	▲30.8%	▲67.2%	▲56.6%	▲53.6%	▲44.7%
I have seen evidence of Pathway to Change being used in Defence	50.3%	▲49.1%	38.2%	▲35.9%	▲63.7%	▲60.4%	▲50.7%	▲46.9%
I have seen evidence of Pathway to Change being used in my work area	47.5%	▲45.6%	31.3%	▲31.1%	▲53.3%	▲52.4%	▲43.7%	▲41.5%

**Source:** YourSay surveys, August 2014 and February 2015.

**Notes**

1. Data includes responses from ADF personnel.
2. Cells highlighted in green indicate that 2014–15 responses were significantly more positive than for 2013–14.
3. Cells highlighted in orange indicate that the 2014–15 responses were significantly less positive than for 2013–14.
4. An upward-pointing arrow indicates that responses were significantly higher in 2014–15 compared with 2013–14 (but may be positive or negative depending on the question wording).
5. A downward-pointing arrow indicates that responses were significantly lower in 2014–15 compared with 2013–14 (but may be positive or negative depending on the question wording).
6. Differences are based on statistical significance ( $p < .05$ ) and measure of association (*Cramer's V* > 0.1).

**Figure 21: Percentages of ADF women and men agreeing or strongly agreeing with *YourSay* items about job satisfaction, 2014–15**

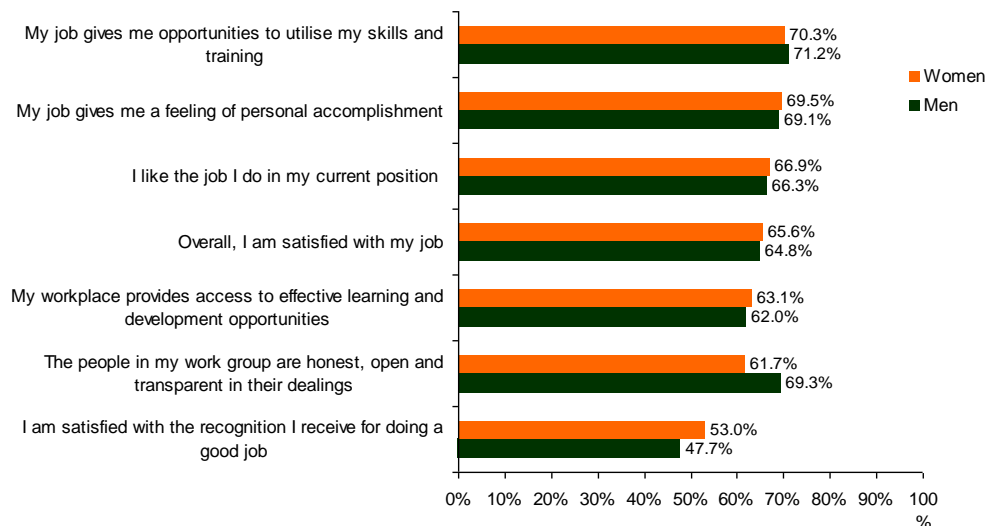
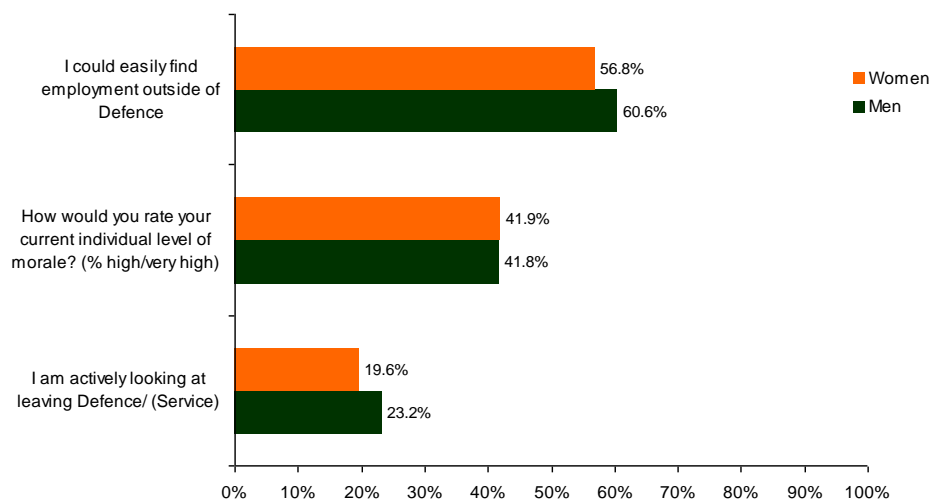


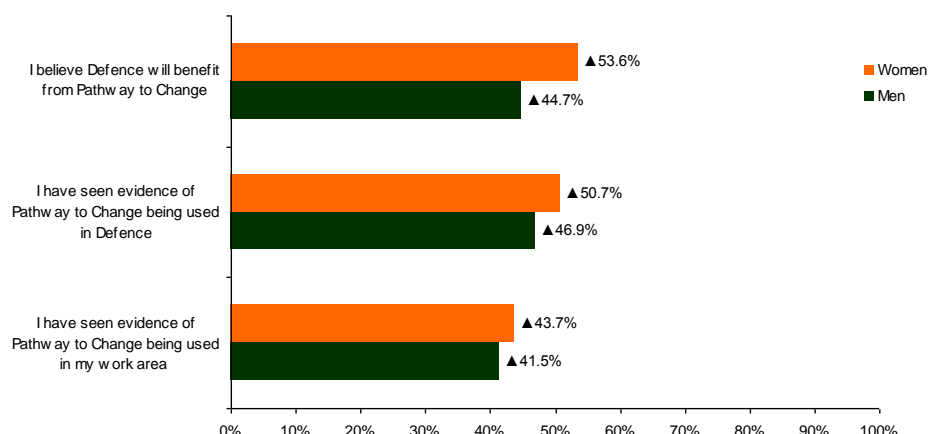
Figure 21 charts the responses of women and men in the ADF to questions about their satisfaction with their jobs, or aspects of their jobs. Overall, the responses were positive: over half of respondents were satisfied with most of the aspects covered. The job aspect which people were least satisfied with was recognition; although women were more positive than men about it. The other item with notable gender differences was regarding honesty, openness and transparency of colleagues. Men were more positive than women in rating their colleagues, particularly in the Air Force. There were no marked differences between attitudes surveyed in 2014–15 compared with 2013–14 for these items.

**Figure 22: Percentages of ADF women and men agreeing or strongly agreeing with *YourSay* items about morale and intention to leave, 2014–15**



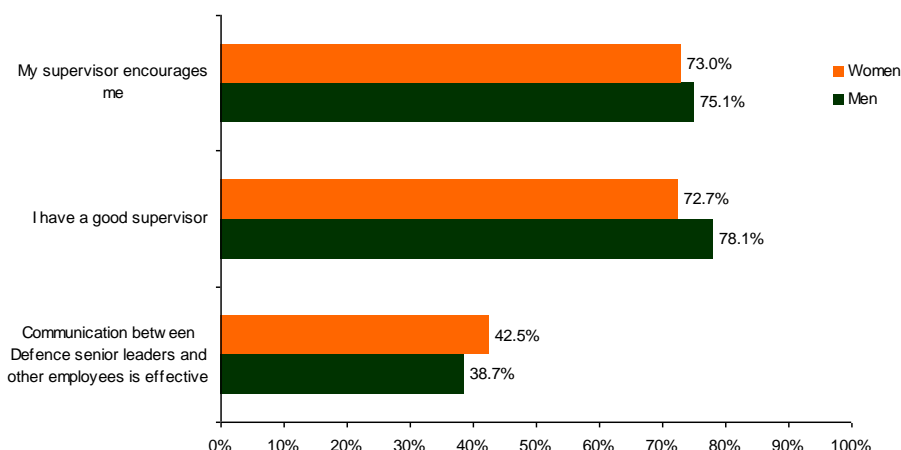
Outcome measures such as morale and intention to leave are key indicators of members' experiences in the ADF (Figure 22). In 2014–15, over half of women and men were confident in their ability to find work outside Defence, although Navy men were more confident than Navy women, which was also the case in 2013–14. While only two-fifths of ADF members reported high or very high morale, a further 35 per cent described their morale as 'moderate', rather than low or very low. The gender difference in actively seeking to leave narrowed in the past year, which was also reflected in the narrowing separation rates between women and men in this time period. However, overall women's and men's responses to these items were not markedly different to those in 2013–14.

**Figure 23: Percentages of ADF women and men agreeing or strongly agreeing with *YourSay* items about Pathway to Change, 2014–15**



Increasing proportions of women and men in the ADF saw how Pathway to Change will benefit Defence, and more members saw tangible evidence in their work areas and throughout the organisation (Figure 23). While only just over half of women (53.6 per cent) and under half of ADF men (44.7 per cent) believed cultural reform will be beneficial, this is a significant change from 2013–14 as indicated by the upwards arrows, where only 46.3 per cent of women and 38.8 per cent of men felt this way. Women in each Service were generally more positive regarding cultural reform than their male peers; however, this gap narrowed compared with 2013–14. Pathway to Change is complemented by enduring Service-specific culture programs, which have made meaningful change and have facilitated adoption of Pathway to Change reform.

**Figure 24: Percentages of ADF women and men agreeing or strongly agreeing with *YourSay* items about leadership, 2014–15**



Most ADF members were quite positive about their supervisors with around three-quarters of women and men indicating that they had a good supervisor, and around the same proportion agreeing that their supervisor encouraged them (Figure 24). Men were somewhat more positive about their supervisors than women, particularly in the Army and Air Force; Air Force women were less positive about their supervisor in 2014–15 than they were in the 2013–14.

Perceptions about communication between senior leaders and other employees were less positive where around two-fifths of women and men agreed or strongly agreed that it was effective. Further analysis indicates that most of the remainder did not disagree with this statement. As was the case in 2013–14, over 30 per cent of women and men responded neutrally to this item, indicating that they did not necessarily perceive communication to be

ineffective, but rather they did not have a strong opinion on this item, or that they observed both effective and ineffective communication from different sources over the year.

**Figure 25: Percentages of ADF women and men agreeing or strongly agreeing with *YourSay* items about identification with Defence, 2014–15**

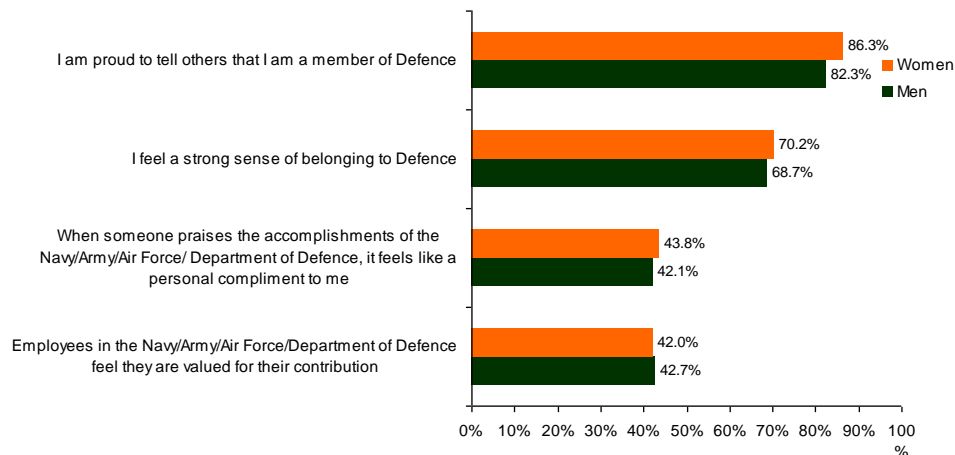


Figure 25 shows the extent to which women and men felt that they were a part of Defence, a concept known as affective commitment, which has been found to be very important in people’s engagement in their jobs. Similar to the previous year, attitudes to items in this group ranged quite widely, with a high level of belonging and pride in being a member of the ADF, but less positive attitudes towards praise and feeling valued. Further analysis shows that the praise and feeling valued items had quite a high proportion (approximately one-third) of respondents give ‘neutral’ responses, indicating that most people simply did not feel strongly about these questions, rather than having negative feelings. Responses for women and men were quite similar for these items, with one exception being that women in the Navy expressed greater pride in telling others that they were a Defence member than their male peers, although both women and men had very positive responses for this item. Responses to these items have not changed markedly from 2013–14 responses.

**Table 27: 2014 YourSay Leaving Defence Survey—top 10 reasons for ADF members leaving <sup>[1]</sup>**

Rank	Total ADF		Women		Men
1	To make a career change while still young enough		1 To make a career change while still young enough		1 To make a career change while still young enough
2	Better career prospects in civilian life		2 Lack of job satisfaction		2 Better career prospects in civilian life
3	Lack of job satisfaction		3 Desire to live in a particular location		3 Lack of job satisfaction
4	Low morale in my work environment		4 Desire to stay in one place		4 Desire for less separation from family
5	Desire for less separation from family		5 Better career prospects in civilian life		5 Low morale in my work environment
6	Impact of job demands on family/personal life		6 Desire for less separation from family		6 Issues with day-to-day unit management of personnel matters
7	Issues with day-to-day unit management of personnel matters		7 Impact of job demands on family / personal life		7 Impact of job demands on family / personal life
8	Desire to live in a particular location		8 Low morale in my work environment		8 Desire to live in a particular location
9	Poor leadership by my immediate supervisor		9 Issues with day-to-day unit management of personnel matters		9 Underuse or non-use of training and skills
10	Desire to stay in one place		10 Poor leadership by my immediate supervisor		10 Effect of postings on family life

**Source:** YourSay Leaving Defence Survey 2014 (Formerly ADF Exit Survey).

**Note**

1. Data include responses from ADF members who were discharged in calendar year 2014.

Table 27 shows the top 10 ranked reasons for leaving among ADF members for women, men and overall. The results indicate that women and men have similar themes in their reasons for leaving. The top reason for women and men leaving the ADF is that they wish to make a career change while they are still young enough. Both women and men reported that low job satisfaction or low morale contributed to their decision to leave, and both women and men had concerns around how their job in the ADF was affecting their families.

Men were more likely to have been influenced by dissatisfaction with being unable to use their training and skills than women were, while women were more likely to have been influenced to leave by being dissatisfied with their immediate supervisor.

By comparison, women and men who exited the ADF in 2013 were more likely to cite a lack of control over their lives, and limited opportunities in their trade compared to those leaving in 2014.

## ***Mentoring, networking and sponsorship***

This section outlines mentoring, networking and sponsorship programs which are available to women in the ADF. This is included to address the Review into the Treatment of Women in the ADF Phase 2 Report's recommendation 3 section A regarding access of mentoring and sponsorship.

Many ADF mentoring initiatives have been established in recent years and remain in place to provide ongoing support to both our ADF women and men. Formal networks outlined in the 2013–14 Women in the ADF report also remain in place to support female ADF members, including: the Navy's Women's Network; the Regional Army People Forum; and the Air Force's Women's Integrated Networking Groups (WINGS) program and the Women's Forums.

The Women's Speaker Series program continues to provide both APS and ADF senior women with the opportunity to engage with a range of successful role models as an interim measure until Defence achieves a greater gender balance at senior levels.

Sponsorship pertaining to the leadership development and education sponsorship programs through which Defence supports its staff continues.

Service-specific detail on mentoring, networking and sponsorship initiatives is provided below.

### **Navy**

#### ***Navy Women's Mentoring Program***

In 2010, the Navy implemented the Navy Women's Mentoring Program, a personal and professional self-development program completed over a four month period. The program is called "My Mentor – Courageous Woman" and is produced by Emberin Pty Ltd (Ms Maureen Frank). Over 240 women have participated in the program to date, with 20 women having already completed the program during 2015. For the first time, however, the "My Mentor" program was accompanied by the "My Mentor - Inclusive Leadership" program which was completed at the same time by the supervisors of those 20 women. Feedback from this targeted program in the Aviation Community has been positive with multiple benefits, including increased engagement between women and their supervisors, and greater awareness of the importance of inclusive leadership. The Navy Women's Mentoring Program helps women achieve their career potential while providing positive and useful tools to counter the gender imbalance in the workforce.

In May 2015, the Navy partnered with Kinetic Recruitment Pty Ltd in a Women in Defence-industry mentoring program to provide a mentoring program specifically aimed at women in engineering roles across the Defence industry. The Navy has one male and one female engineer participating as mentors in the program and two women being mentored in the program.

#### ***Navy Women's Networking Forum***

The Navy Women's Networking Forum continues to expand as interest in these events also grows. During the last twelve months, networking forums have been held at ADFA, HMAS Arunta, Harman, Cerberus (including Recruit School), Albatross and Creswell with the Shoalhaven Women's Network (combined HMAS Albatross and Creswell) proving to be the most successful to date. Future forums are planned for HMAS Stirling and Cairns in addition to the existing networks.

#### ***Navy Women's Leadership Program***

Sponsored by the Workplace Training Advisory of Australia and Women and Leadership Australia since 2009, the Navy's Women's Leadership Program has provided opportunities for approximately 120 Navy women to participate in leadership development programs,

conferences and seminars around Australia each year. The Program is designed to enhance female leadership in the Royal Australian Navy and can be used to counter any negative cultural elements through empowering and supporting our future leaders. The 2014–15 program provided the opportunity for over 200 women to participate in conferences, leadership development programs and facilitated workshops around Australia. Additionally, 12 places were made available for women to attend the Great Leaders are Made (GLAM) program run by Avril Henry Pty Ltd.

### ***Women, Peace and Security (WPS)***

The Navy has continued to focus attention on implementing the recommendations of the National Action Plan on Women, Peace and Security (NAP WPS). In addition to the policy development aspects, implementation has included embedding Gender Advisers (GenAds) on Navy exercises; train the trainer training for Fleet Standards staff; deployment of women on Pacific Partnership as mentors and WPS Advisers; and participation in the UN Women/CUNPK Special Female Military Officers' Course (SFMOC) in India. Although not directly related to Service specific initiatives aimed at increasing female participation within Navy, WPS is inextricably linked to the Navy's overall efforts to increase the number of women, particularly in senior leadership positions and, as such, has had the indirect benefit of increasing awareness around the need for a gender perspective to be incorporated into all aspects of Navy operations.

### ***Macquarie University School of Management***

In November 2014, the Navy partnered with the Macquarie Graduate School of Management (MGSM) Women in MBA (WiMBA) program. As one of five foundation partners, the Navy has offered two Maritime Warfare Officers the opportunity to complete an MBA under the Scholarship program. This is one of the employment groups identified by the Review into the Treatment of Women in the ADF Phase 2 as requiring targeted measures to address occupational segregation ensuring women are well supported.

## ***Army***

### ***Army Women's Networking Forum***

The *Army Women's Networking Forum* was established in 2007 to provide female Army personnel with career management and policy advice relevant to service life as a woman, in addition to providing mentoring and networking opportunities. In response to forum feedback and the broadening of topics to cover areas relevant to all Army personnel, not just women, the forum was renamed the *Regional Army People Forum*.

Since its inception in 2007, the forum has addressed over 8,000 personnel across all of Army's key locations and has covered topics including flexible work arrangements, work life balance, Army culture, recruitment and retention, removal of gender restrictions and physical employment standards. The forum focuses on workforce engagement and includes presentations from subject matter experts, a panel discussion and small workgroups. Tangible outcomes from the conduct of the forums include the trial of an improved fit uniform for females, the development of the Flexible Work Arrangements Guide, recruitment initiatives informed by the experiences of serving members, changes to the way Army communicates with the workforce and improvements to conditions of service such as increased carer's leave provisions.

Additionally, in 2014 the forum began its role as the tactical tier of the Army Gender Diversity Council construct. Feedback gained from the forums is used to inform discussions and recommendations at the Regional Gender and Diversity Councils and the Army Gender and Diversity Executive Council. This structure allows awareness of regional issues to be progressed to the strategic levels of Army.

### ***Army Industry and Corporate Development Program (formerly the Army Outplacement Program)***

Army targets women for participation in the Army Industry and Corporate Development Program, whereby a small number of talented officers and Senior Non-Commissioned Officers each year have the opportunity to pursue external-to-Army career outplacements of up to six months in duration, immersing a selection of Army's future leaders in diverse and inclusive Government, Emergency Services, and industry environments. The program's aim is to promote talent management and retention, and drive behavioural change in Army, thereby enhancing workplace diversity and inclusivity. It also provides an opportunity to reinforce Army as an employer of choice, while providing invaluable exposure to alternative styles of leadership, management and ways of doing business. In 2014, there were 10 participants with one female officer and one female Senior Non-Commissioned Officer selected. Selections for the 2015 program are ongoing with two female Senior Non-Commissioned Officers selected for the program.

### ***Chief Executive Women's Leadership Program***

Army also engages the Chief Executive Women's Leadership Program, and selects participants for this program on an annual basis. The program brings together women in senior leadership positions from across a diverse range of industries and sectors, and aims to enhance participants' leadership potential in future employment. Army sponsored six women in 2014 and is currently sponsoring a further six female participants in 2015.

### ***Great Leaders are Made (GLAM) Program***

'Great Leaders are Made' is another talent management program targeted at developing women, particularly in a male-dominated environment. Army has sponsored ten women in GLAM sessions since 2013, with six women participating in the 2015 program.

## **Air Force**

### ***Women's Integrated Networking Group (WINGs)***

The Women's Integrated Networking Group (WINGs) is a facilitated networking program designed to specifically meet the needs of Air Force women. The program invites guest speakers from within Defence and external organisations to speak with Air Force women about their careers, with a dedicated theme for each session. WINGs also provides the opportunity for women to discuss issues affecting them in the workplace, while building valuable networks. The program began in Williamstown, but has now become established in other Air Force bases. The following table shows the approximate frequency of WINGs meetings and average number of participants per session at each base.

**Table 28: Women's Integrated Networking Group program**

Location	Frequency	Participants per Session
Amberley	Every 4 weeks	11
Butterworth	Every 8 weeks	6
Canberra	Every 4 - 7 weeks	48
Canberra - ADFA	Commenced May 2015	
Darwin	Every 6 - 8 weeks	12
East Sale	Every 6 weeks	8
Edinburgh	Every 4 weeks	9
Pearce	Every 8 weeks	9
Richmond	Every 6 weeks	13
Tamworth	Every 4 weeks	9
Townsville	Every 6 weeks	16
Wagga	Every 8 weeks	13
Williams	Every 8 - 9 weeks	8
Williamtown	Every 6 weeks	20

**Source:** Director General Personnel—Air Force.

In addition to regular WINGS sessions, coordinators have run base-wide events over 2014–15.

### ***WINGS Technical Network (TECHNET)***

A side network of the WINGS program has been established to address the needs of the increasing number of women in non-traditional employment roles, with a particular focus on technical trades and aircrew. This WINGS side network 'TECHNET', focuses on the unique and sometimes difficult career and workplace challenges of women in these roles. Table 29 shows the approximate frequency of TECHNET sessions and the average number of participants per session.

**Table 29: Women's Technical Network**

Location	Frequency	Participants per Session
Edinburgh	Every 3 months	5
Richmond	Every 6 months	2
Williamtown	Every 3 months	7

**Source:** Director General Personnel—Air Force

### ***Specialist Career Manager – WINTER Career Management – Pilot***

The Air Force has recently established a position with the Career Management Agency to oversee female pilot career management from a strategic perspective and provide subject matter expert feedback on balancing organisation and member needs. In addition, the position has been established to develop mid-level career management retention initiatives for the female pilot workforce.

### ***Leadership Exchange Program***

Air Force also runs a Leadership Exchange program, which is a professional development workshop aimed at enhancing individual leadership effectiveness. Participant eligibility in the program ranges in rank from Leading Aircraftman/woman to Squadron Leader, and includes Australian Public Service (APS) and Reserves equivalents. The mixed occupation forum allows participants to learn through effective dialogue from the leadership experience of others, based on their personal and professional experiences. The program focuses on four leadership pillars; Self Awareness and Self Development, Communication, Assertiveness and Leading Teams. Of the 96 participants in 2014–15, 41 were women (43 per cent).

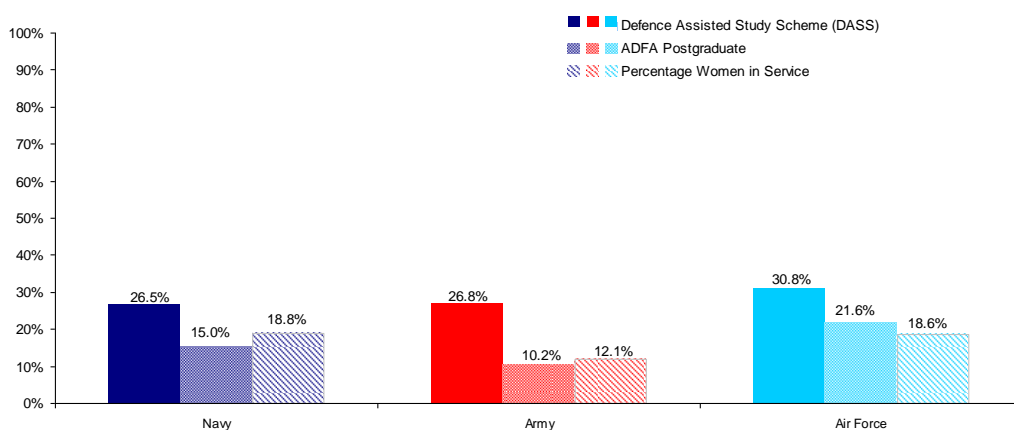
## Education

**Table 30: ADF education sponsorship, by Service and gender, 2015**

ADF Education Assistance Scheme	Navy					Army					Air Force					ADF				
	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%	Women	%	Δ	Men	%
Defence Assisted Study Scheme (DASS)	44	26.5%	-7.5%	122	73.5%	321	26.8%	0.8%	878	73.2%	160	30.8%	5.2%	359	69.2%	525	27.9%	0.4%	1359	72.1%
ADFA Postgraduate	35	15.0%	-2.2%	198	85.0%	64	10.2%	-2.4%	565	89.8%	50	21.6%	5.5%	182	78.4%	149	13.6%	-1.1%	945	86.4%
Chief of Defence Force Fellowship	0	0.0%	0.0%	1	100.0%	0	0.0%	0.0%	1	100.0%	0	-	0.0%	0	-	0	0	0.0%	2	100.0%

**Source:** Navy data: Director General Navy People; Army data: Director General Personnel Army; Air Force data: Defence Learning Branch.

**Figure 26: Percentage of women in ADF sponsored study, by Service and percentage of women in the workforce, 30 June 2015**



Each Service offers fully-funded, long-term schooling opportunities ranging from undergraduate and postgraduate opportunities, languages, the Capability and Technology Management College at ADFA, Manpower Systems Analysis, Chief of Defence Force and Service-specific scholarships, law, medicine, nursing and dentistry. ADF members may also study under the Defence Assisted Study Scheme (DASS) through the funding arrangements of that program.

Figure 26 shows the proportion of female ADF members undertaking study through the Defence Assisted Study Scheme (DASS) and undertaking postgraduate study through the Australian Defence Force Academy (ADFA). The proportion of women in each Service is also shown to give an indication of whether women are over- or under-represented in sponsored study. The proportion of women in the assisted study scheme is well above the proportion of women in the workforce for all Services, while the proportion of women undertaking ADFA postgraduate study is approximately the same (within 4.0 per cent) as the proportion of women in the workforce for each Service. Lower female participation in ADFA postgraduate study is influenced by the nature of ADFA postgraduate courses, which focus on engineering, information technology and science, which are fields predominantly filled by men.

## Access to flexible working arrangements

Access to flexible work is crucial to a member's ability to continue working and thriving in Defence, allowing them to fulfil their work responsibilities, while fulfilling family or other commitments. This extends not only to parents, but to all Defence men and women who have responsibilities beyond the workplace. Flexible work availability for men is just as important; enabling couples to share family responsibilities reduces the disproportionate career impact on women. This section presents attitudinal data on flexible work practices, followed by some indicative figures on these practices, including ADF members on part-time leave without pay. Increasing use of a standardised form for formal flexible work arrangements throughout the ADF has improved the quality and comparability of flexible work rates in the Services.

In addition to the Services' programs to encourage and monitor a range of flexible working arrangements, Defence is developing Suakin, which is a whole of Defence Total Workforce Employment Model designed to contribute to capability by giving Defence the strategic flexibility to manage the workforce. While Defence has supported access to flexible employment arrangements, Suakin aims to move these from individual and localised agreements to a more enduring solution. This will entail offering casual, part-time and full-time work options allowing Defence to draw on both the Permanent and Reserve workforce components more flexibly, with greater mobility between them.

Table 31 outlines attitudes to flexible work, and Table 32 to Table 40 provide details of formalised Flexible Work Arrangements (FWA) for each of the Services. This information is presented in support of the Review into the Treatment of Women in the ADF Phase 2 recommendation 3 (section C) 'Access to flexible work' and recommendation 13 (reporting against flexible work targets).

**Table 31: YourSay surveys (August 2014 and February 2015)—responses on flexible work, by Service and gender** <sup>[1][2][3][4][5][6]</sup>

YourSay Survey	Navy		Army		Air Force		Total ADF	
	Women	Men	Women	Men	Women	Men	Women	Men
My CO / Branch Manager actively supports work-life balance and flexible work arrangements (% Agree/Strongly Agree)	61.1%	57.1%	62.0%	56.0%	71.0%	66.1%	64.9%	59.4%
My supervisor is flexible when I have personal demands to attend to (% Agree/Strongly Agree)	80.8%	82.9%	76.5%	81.9%	85.8%	86.8%	81.0%	83.7%
If I accessed flexible working arrangements (such as working part time) my career progression would be negatively impacted (% Agree/Strongly Agree)	39.9%	42.2%	45.9%	49.0%	35.8%	37.3%	40.6%	43.7%
Are flexible working arrangements available in your area (e.g. part-time work, home-based work)? (% Yes)	50.0%	▲45.3%	53.9%	▲42.2%	66.8%	▲51.3%	57.3%	▲45.8%
How often do you personally take advantage of documented (or formal) flexible work arrangements? (% Sometimes - Always)	26.8%	17.4%	19.7%	13.2%	31.3%	16.5%	25.8%	15.3%
How often do you personally take advantage of informal flexible work arrangements (such as leaving work early?) (% Sometimes - Always)	▼59.6%	57.7%	▼57.1%	57.9%	61.9%	65.0%	▼59.5%	60.0%

**Source: YourSay Survey August 2014 and February 2015.**

### Notes

1. Data includes responses from ADF personnel.
2. Cells highlighted in green indicate that 2014–15 responses were significantly more positive than in 2013–14.
3. Cells highlighted in orange indicate that 2014–15 responses were significantly less positive than in 2013–14.
4. An upward-pointing arrow indicates that responses were significantly higher in 2014–15 than in 2013–14 (but may be positive or negative depending on the wording of the question).
5. A downward-pointing arrow indicates that responses are significantly lower in 2014–15 than in 2013–14 (but may be positive or negative depending on the wording of the question).
6. Differences are based on statistical significance ( $p < .05$ ) and measure of association (Cramer's V  $> 0.1$ ).

**Figure 27: Percentage of ADF women and men responding positively to *YourSay* items about flexible work, 2014–15**

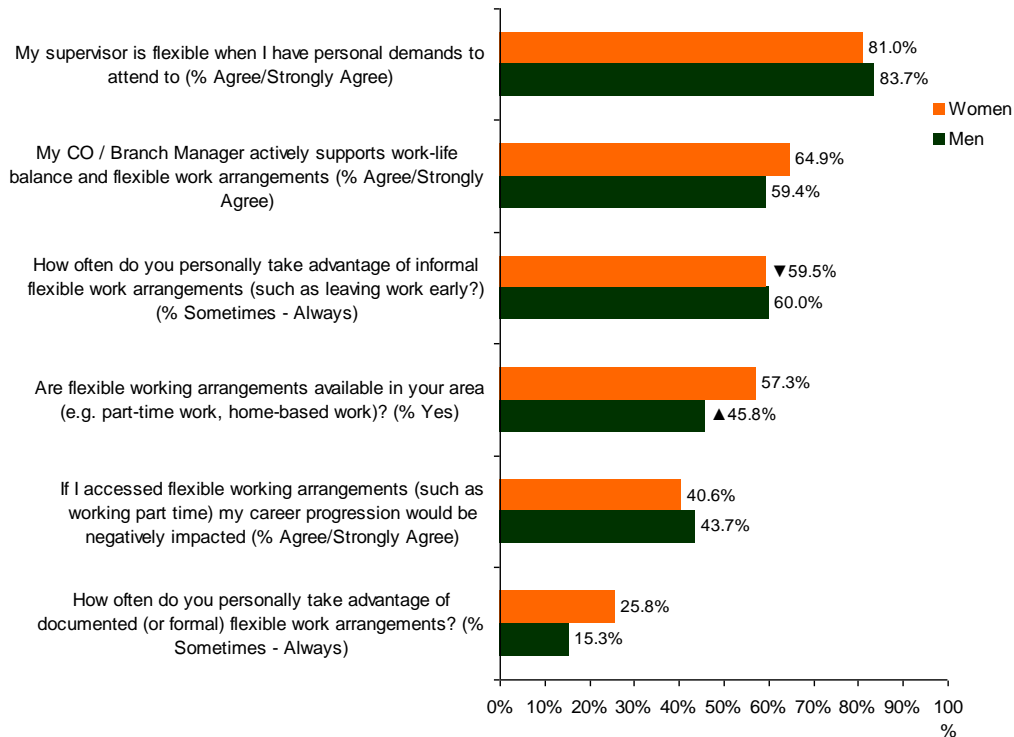


Figure 27 shows responses to various survey questions about flexible work. The majority of both women and men felt they had flexibility for ad hoc absences and many took advantage of informal flexible work when the need arose. Fewer members accessed more formal, ongoing flexible work.

Gender differences become evident in formal flexible work figures; a higher proportion of women than men used formal flexible work arrangements in each Service. Likewise, women were more likely to perceive that flexible working arrangements were available to them than their male peers for each Service. This gender difference narrowed, however, ADF-wide there was an 11.5 per cent gap between the proportion of women and men who agree with this item, compared to 2013–14 when there was a 20.8 per cent gap between the genders. This was due to a growing proportion of men who felt these arrangements were available. This availability to men is important as in dual-career families, it allows fathers to assume more of the childcare (or other) responsibilities and alleviate some of the responsibility and career impact from women.

Around two-fifths of women and men felt that accessing flexible work would negatively impact their career, which is similar to the proportion responding this way in 2013–14.

## Formalised flexible work arrangements

Table 32: Navy members using formal flexible work arrangements, by rank, 30 June 2015 <sup>[1][2][3]</sup>

Flexible Work Arrangements	Other Ranks												Officers												Total	
	E02/03 Seaman Able Seaman		E05 Leading Seaman		E06 Petty Officer		E08 Chief Petty Officer		E09/10 Warrant Officer		Total Other Ranks		O01/O02 Sub Lieutenant (inc Acting)		O03 Lieutenant		O04 Lieutenant Commander		O05 Commander		O06-O10 Captain - Admiral: Senior Leaders		Total Officers			
	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M
W: Women; M: Men																										
Variable Work Hours	14	21	20	26	1	34	6	42	1	7	42	130	0	0	12	15	11	9	1	3	0	0	24	27	66	157
Home Located Work	0	0	4	0	0	2	2	4	2	1	8	7	0	0	6	5	10	4	1	1	0	0	17	10	25	17
Alternate Location Work	1	0	0	0	0	0	0	4	0	0	1	4	0	0	2	0	2	0	1	1	0	0	5	1	6	5
Remote Overseas Work	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	2	1	1	1	0	0	5	2	5	2
Part-time Leave Without Pay	10	1	13	0	5	0	0	0	0	0	28	1	1	0	10	2	5	1	1	1	0	0	17	4	45	5
Total Formal Flexible Work Arrangements	25	22	37	26	6	36	8	50	3	8	79	142	1	0	32	22	30	15	5	7	0	0	68	44	147	186
Number of Members on Formal Flexible Work Arrangements	24	20	30	26	6	35	6	39	2	6	68	126	1	0	23	19	20	12	2	5	0	0	46	36	114	162
Average Number of Arrangements per Member	1.04	1.10	1.23	1.00	1.00	1.03	1.33	1.28	1.50	1.33	1.16	1.13	1.00	0.00	1.39	1.16	1.50	1.25	2.50	1.40	0.00	0.00	1.48	1.22	1.29	1.15
Total Number of Permanent and Continuous Full-Time Service, Trained, Non-sea-going Members	543	1,666	348	1,034	152	829	85	699	17	208	1,145	4,436	4	4	215	674	161	574	47	369	21	155	448	1,776	1,593	6,212
Percentage Members on Formal Flexible Work Arrangements	4.42%	1.20%	8.62%	2.51%	3.95%	4.22%	7.06%	5.58%	11.76%	2.88%	5.94%	2.84%	25.00%	0.00%	10.70%	2.82%	12.42%	2.09%	4.26%	1.36%	0.00%	0.00%	10.27%	2.03%	7.16%	2.61%

**Source:** Defence HR system.

### Notes

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 28: Navy members using formal flexible work arrangements, by rank, 30 June 2015**

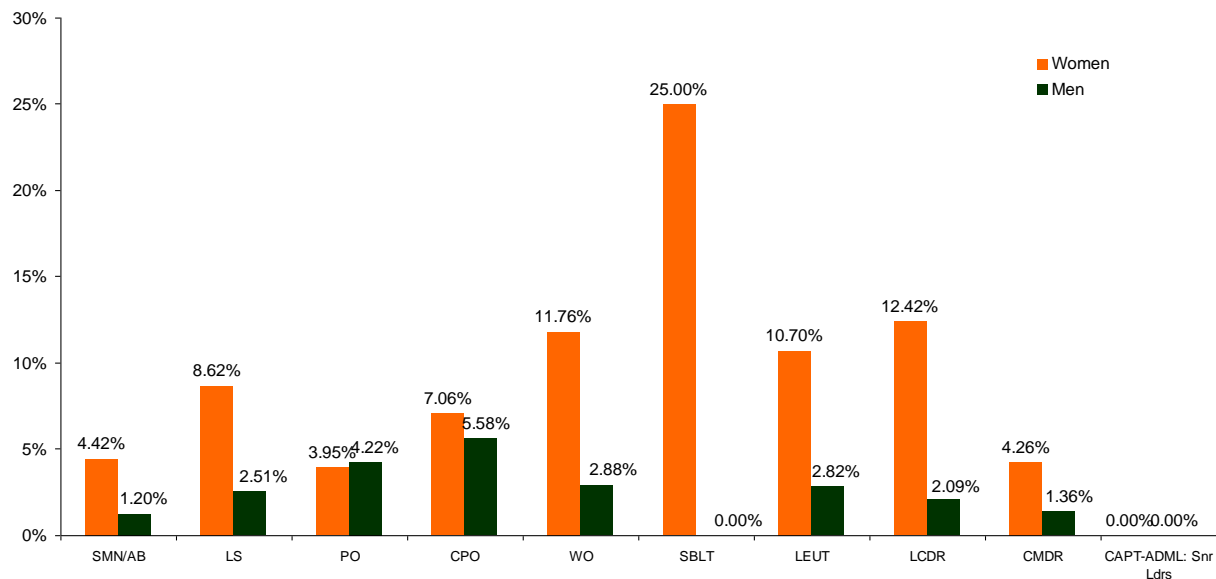


Figure 28 shows the proportion of Navy women and men who use formal flexible work arrangements at each rank. Women are more likely than men to be on flexible work at every rank with the exception of Petty Officers, where nearly the same proportion of women and men are on these arrangements. The rank with the highest proportion on flexible work is Sub Lieutenant; however this represents one woman out of only four Sub Lieutenants in the trained, non-seagoing workforce.

The Navy's target is for no less than 2 per cent of the non-seagoing, trained, permanent and continuous full-time service workforce to be on formal flexible work arrangements by 2016–17. This is supported by an aspirational target of 5 per cent over the subsequent three financial years. Given 276 members on flexible work in a trained, non-seagoing, permanent and continuous full-time service workforce of 7,805, Navy had a total of 3.54 per cent of members on a flexible work arrangement as at 30 June 2015, which exceeds the Navy's target.

Flexible work figures are not directly comparable to those reported in 2013–14 as data collection and reporting mechanisms have been in development over recent years. The Navy's data collection method in 2013–14 was a survey of flexible work arrangements, which indicated 9.3 per cent of the workforce was on a flexible work arrangement; however, this figure includes members who have not used the Defence-endorsed flexible work form. The current reporting is the first year in which Navy's flexible work reporting was generated from the Defence-endorsed flexible work application forms, and as such only includes arrangements made with this form, and therefore shows a smaller percentage. It is likely that there are still many Navy members on flexible work arrangements who have not yet submitted a formal application. This is supported by survey results shown in Table 31, which indicate that 26.8 per cent of Navy women, and 17.4 per cent of Navy men access some form of flexible work.

There was a substantial increase in use of the ADF Application for Flexible Work form after the release of a Navy Directive in May 2015. This increase is expected to continue as more members on flexible work formalise their arrangements through the use of this form. This increase is likely to be reflected in higher flexible work figures for Navy in 2015–16.

Under the Navy's cultural reform program, New Generation Navy (NGN), the Navy Diversity and Flexibility Initiative has been incorporated into the Pathway to Change *Respectful Always* pillar. This provides the mechanism for the Navy to maintain strategic oversight of the cultural reform aspects of flexible work across Navy. Under NGN, the *Enhancing Capability Delivery Through Flexibility* report (compiled by Deloitte in 2013) provides the framework for implementation.

Under the framework, the Navy has progressed the following strategies to achieve its flexible work arrangement targets as well as the cultural reform needed to ensure flexible work continues to be promoted, and accepted as the way Navy operates:

- Establishment of a Navy Flexible Employment Cell within the Career Management Agency to develop policy, monitor and review flexible work across Navy. This supports Recommendation 14 of the Review into the Treatment of Women in the ADF Phase 2.
- Continued focus on strategic communication activities, including:
  - Maintain an up to date flexible work arrangements website
  - Release of a strategic communications directive on Navy normal work requirements, providing a baseline from which flexible work arrangements can then be negotiated
  - Development of communications products to raise awareness of the benefits of flexible work
  - Education through the conduct of presentations during Career Management briefings in Navy Commands.
- Ongoing review of the current career management and workforce planning business practices to remove impediments to the implementation of flexible work arrangements.

A new NGN initiative, *Culture of Workforce Management*, will address the culture behind planning and managing careers. It is also expected to investigate in detail, flexible careers. This initiative forms part of the new NGN Strategy 2015–2018 that will be released shortly.

**Table 33: Navy members using formal flexible work arrangements, by region, 30 June 2015 <sup>[1][2][3]</sup>**

Flexible Work Arrangements	NSW								Vic & Tas						Qld								WA		SA		NT		ACT		Overseas		Total		
	Hunter & Nth NSW				Sth & Cent NSW				Tas & Regional Vic				Total Vic and Tas				Dig Dwns & Cent Qld				Bris & Sth Qld														
	Gtr Syd	W	M		W	M			Gtr Melb	W	M		W	M			W	M		W	M			W	M		W	M		W	M		W	M	
W: Women; M: Men	35	91	0	0	4	12	39	103	0	1	1	3	1	4	0	3	1	3	3	4	4	10	10	17	0	2	4	4	8	17	0	0	66	157	
Variable Work Hours																																			
Home Located Work	14	10	0	0	1	1	15	11	0	1	2	0	2	1	0	0	0	0	1	0	1	0	1	2	0	0	0	0	6	3	0	0	25	17	
Alternate Location Work	3	1	0	0	0	0	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2	4	0	0	6	5		
Remote Overseas Work	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	3	2	0	0	5	2		
Part-time Leave Without Pay	11	2	0	0	2	0	13	2	0	0	1	0	1	0	0	0	0	0	6	0	6	0	8	0	1	0	0	0	16	3	0	0	45	5	
Total Formal Flexible Work Arrangements	64	104	0	0	7	13	71	117	0	2	4	3	4	5	0	3	1	3	10	4	11	10	21	19	1	2	4	4	35	29	0	0	147	186	
Number of Members on Formal Flexible Work Arrangements	49	92	0	0	6	11	55	103	0	1	3	3	3	4	0	3	1	3	9	4	10	10	16	17	1	2	2	3	27	23	0	0	114	162	
Average Number of Arrangements per Member	1.31	1.13	0.00	0.00	1.17	1.18	1.29	1.14	0.00	2.00	1.33	1.00	1.33	1.25	0.00	1.00	1.00	1.00	1.11	1.00	1.10	1.00	1.31	1.12	1.00	1.00	2.00	1.33	1.30	1.26	0.00	0.00	1.29	1.15	
Total Number of Permanent and Continuous Full-Time Service, Trained Non-sea-going Members	490	1,922	1	33	149	913	640	2,868	13	58	138	507	151	565	25	84	7	17	67	187	99	288	257	967	18	92	47	235	372	1,051	9	146	1,593	6,212	
Percentage Members on Formal Flexible Work Arrangements	10.00%	4.79%	0.00%	0.00%	4.03%	1.20%	8.59%	3.59%	0.00%	1.72%	2.17%	0.59%	1.99%	0.71%	0.00%	3.57%	14.29%	17.65%	13.43%	2.14%	10.10%	3.47%	6.23%	1.76%	5.56%	2.17%	4.26%	1.28%	7.26%	2.19%	0.00%	0.00%	7.16%	2.61%	

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 29: Navy members using formal flexible work arrangements, by state, 30 June 2015**

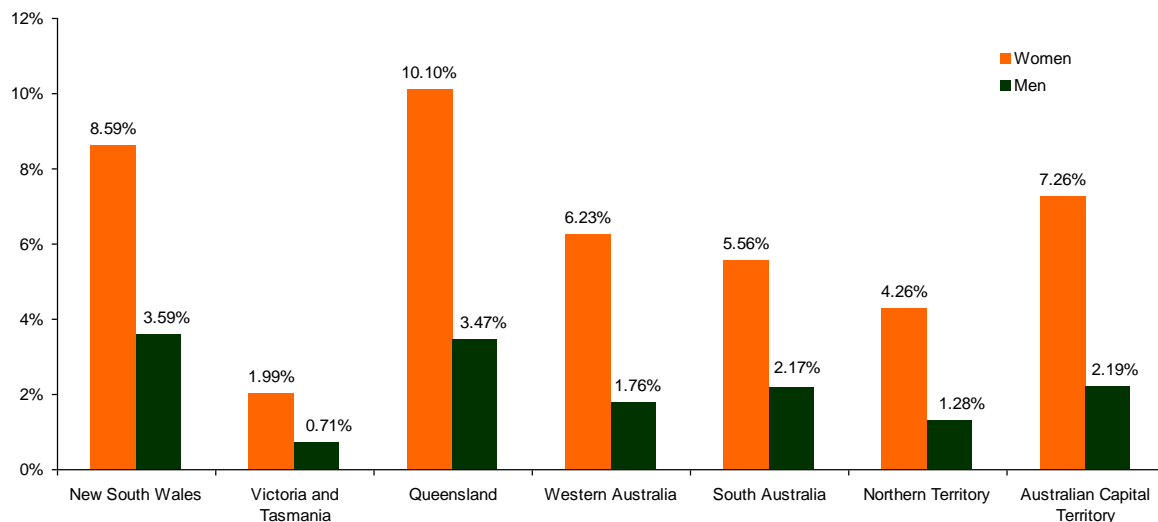


Figure 29 shows the proportion of Navy women and men in each state and territory who were on a formal flexible work arrangement at 30 June 2015. This only includes members who have applied for flexible work using the Defence-endorsed form, so members who have set up flexible arrangements without the form are not included, which may result in these figures being an under-estimate of actual flexible work prevalence. It is evident that the largest difference is by gender: a higher proportion of women than men use flexible work arrangements in every state, which may reflect a reluctance among men to seek flexible work. Queensland, New South Wales and the Australian Capital Territory have the highest proportion of Navy members on flexible work arrangements, while Victoria and Tasmania has the lowest proportion using flexible work.

**Table 34: Flexible work arrangement application submissions and approvals in Navy, 2014–15** <sup>[1][2][3]</sup>

Flexible Work Arrangements	Number Applications Submitted		Number Applications Approved		Percentage Applications Approved	
	W	M	W	M	W	M
Variable Work Hours	87	208	87	206	100%	99%
Home Located Work	31	24	31	24	100%	100%
Alternate Location Work	7	10	7	8	100%	80%
Remote Overseas Work	3	2	3	2	100%	100%
Part-time Leave Without Pay	63	11	63	10	100%	91%
<b>Total Formal Flexible Work Arrangements</b>	<b>191</b>	<b>255</b>	<b>191</b>	<b>250</b>	<b>100.00%</b>	<b>98.04%</b>
Number of Applications	146	218	146	213		
<b>Average Number of Arrangements per Application</b>	<b>1.31</b>	<b>1.17</b>	<b>1.31</b>	<b>1.17</b>		

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

Table 34 shows the number of formal flexible work arrangement applications which were submitted by Navy members, and the number and proportion which were approved during 2014–15. Navy members submitted a total of 364 applications; some applications were for more than one flexible work arrangement. More applications were submitted by Navy men than Navy women, although as a proportion of the workforce, women were more likely than men to apply for a flexible work arrangement. All formal flexible work arrangement applications from women were approved, and almost all applications from men were approved. This only includes arrangements which were applied for using the *ADF Application for Flexible Work* form, so does not include arrangements which have been established without using this form.

## Army

**Table 35: Army members using formal flexible work arrangements, by rank, 30 June 2015<sup>[1][2][3]</sup>**

Flexible Work Arrangements	Other Ranks												Officers												Total	
	E02/03 Private (inc Private Proficient)		E04/05 Corporal/ Lance Corporal		E06 Sergeant		E07/08 Staff Sergeant/ Warrant Officer		E09/10 Warrant Officer Class 1		Total Other Ranks		O01/O02 Second Lieutenant/ Lieutenant		O03 Captain		O04 Major		O05 Lieutenant Colonel		O06-O10 Colonel- General: Senior Leaders		Total Officers		W	M
	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M		
W: Women; M: Men																										
Variable Work Hours	3	4	4	13	5	9	1	13	-	5	13	44	-	3	5	7	9	8	1	2	-	-	15	20	28	64
Home Located Work	1	-	1	-	2	1	1	3	-	2	5	6	-	-	3	2	7	3	1	2	-	-	11	7	16	13
Alternate Location Work	-	-	-	-	-	-	-	-	-	2	0	2	-	1	2	1	2	2	1	-	-	1	5	5	5	7
Remote Overseas Work	1	-	-	-	1	-	-	-	-	3	2	3	-	-	1	-	1	-	1	-	-	-	3	0	5	3
Part-time Leave Without Pay	9	4	19	4	11	1	5	1		-	44	10	2	-	13	6	19	6	4	-	-	-	38	12	82	22
<b>Total Formal Flexible Work Arrangements</b>	<b>14</b>	<b>8</b>	<b>24</b>	<b>17</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>17</b>	<b>0</b>	<b>12</b>	<b>64</b>	<b>65</b>	<b>2</b>	<b>4</b>	<b>24</b>	<b>16</b>	<b>38</b>	<b>19</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>72</b>	<b>44</b>	<b>136</b>	<b>109</b>
Number of Members on Formal Flexible Work Arrangements	13	8	23	16	15	10	6	15	1	8	58	57	1	4	20	14	27	18	6	2	0	1	54	39	112	96
Average Number of Arrangements per Member	1.08	1.00	1.04	1.06	1.27	1.10	1.17	1.13	0.00	1.50	1.10	1.14	2.00	1.00	1.20	1.14	1.41	1.06	1.33	2.00	0.00	1.00	1.33	1.13	1.21	1.14
Total Number of Permanent and Continuous Full-Time Service, Trained Members	987	8,512	661	4,886	288	2,268	198	1,813	67	610	2,201	18,089	166	655	277	1,603	275	1,557	91	574	26	234	835	4,623	3,036	22,712
Percentage Members on Formal Flexible Work Arrangements	1.32%	0.09%	3.48%	0.33%	5.21%	0.44%	3.03%	0.83%	1.49%	1.31%	2.64%	0.32%	0.60%	0.61%	7.22%	0.87%	9.82%	1.16%	6.59%	0.35%	0.00%	0.43%	6.47%	0.84%	3.69%	0.42%

**Source:** Defence HR system.

### Notes

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 30: Army members using formal flexible work arrangements, by rank, 30 June 2015**

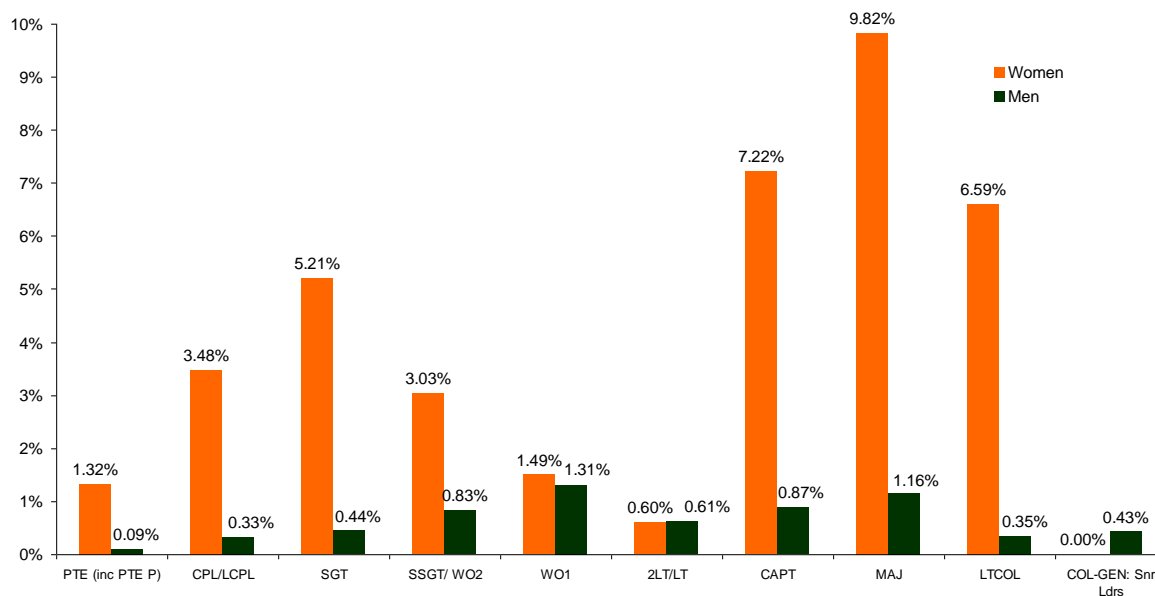


Figure 30 shows the proportion of Army women and men who use formal flexible work arrangements. This only includes members who have applied for flexible work using the Defence-endorsed form, so members who have set up flexible arrangements without the form are not included, which may result in these figures being an under-estimate of actual flexible work prevalence. A higher proportion of women than men use flexible work at most ranks, although at Warrant Officer 1 and Lieutenant, there is very little difference. At the senior leader rank group, while very few men take flexible work, there are no women in this rank group who take flexible work. Both within the other ranks group and the officer rank group, flexible work is less prevalent in the most junior and most senior ranks, and more common in the mid-level ranks, with Sergeants and Major having the highest take up rate of flexible work in the other ranks and officer ranks respectively.

The Army has a target to achieve 2 per cent of the trained, permanent and continuous full-time service workforce on formal flexible work arrangements. Given 208 members on flexible work in a trained, permanent and continuous full-time service workforce of 25,748, Army had a total of 0.81 per cent on formal flexible work arrangements at 30 June 2015. However, this number again is based only on members who have used the relatively recently developed form, so is likely to under-report the actual prevalence of flexible work. This is also indicated by survey results (Table 31), which show that 19.7 per cent of Army women and 13.2 per cent of Army men reported being on formal flexible work at least sometimes.

**Table 36: Army members using formal flexible work arrangements, by region, 30 June 2015<sup>[1][2][3]</sup>**

Flexible Work Arrangements	NSW								Vic & Tas						Qld								WA		SA		NT		ACT		Overseas		Total		
	Gtr Syd		Hunter & Nth NSW		Sth & Cent NSW		Total NSW		Gtr Melb		Tas & Regional Vic		Total Vic and Tas		Bris & Sth Qld		Dlg Dwns & Cent Qld		Nth Qld		Total Qld		W	M	W	M	W	M	W	M	W	M	W	M	
			W	M	W	M					W	M					W	M																	W
W: Women; M: Men	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	
Variable Work Hours	8	16	-	-	-	-	1	8	17	1	2	5	22	6	24	5	6	1	6	2	2	8	14	-	2	1	1	2	1	3	5	-	-	28	64
Home Located Work	3	3	-	-	-	-	3	3	-	1	3	4	3	5	2	-	1	1	2	-	5	1	-	1	2	1	1	-	2	2	-	-	16	13	
Alternate Location Work	1	4	-	-	-	1	1	5	1	-	-	1	1	1	1	-	1	-	-	-	2	0	-	-	-	-	1	1	-	-	5	7			
Remote Overseas Work	1	-	-	-	-	1	1	1	1	1	-	-	1	1	-	-	-	-	-	-	0	0	-	-	-	1	1	-	2	-	-	5	3		
Part-time Leave Without Pay	12	5	-	1	3	2	15	8	6	1	5	1	11	2	20	4	4	1	9	2	33	7	3	-	1	2	5	-	14	3	-	-	82	22	
Total Formal Flexible Work Arrangements	25	28	0	1	3	5	28	34	9	5	13	28	22	33	28	10	7	8	13	4	48	22	3	3	4	5	9	1	22	11	0	0	136	109	
Number of Members on Formal Flexible Work Arrangements	20	27	0	1	3	4	23	32	7	5	10	25	17	30	25	9	6	7	12	4	43	20	3	2	2	4	7	1	17	7	0	0	112	96	
Average Number of Arrangements per Member	1.25	1.04	0.00	1.00	1.00	1.25	1.22	1.06	1.29	1.00	1.30	1.12	1.29	1.10	1.12	1.11	1.17	1.14	1.08	1.00	1.12	1.10	1.00	1.50	2.00	1.25	1.29	1.00	1.29	1.57	0.00	0.00	1.21	1.14	
Total Number of Permanent and Continuous Full-time Service, Trained Members	402	2,979	21	315	61	458	484	3,752	113	735	153	1,188	266	1,923	769	5,266	66	472	561	4,664	1,396	10,402	100	831	103	1,241	321	2,697	351	1,614	15	252	3,036	22,712	
Percentage Members on Formal Flexible Work Arrangements	4.98%	0.91%	0.00%	0.32%	4.92%	0.87%	4.75%	0.85%	6.19%	0.68%	6.54%	2.10%	6.39%	1.56%	3.25%	0.17%	9.09%	1.48%	2.14%	0.09%	3.08%	0.19%	3.00%	0.24%	1.94%	0.32%	2.18%	0.04%	4.84%	0.43%	0.00%	0.00%	3.69%	0.42%	

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 31: Army members using formal flexible work arrangements, by state and territory, 30 June 2015**

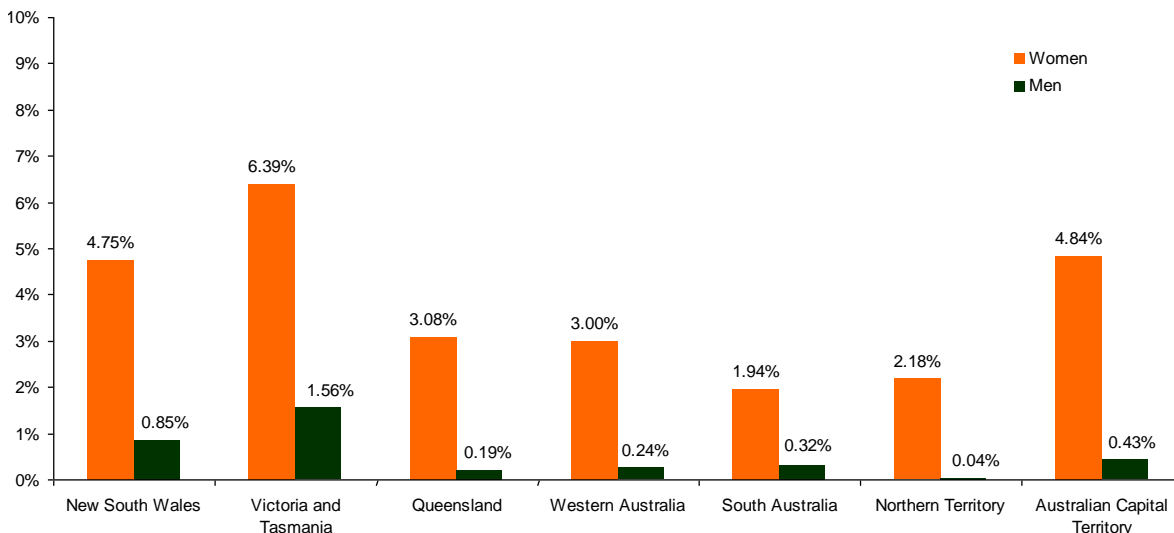


Figure 31 shows the proportion of Army women and men in each state and territory who were on a formal flexible work arrangement at 30 June 2015. This only includes members who have applied for flexible work using the recently developed form, so members who have set up flexible arrangements without the form are not included, which may result in these figures being an under-estimate of actual flexible work prevalence. It is evident that the largest difference is by gender: a far higher proportion of women than men use flexible work arrangements in every state. Victoria and Tasmania, New South Wales, and the Australian Capital Territory have the highest rates of use of flexible work, while South Australia and the Northern Territory have the lowest of the states and territories.

**Table 37: Flexible work arrangement application submissions and approvals in Army, 2014–15** <sup>[1][2][3]</sup>

Flexible Work Arrangements	Number Applications Submitted		Number Applications Approved		Percentage Applications Approved	
	W	M	W	M	W	M
Variable Work Hours	46	104	46	104	100%	100%
Home Located Work	29	19	29	19	100%	100%
Alternate Location Work	6	11	6	11	100%	100%
Remote Overseas Work	10	5	10	5	100%	100%
Part-time Leave Without Pay	155	42	155	42	100%	100%
<b>Total Formal Flexible Work Arrangements</b>	<b>246</b>	<b>181</b>	<b>246</b>	<b>181</b>	<b>100.00%</b>	<b>100.00%</b>
Number of Applications	195	159	195	159		
<b>Average Number of Arrangements per Application</b>	<b>1.26</b>	<b>1.14</b>	<b>1.26</b>	<b>1.14</b>		

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

Table 37 shows the number of formal flexible work arrangement applications which were submitted by Army members, and the number and proportion which were approved during 2014–15. Army members submitted a total of 354 applications, some applications were for more than one flexible work arrangement. More applications were submitted by Army women than Army men. All formal flexible work arrangement applications were approved. This only includes arrangements which were applied for using the *ADF Application for Flexible Work* form, so does not include arrangements which have been established without using this form.

## Air Force

**Table 38: Air Force members using formal flexible work arrangements, by rank, 30 June 2015<sup>[1][2][3]</sup>**

Flexible Work Arrangements	Other Ranks												Officers												Total	
	E02/E03 Aircraftman/woman Leading Aircraftman/woman												O06-O10 Group Captain-Air Chief Marshal: Senior Leaders													
	E05 Corporal		E06 Sergeant		E08 Flight Sergeant		E09/10 Warrant Officer		Total Other Ranks		O01/O02 Pilot Officer/ Flying Officer		O03 Flight Lieutenant		O04 Squadron Leader		O05 Wing Commander		Total Officers							
	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M		
W: Women; M: Men	32	23	38	36	30	57	17	30	5	13	122	159	5	9	27	35	13	23	7	6	0	2	52	75	174	234
Variable Work Hours	1	1	5	1	7	4	9	0	1	3	23	9	3	2	18	11	14	8	5	3	0	1	40	25	63	34
Home Located Work	1	1	0	0	1	0	1	1	0	3	3	5	1	0	3	4	6	3	1	4	0	1	11	12	14	17
Alternate Location Work	0	1	0	0	0	0	0	0	0	0	0	1	0	1	3	5	3	0	2	0	0	0	8	6	8	7
Remote Overseas Work	13	4	35	2	17	2	8	0	2	1	75	9	2	0	27	7	16	4	2	1	0	0	47	12	122	21
Part-time Leave Without Pay	47	30	78	39	55	63	35	31	8	20	223	183	11	12	78	62	52	38	17	14	0	4	158	130	381	313
Total Formal Flexible Work Arrangements	41	26	62	38	46	58	27	30	8	16	184	168	9	10	50	44	31	28	9	11	0	2	99	95	283	263
Number of Members on Formal Flexible Work Arrangements	1.15	1.15	1.26	1.03	1.20	1.09	1.30	1.03	1.00	1.25	1.21	1.09	1.22	1.20	1.56	1.41	1.68	1.36	1.89	1.27	0.00	2.00	1.60	1.37	1.35	1.19
Average Number of Arrangements per Member	636	2,712	413	1,957	256	1,394	121	669	48	521	1,474	7,253	171	466	387	1,391	225	933	77	437	21	174	881	3,401	2,355	10,654
Total Number of Permanent and Continuous Full-Time Service, Trained Members	6.45%	0.96%	15.01%	1.94%	17.97%	4.16%	22.31%	4.48%	16.67%	3.07%	12.48%	2.32%	5.26%	2.15%	12.92%	3.16%	13.78%	3.00%	11.69%	2.52%	0.00%	1.15%	11.24%	2.79%	12.02%	2.47%
Percentage Members on Formal Flexible Work Arrangements																										

**Source:** Defence HR system.

### Notes

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 32: Air Force members using formal flexible work arrangements, by rank, 30 June 2015**

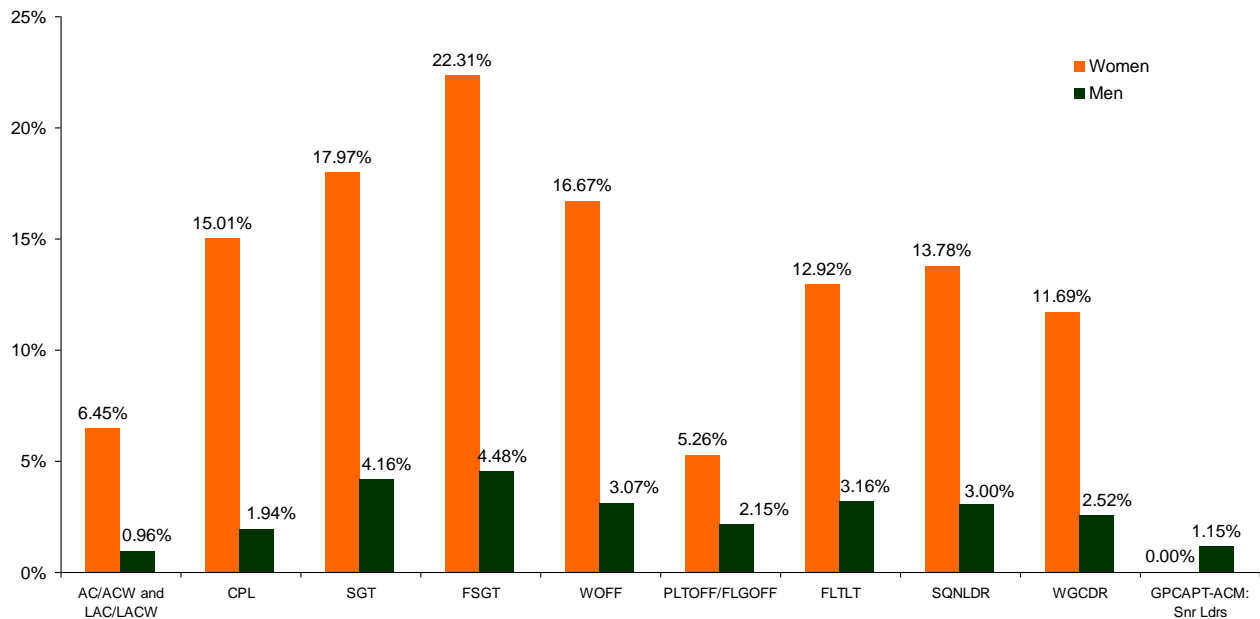


Figure 32 shows the proportion of Air Force women and men who use formal flexible work arrangements. This only includes members who have applied for flexible work using the Defence-endorsed form, so members who have set up flexible arrangements without the form are not included, which may result in these figures being an under-estimate of actual flexible work prevalence. A higher proportion of women than men use flexible work at most ranks; however at the senior leader ranks there are no women and four men (1.15 per cent) using flexible work. Both within the other ranks group and the officer rank group, flexible work is less prevalent in the most junior and most senior ranks, and more common in the mid-level ranks, with Flight Sergeants and Squadron Leaders having the highest take up rate of flexible work in the other ranks and officer ranks respectively.

Each Service has a target to achieve 2 per cent of the permanent and continuous full-time service workforce on formal flexible work arrangements. Given 546 members on flexible work in a trained, permanent and continuous full-time service workforce of 13,009, Air Force had a total of 4.20 per cent on formal flexible work arrangements at 30 June 2015, which exceeds the target. However, this number again is based only on members who have used the relatively recent organisation-endorsed form, so is likely to under-report the actual prevalence of flexible work. This is also indicated by survey results (Table 31), which shows that 31.3 per cent of Air Force women and 16.5 per cent of Air Force men reported being on formal flexible work at least sometimes.

**Table 39: Air Force members using formal flexible work arrangements, by region, 30 June 2015 <sup>[1][2][3]</sup>**

Flexible Work Arrangements	NSW								Vic & Tas						Qld								WA		SA		NT		ACT		Overseas		Total	
	Gtr Syd		Hunter & Nth NSW		Sth & Cent NSW		Total NSW		Gtr Melb		Tas & Regional Vic		Total Vic and Tas		Bris & Sth Qld		Dlg Dwns & Cent Qld		Nth Qld		Total Qld		W	M	W	M	W	M	W	M	W	M		
			W	M	W	M											W	M															W	M
W: Women; M: Men	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M		
Variable Work Hours	32	48	30	34	7	15	69	97	3	23	2	7	5	30	44	48	2	1	5	2	51	51	0	0	14	31	7	0	28	25	0	0	174	234
Home Located Work	4	5	10	2	1	3	15	10	1	4	0	3	1	7	18	5	0	0	0	0	18	5	0	0	3	4	3	1	23	7	0	0	63	34
Alternate Location Work	1	3	3	1	1	1	5	5	0	3	0	1	0	4	2	0	0	0	0	0	2	0	0	0	3	2	1	0	3	6	0	0	14	17
Remote Overseas Work	0	1	1	1	0	0	1	2	0	0	0	1	0	1	1	0	0	0	0	0	1	0	0	0	1	1	0	0	5	3	0	0	8	7
Part-time Leave Without Pay	12	4	20	3	4	2	36	9	1	3	2	1	3	4	25	1	2	0	6	0	33	1	1	0	20	4	6	0	22	3	1	0	122	21
Total Formal Flexible Work Arrangements	49	61	64	41	13	21	126	123	5	33	4	13	9	46	90	54	4	1	11	2	105	57	1	0	41	42	17	1	81	44	1	0	381	313
Number of Members on Formal Flexible Work Arrangements	44	53	44	38	12	16	100	107	5	28	3	7	8	35	63	52	3	1	10	2	76	55	1	0	33	34	11	1	53	31	1	0	283	263
Average Number of Arrangements per Member	1.11	1.15	0.00	1.08	1.08	1.31	1.26	1.15	1.00	1.18	1.33	1.86	1.13	1.31	1.43	1.04	1.33	1.00	1.10	1.00	1.38	1.04	1.00	0.00	1.24	1.24	1.55	1.00	1.53	1.42	0.00	0.00	1.35	1.19
Total Number of Permanent and Continuous Full-time Service, Trained Members	252	1,296	371	2,078	81	269	704	3,643	61	308	58	296	119	604	472	1,884	10	30	91	366	573	2,280	50	264	252	1,640	195	767	417	1,217	45	239	2,355	10,654
Percentage Members on Formal Flexible Work Arrangements	17.46%	4.09%	11.86%	1.83%	14.81%	5.95%	14.20%	2.94%	8.20%	9.09%	5.17%	2.36%	6.72%	5.79%	13.35%	2.76%	30.00%	3.33%	10.99%	0.55%	13.26%	2.41%	2.00%	0.00%	13.10%	2.07%	5.64%	0.13%	12.71%	2.55%	2.22%	0.00%	12.02%	2.47%

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

**Figure 33: Air Force members using formal flexible work arrangements, by state, 30 June 2015**

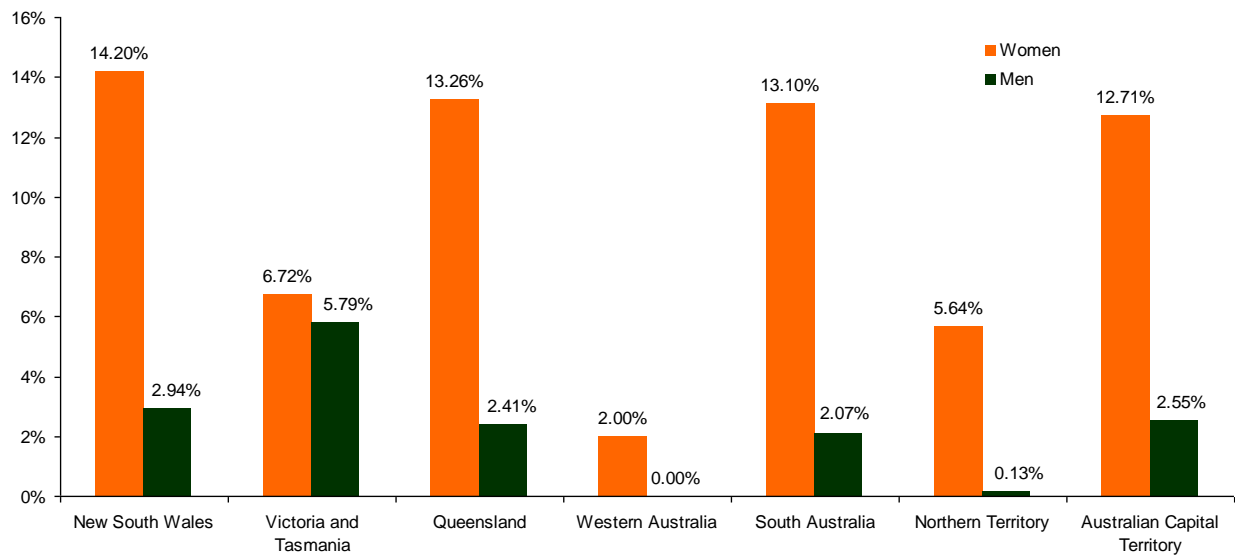


Figure 33 shows the proportion of women and men in each state and territory who were on a formal flexible work arrangement at 30 June 2015. This only includes members who have applied for flexible work using the recently developed form, so members who have set up flexible arrangements without the form are not included, which may result in these figures being an under-estimate of actual flexible work prevalence. Women have higher rates of flexible work than men in each state and territory. New South Wales, Queensland, South Australia and the Australian Capital Territory have the highest rates for flexible work among women, while Victoria and Tasmania, the Northern Territory, and particularly Western Australia have a low proportion of flexible work. However, Victoria and Tasmania was the region with the highest rate of flexible work for men in the Air Force.

**Table 40: Flexible work arrangement application submissions and approvals in Air Force, 2014–15**<sup>[1][2][3]</sup>

Flexible Work Arrangements	Number Applications Submitted		Number Applications Approved		Percentage Applications Approved	
	W	M	W	M	W	M
W: Women; M: Men						
Variable Work Hours	264	337	262	332	99%	99%
Home Located Work	105	59	105	59	100%	100%
Alternate Location Work	21	39	21	37	100%	95%
Remote Overseas Work	13	8	13	7	100%	88%
Part-time Leave Without Pay	103	29	103	29	100%	100%
<b>Total Formal Flexible Work Arrangements</b>	<b>506</b>	<b>472</b>	<b>504</b>	<b>464</b>	<b>99.60%</b>	<b>98.31%</b>
Number of Applications	327	356	325	349		
<b>Average Number of Arrangements per Application</b>	<b>1.55</b>	<b>1.33</b>	<b>1.55</b>	<b>1.33</b>		

**Source:** Defence HR system.

**Notes**

1. The sum of flexible work arrangement applications may exceed the total number of people on any formal flexible work arrangement due to some applications being for more than one flexible work arrangement.
2. Flexible work arrangements in this table only include those applied for using the ADF Application for Flexible Work form AE406.
3. While most Women in the ADF report data includes only permanent force, flexible work arrangement reporting includes both permanent and continuous full-time service members in accordance with Service reporting requirements endorsed by Chiefs of Service Committee.

Table 40 shows the number of formal flexible work arrangement applications which were submitted by Air Force members, and the number and proportion which were approved during 2014–15. Air Force members submitted a total of 683 applications, some applications were for more than one flexible work arrangement. Variable work hours was the arrangement most sought by men, while more applications for home located work and part-time leave without pay were from women than men. Nearly all applications were approved. This only includes arrangements which were applied for using the *ADF Application for Flexible Work* form, so does not include any arrangements which may have been established without using this form.

## **SEXUAL MISCONDUCT PREVENTION AND RESPONSE OFFICE**

The Sexual Misconduct Prevention and Response Office (SeMPRO) was launched in July 2013. SeMPRO's key objectives are:

- to respond to and support victims of sexual misconduct and personnel impacted by sexual misconduct;
- to be the single point of data collection and analysis of sexual misconduct within Defence; and
- to provide policy, education, primary prevention tools and advice related to sexual misconduct in Defence.

SeMPRO has prepared this report as a key output of its role as the central point of data collection and reporting for sexual misconduct within Defence.

### **DEFINING SEXUAL MISCONDUCT**

Defence uses the term sexual misconduct to describe a range of non-consensual behaviours of a sexual nature, committed by force or intimidation, or that are otherwise unwelcome. Sexual misconduct includes, but is not limited to, sex discrimination, sexual harassment, and sexual offences. SeMPRO collects data on formally reported incidents of sexual harassment and sexual offences but does not currently collect data on sex discrimination.

SeMPRO has adopted a simple framework to categorise reports of sexual misconduct incidents in the following way:

- Pornography: posting sexually explicit pictures in hardcopy, such as posters, or in softcopy such as on social media;
- Sexual harassment: leering, unwelcome touching, suggestive comments, insults of a sexual nature, sexually explicit messages, stalking, inappropriate advances;
- Acts of indecency: flashing, masturbation, sexualised physical touching, taking or transmitting sexually explicit videos or photographs without consent, upskirting, voyeurism;
- Sexual assault: penetrative acts, or the threat of penetrative acts, without consent; and
- Aggravated sexual assault: penetrative acts committed without consent, or the threat of penetrative acts committed without consent, with aggravating circumstances such as violence, weapon use, proscribed consent, or committed in company.

### **SEMPRO DATA HOLDINGS**

This supplement report describes two types of data collected and analysed by SeMPRO – SeMPRO assistance data and formally reported sexual misconduct incidents data.

#### **SEMPRO ASSISTANCE**

The first type of data is limited information on the use by Defence personnel of SeMPRO support and case management services. SeMPRO collects basic demographic information about callers, including their reason for contacting SeMPRO, where callers freely provide that information. This data is reported in Section One.

## **FORMALLY REPORTED SEXUAL MISCONDUCT INCIDENTS**

The second type of data SeMPRO receives comes from sexual harassment incidents and sexual offences formally reported in Defence. The Service Police Central Records Office (SPCRO) provides SeMPRO with initial report files from incidents reported to the Australian Defence Force Investigative Service (ADFIS)<sup>1</sup>. Values, Behaviours and Resolution Branch (VBR) provide available incident details from sexual harassment and sexual offence incidents reported to Defence. Formally reported incident data has been presented in Section Two. VBR data indicating the time between reporting and resolution for sexual harassment incidents is also presented in Section Two.

The Defence population data used to derive per capita figures presented in Section Two was downloaded from the Management & Analysis Reporting Solution (MARS) database on 22 June 2015. The MARS data used was a personnel headcount spanning permanent and reserve members, and Defence Australian Public Service (APS) employees, by Defence Groups and work location.

## **DEFENCE GROUPS AND SERVICES**

Analysis of formally reported incidents data has compared the Defence Group identified with the incident rather than the Service of those involved. Defence Group was used as a basis for analysis, instead of Service, as an incident may involve a victim from one Service, may be perpetrated by a member from another Service, and take place on a Defence base of a third Service or on a civilian Defence site. Defence Groups, including the three Service Groups, employ personnel from all Services. Most Navy members, for example, work in Navy Group yet Navy Group also includes members from Army, Air Force, and Defence APS employees.

## **SELF REPORTED PREVALENCE**

Reported incident data enables benchmarking and tracking changes in formally reported prevalence, and identifying factors involved in perpetrating sexual misconduct, yet is not a complete picture of sexual misconduct in Defence. SeMPRO aims to capture all formally reported incidents but does not currently track unreported incidents. Included in this supplement is a summary of the self reported prevalence data captured annually by Workforce Planning Branch. Adding self reported sexual misconduct experiences to data identifying formally reported incidents deepens Defence's understanding of sexual misconduct.

Workforce Planning Branch surveyed a 25 per cent sample of permanent Defence members and APS personnel about unacceptable behaviours in October 2013 and October 2014. Respondents were asked about their attitudes towards, and experiences of, unacceptable behaviours within Defence including sexual harassment and sexual offences.

Analysis from the surveys of unacceptable behaviour combined sexual harassment and sexual offences into a single concept termed 'sexual-related unacceptable behaviours'. Respondents who indicated they experienced sexual-related unacceptable behaviours advised if they disclosed those experiences to their commander, to a Defence support mechanism, sought legal advice, or externally

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<sup>1</sup> ADFIS data for the 2014–15 financial year was provided on June 24 2015 for operational reasons. Sexual misconduct incidents for the 2014–15 financial year may be restated in the future to capture any changes.

reported to the civilian police<sup>2</sup>. Respondents who disclosed their experiences within Defence, or formally reported them externally, indicated their satisfaction levels with the chosen processes. Self reported prevalence is reported in Section Three.

## SECTION ONE. ACCESSING HELP VIA SEMPRO

- Client numbers increased between the first two years of operation.
- More commanders, supervisors, and peers sought advice for managing incidents in 2014–15 than 2013–14.
- Nine out of ten clients seeking support and case management were serving or ex-serving members. Half of those clients were Navy members.
- One third of support and case management clients were males.

### SEMPRO CLIENT NEEDS

Table 1 indicates that the volume of clients accessing SeMPRO support increased from 200 in 2013–14<sup>3</sup> to 311 in 2014–15. The data in Table 1 show that SeMPRO provided assistance to four broad types of callers during the first two years of operation:

- callers who sought ongoing or episodic mental health support and case management as victims of sexual misconduct;
- callers other than victims who solicited advice and information about managing sexual misconduct incidents in Defence;
- callers other than victims of sexual misconduct who sought mental health support and debriefing; and
- callers who sought information about SeMPRO's services, managing other behaviours, and responding to sexual assaults outside of Defence.

SeMPRO helped 112 victims of sexual misconduct in 2014–15 including a small number of sexual offence victims who made Restricted Disclosures<sup>4</sup>. Half of the Restricted Disclosures made to SeMPRO over its two years of operation, to 30 June 2015, became Unrestricted Reports.

**TABLE 1. CALLERS CONTACTING SEMPRO IN 2013–14 AND 2014–15**

Type of callers contacting SeMPRO	2013-14	2014-15	Total
Victim mental health support and case management	73	112	185
Advice managing sexual misconduct incidents in Defence	52	130	182
Debriefing and other mental health support	11	15	26
Information - SeMPRO services, marketing, and training	7	27	34
Information - non Defence assaults, unacceptable behaviours, other information	31	26	57
Not recorded	26	1	27
Total	200	311	511

<sup>2</sup> Respondents were not asked to indicate if they reported any experiences of sexual offences to ADFIS.

<sup>3</sup> SeMPRO commenced operation in May 2013. Two clients commenced contact with SeMPRO in the 2012-13 financial year but have been reported in 2014–15 for reporting ease.

<sup>4</sup> Restricted Disclosure is a mechanism to allow victims of sexual offences who are ADF members to disclose that incident to SeMPRO without triggering an investigation.

Table 2, below, indicates that the mix of services SeMPRO provided to callers changed between 2013–14 and 2014–15<sup>i</sup>. The volume of callers seeking mental health support or case management services increased from 84 in 2013–14 to 127 in 2014–15. Mental health support and case management clients consistently represented around two out of five SeMPRO callers as the overall number of callers increased in 2014–15.

SeMPRO experienced an increase in demand for advice about sexual misconduct management in its second year of operation. ADFIS personnel, managers, commanders, colleagues, and healthcare professionals who contacted SeMPRO for information about managing sexual misconduct incidents increased from 52 to 130 between financial years. Those clients represented 26 per cent of callers in SeMPRO's first year and 42 per cent of callers in SeMPRO's second year.

The proportion of callers who contacted SeMPRO with questions about unacceptable behaviours, sexual offences outside of Defence, and non-SeMPRO services remained consistent between financial years.

**TABLE 2. SEMPRO CLIENT NEEDS IN 2013–14 AND 2014–15**

Service provided		2013-14	2014-15	Total
Case management and mental health support	N	84	127	211
	%	42%	41%	41%
Advice about sexual misconduct management	N	52	130	182
	%	26%	42%	36%
Other information	N	38	53	91
	%	19%	17%	18%
Not recorded	N	26	1	27
	%	13%	0%	5%
Total	N	200	311	511
	%	100%	100%	100%

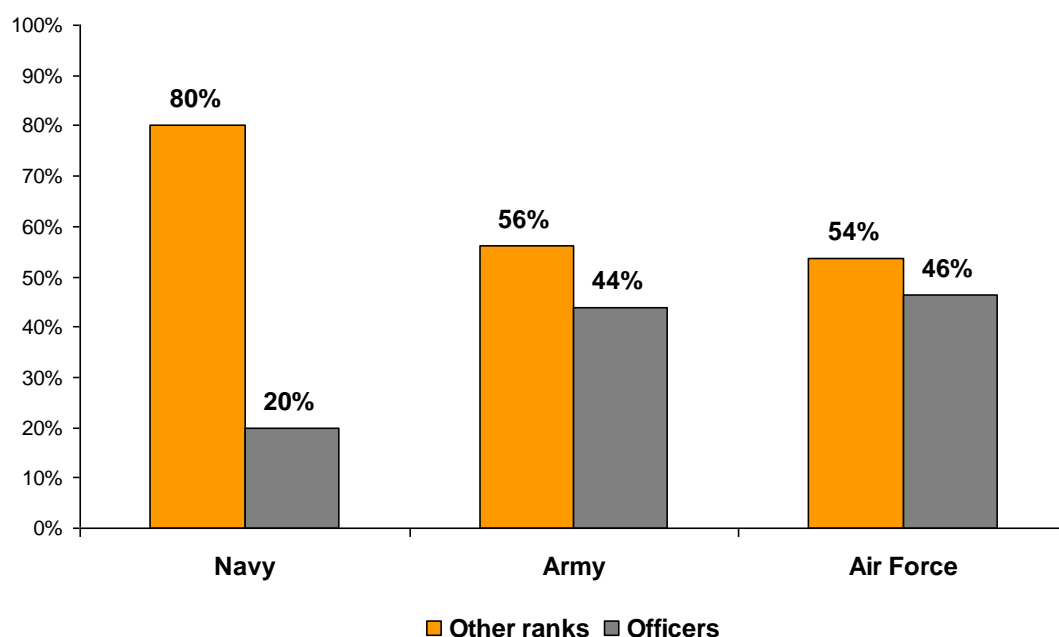
### CLIENTS SEEKING SUPPORT AND CASE MANAGEMENT

Thirty six per cent of SeMPRO's clients in 2014–15 (n = 112) were victims of sexual misconduct who sought mental health support or case management. An additional five per cent of clients in 2014–15 (n = 15) sought mental health support about other matters. Around one third of all mental health and case management clients (n = 43; 34 per cent) in 2014–15 were male. The volume of males seeking support or case management remained consistent between 2013–14 and 2014–15<sup>ii</sup>.

The proportion of SeMPRO's case management and support clients who were current serving military members was similar across financial years<sup>iii</sup>. Around seven out of ten case management and support clients in 2014–15 were serving military members at the time they contacted SeMPRO (n = 88; 69 per cent). An additional 17 per cent (n = 22) were ex-serving military members when they contacted SeMPRO in 2014–15. Almost half of SeMPRO's mental health clients in 2014–15 who were serving members were from Navy (n = 40; 46 per cent). One quarter of serving members receiving support or case management in that year were from each of Army (n = 21; 24 per cent) and Air Force (n = 21; 24 per cent).

Figure 1 illustrates the rank and Service of SeMPRO's mental health support and case management clients across its two years of operation<sup>5</sup>. 'Other ranks' members from the Navy were the largest group of mental health support and case management clients (n = 40; 36 per cent support and case management clients). Officers comprised about half of current serving clients from the Army (n = 14; 44 per cent) and Air Force (n = 13; 46 per cent) and around one in five Navy mental health support clients (n = 10; 20 per cent).

**FIGURE 1. SEMPRO 2013–14 AND 2014–15 MENTAL HEALTH SUPPORT CLIENTS – RANK GROUPS BY SERVICE**



#### **CLIENTS SEEKING ADVICE TO MANAGE SEXUAL MISCONDUCT INCIDENTS**

A total of 182 callers have sought advice and information about managing sexual misconduct incidents in Defence. The requests for information included advice for managing incidents as managers and commanders, advice for responding to incidents as a colleague or peer, and information about reporting requirements and legal options.

The data in Table 3 indicate that Navy members (n = 44) and Air Force members (n = 46) each made up around one quarter of clients seeking advice on managing sexual misconduct incidents in 2013–14 and 2014–15. The proportion of clients seeking advice to manage incidents from each Service was consistent across the two years of operation<sup>iv</sup>.

<sup>5</sup> Not all callers provide demographic information when they contact SeMPRO.

**TABLE 3. SEXUAL MISCONDUCT MANAGEMENT CLIENTS BY SERVICE IN 2013–14 AND 2014–15**

Client Service		2013-14	2014-15
Navy	N	10	34
	%	19%	26%
Army	N	19	42
	%	37%	32%
Air Force	N	14	32
	%	27%	25%
Civilian	N	4	13
	%	8%	10%
ADF member - Service unknown	N	3	3
	%	6%	2%
Unknown	N	2	6
	%	4%	5%
Total	N	52	130
	%	100%	100%

## SECTION TWO. REPORTED SEXUAL MISCONDUCT INCIDENTS

### FORMALLY REPORTED SEXUAL MISCONDUCT INCIDENTS

- A total of 236 sexual misconduct reports were made in 2014–15.
- The proportion of those reports that were sexual offences was consistent with previous years.
- Historic reporting increased from 2012–13 to 2013–14 and between 2013–14 and 2014–15.
- Proportionally more sexual misconduct reports from training environments were about sexual offences.

### INCIDENT REPORTING IN 2014–15

Defence received 236 sexual misconduct incident reports in 2014–15. Just under two thirds of those reports were about sexual offences against the person and around one third of reports were sexual harassment incidents. The remaining five per cent of reports were pornography offences.

The data in Table 4 show the number of each type of reported sexual misconduct incidents across three financial years. The volume of each type of incident varied between financial years yet the proportion of the total number of reports from each did not significantly change<sup>v</sup>. The proportion of reported sexual misconduct incidents that came from sexual offences – acts of indecency, sexual assaults, and aggravated sexual assaults – was consistently around two thirds in each financial year<sup>vi</sup>.

**TABLE 4. TYPE OF SEXUAL MISCONDUCT INCIDENTS REPORTED 2012–13 TO 2014–15**

Type	2012–13		2013–14		2014–15	
	N	%	N	%	N	%
Pornography	14	7%	21	8%	12	5%
Sexual harassment	56	29%	66	26%	81	34%
Act of indecency	62	32%	72	28%	57	24%
Sexual assault	39	20%	78	30%	60	25%
Aggravated sexual assault	21	11%	19	7%	26	11%
Total	192	100%	256	100%	236	100%

**SEXUAL HARASSMENT CLAIMS FINALISED IN 2014–15**

Values, Behaviours and Resolution Branch reported that 75 sexual harassment incidents were finalised in 2014–15. Those reports were open for an average of 265 days. Some of the incidents finalised in 2014–15 were reported in previous financial years. Sexual harassment incidents were concluded in a time frame ranging from two days to eight years. Table 5 indicates that half of all incidents resolved in 2014–15 had been open for less than three months. Sexual harassment incidents were open for the same number of days, on average, in 2014–15 as incidents finalised in 2013–14<sup>vii</sup>.

**TABLE 5. SEXUAL HARASSMENT CASES FINALISED IN 2014–15 BY TIME TAKEN TO FINALISE**

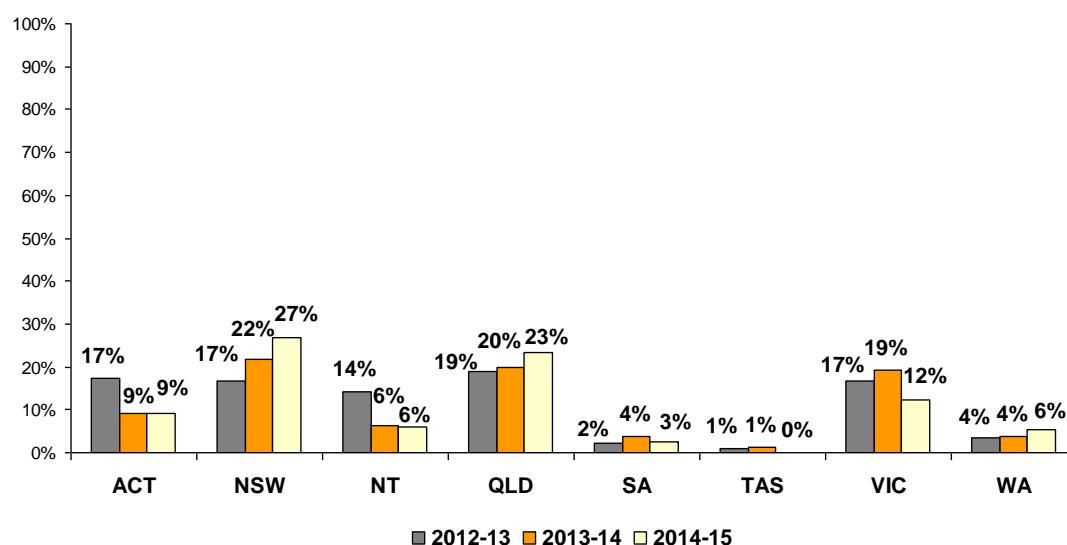
Time open	Number cases	Per cent cases finalised 2014–15
Three months or less	37	49%
Four to six months	14	19%
Seven to nine months	11	15%
Ten to 12 months	3	4%
More than 12 months	10	13%
Total	75	100%

**INCIDENTS ACROSS REGIONS**

Eighty six per cent (n = 202) of sexual misconduct reports made in 2014–15 were about single incidents that took place in Australia. Eight per cent of the incidents reported in 2014–15 occurred overseas which was similar to the proportion of overseas reports made in previous financial years. The 19 sexual misconduct reports made from overseas in 2014–15 originated from deployments, ships in international waters, and ships alongside in other countries. Three per cent of the 2014–15 reported incidents took place in multiple locations in Australia (n = 8) and the remaining three per cent of incidents were perpetrated in an unknown location (n = 7).

Figure 2 presents the proportion of all reported incidents that originated in each Australian state and territory across the 2012–13, 2013–14, and 2014–15 financial years. The geographical distribution of sexual misconduct incidents has changed across the three financial years<sup>viii</sup>.

**FIGURE 2. REPORTED SEXUAL MISCONDUCT INCIDENTS BY REGION 2012–13 TO 2014–15**



Note: Figure 2 does not total 100 per cent due to incomplete data, incidents flagged as taking place in multiple regions, and incidents that took place overseas.

Figure 2 suggests that the proportion of incidents reported in Queensland and New South Wales increased in 2014–15 whereas the proportion of incidents reported from Victoria decreased in 2014–15 from previous years.

Table 6, below, illustrates the volume of reported sexual misconduct incidents as a proportion of Defence personnel in each Australian region in June 2015. More than one quarter of all incidents reported in 2014–15 came from New South Wales. The volume of reports per capita from New South Wales was also among the highest in Australia in 2014–15. Sexual misconduct reports originating from the Northern Territory decreased to around six per cent of all reports made in 2014–15 yet the Northern Territory remained the region with the highest rate of reporting per capita in Australia.

**TABLE 6. SEXUAL MISCONDUCT REPORTS MADE IN AUSTRALIA – REGION PER CAPITA 2014–15**

Region	Headcount 2015	Reported incidents 2014–15	Reports per capita
ACT	17,435	22	0.13%
NSW	33,575	63	0.19%
NT	6,696	14	0.21%
QLD	32,346	55	0.17%
SA	8,732	6	0.07%
TAS	1,298	0	0.00%
VIC	16,020	29	0.18%
WA	8,936	13	0.15%
Total	125,038	202	0.16%

## DELAYING REPORTING AND HISTORICAL SEXUAL MISCONDUCT INCIDENT REPORTING

Twenty per cent (n = 47) of the 236 sexual misconduct reports made in 2014–15 were about historic incidents<sup>6</sup>. The proportion of sexual misconduct reports made to ADFIS and VBR made more than one year after the incident increased each year from ten per cent in 2012–13 to 14 per cent of reports made in 2013–14<sup>ix</sup>. Reporting for historical incidents increased the counts of sexual misconduct incidents reported in each financial year. The number of sexual misconduct incidents that were current at the time of reporting was approximately the same in 2012–13 and 2014–15. Table 7 indicates that the overall volume of sexual misconduct incidents reported in 2013–14 was higher than the year before and year after even when the historic reports are removed from that count.

**TABLE 7. TIME BETWEEN INCIDENT AND REPORTING SEXUAL MISCONDUCT INCIDENTS 2012–13 TO 2014–15**

	Current – One year or less		Historic – more than one year		No recorded offence date		Total reported incidents	
	N	%	N	%	N	%	N	%
2012–13	156	81%	17	9%	19	10%	192	100%
2013–14	211	82%	35	14%	10	4%	256	100%
2014–15	169	72%	47	20%	20	8%	236	100%

Almost all historic sexual misconduct reports made between 2012–13 and 2014–15 were about sexual offences against the person. Sexual offences against the person are acts of indecency, sexual assaults, and aggravated sexual assaults. Around one third of the sexual offences against the person reported in 2014–15 occurred more than one year prior to reporting and that proportion is higher than in previous years<sup>x</sup>. Table 8 shows increased historic reporting in 2014–15 was the reason for an overall increase in reported sexual offences between 2012–13 and 2014–15. The volume of sexual offences reported in the 2013–14 financial year, in contrast, was predominantly a result of offences that were current at the time of reporting.

**TABLE 8. HISTORIC AND CURRENT SEXUAL OFFENCES REPORTED BETWEEN 2012–13 AND 2014–15**

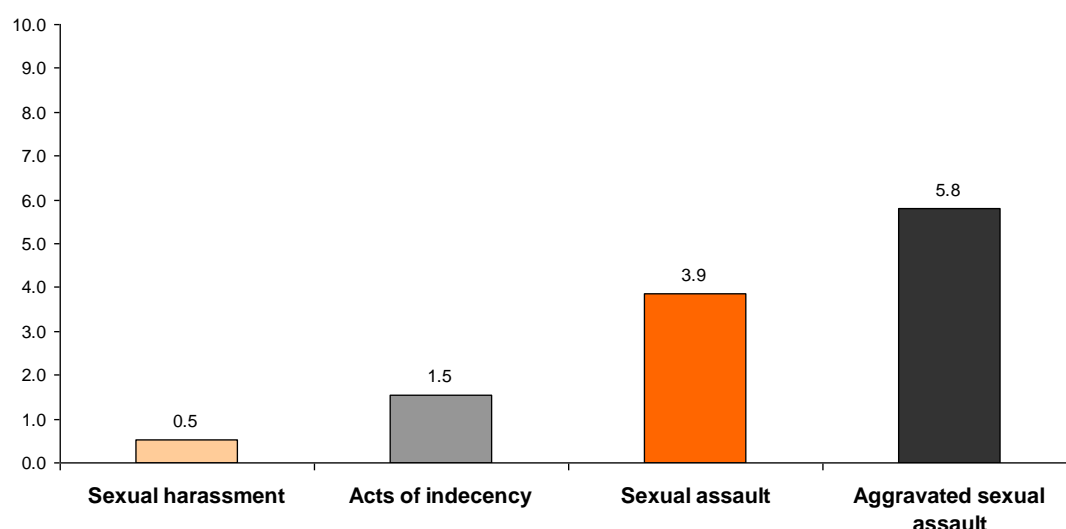
	Current – One year or less		Historic – more than one year		No recorded offence date		Total reported incidents	
	N	%	N	%	N	%	N	%
2012–13	89	73%	16	13%	17	14%	122	100%
2013–14	130	77%	31	18%	8	5%	169	100%
2014–15	87	61%	41	29%	15	11%	143	100%

Figure 3 illustrates the average time between incidents and formal reporting between 1 July 2012 and June 30 2015 increased from sexual harassment incidents through each type of sexual offence against the person<sup>xi</sup>. Few sexual harassment incidents (n = 9) were reported as historical events. The average time between sexual harassment incidents taking place and reporting was six months. Around 15 per cent of the acts of indecency reported during that three year period (n = 26) were

<sup>6</sup> Incidents that occurred more than 12 months before reporting are considered historic by ADFIS.

historical incidents. The number of historical acts of indecency, and the delay in reporting, resulted in a year and a half on average between incident and report. Proportionally more sexual assaults than other types of sexual misconduct incidents reported during 2012–15 were historical. Figure 3 illustrates that the average time between an assault and reporting increased to almost four years for sexual assaults and to six years for aggravated sexual assaults.

**FIGURE 3. AVERAGE NUMBER OF YEARS BETWEEN INCIDENT AND REPORT FOR TYPES OF SEXUAL MISCONDUCT INCIDENTS REPORTED BETWEEN 2012–13 AND 2014–15**



### **INCIDENTS REPORTED ACROSS DEFENCE GROUPS**

Reported sexual misconduct incidents have been analysed by Defence Group based on the Group responsible for managing the incident. In most cases that Group is tied to the location the incident occurred in. The Service Groups shown in Table 9 and in the section below indicate the Defence Group where personnel work in the organisation and not necessarily the Service of the personnel.

Table 9 indicates the number of reported sexual misconduct incidents from Navy Group and Army Group were similar in 2014–15. Reported incidents per capita were highest in 2014–15 for Navy Group and Vice Chief of the Defence Force Group which included ADFA.

**TABLE 9. SEXUAL MISCONDUCT REPORTS MADE IN 2014–15 – DEFENCE GROUPS PER CAPITA**

	<b>Headcount 2015</b>	<b>Reported incidents 2014–15</b>	<b>Reports per capita</b>
Navy Group	20,346	85	0.42%
Army Group	60,697	93	0.15%
Air Force Group	19,267	33	0.17%
Chief Information Officer Group	1,503	0	0.00%
Chief Operating Officer Group	577	0	0.00%
Defence People Group	1,925	1	0.05%
Intelligence and Security Group	2,986	2	0.07%
Vice Chief of the Defence Force Group	4,442	17	0.38%
Chief Financial Officer Group	1,288	0	0.00%
Defence Support and Reform Group	2,437	1	0.04%
Defence Science and Technology Organisation	2,319	0	0.00%
Defence Materiel Organisation	6,106	1	0.02%
Office of the Secretary and CDF Group	810	0	0.00%
Capability Development Group	336	0	0.00%
Joint Operations Command	895	0	NA
Unknown	0	3	NA
<b>Total</b>	<b>125,934</b>	<b>236</b>	<b>0.19%</b>

Note: Table 9 includes all personnel working in each Group including reserve members.

Approximately nine out of ten reported sexual misconduct incidents (n = 211; 89 per cent) occurred in one of the three Service Groups in 2014–15. The proportion of reports submitted from each of the Service Groups shifted across the three financial years shown in Figure 4<sup>xii</sup>. Figure 4 suggests the proportion of reports made from Navy Group increased across the three year period as the proportion of reports from Army and Air Force Groups decreased.

**FIGURE 4. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM SERVICE GROUPS FROM 2012–13 TO 2014–15**

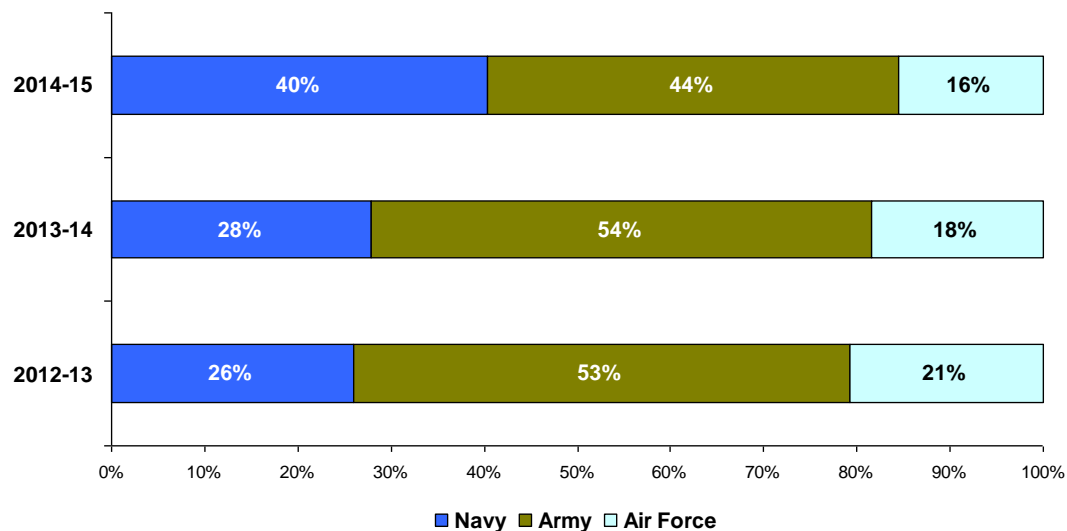
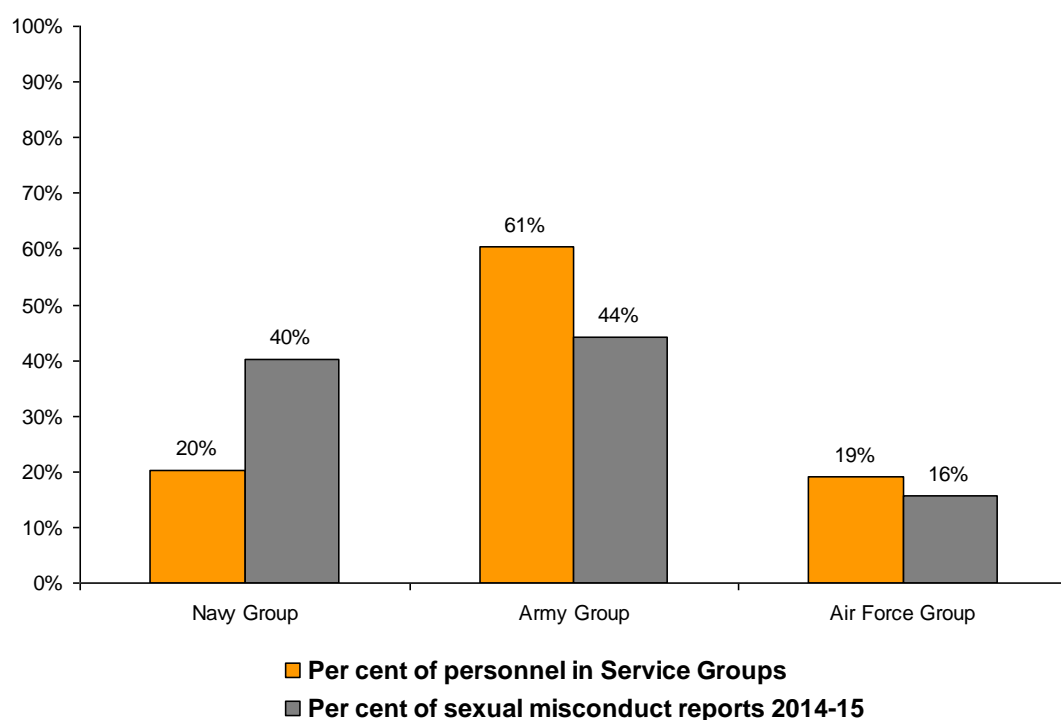


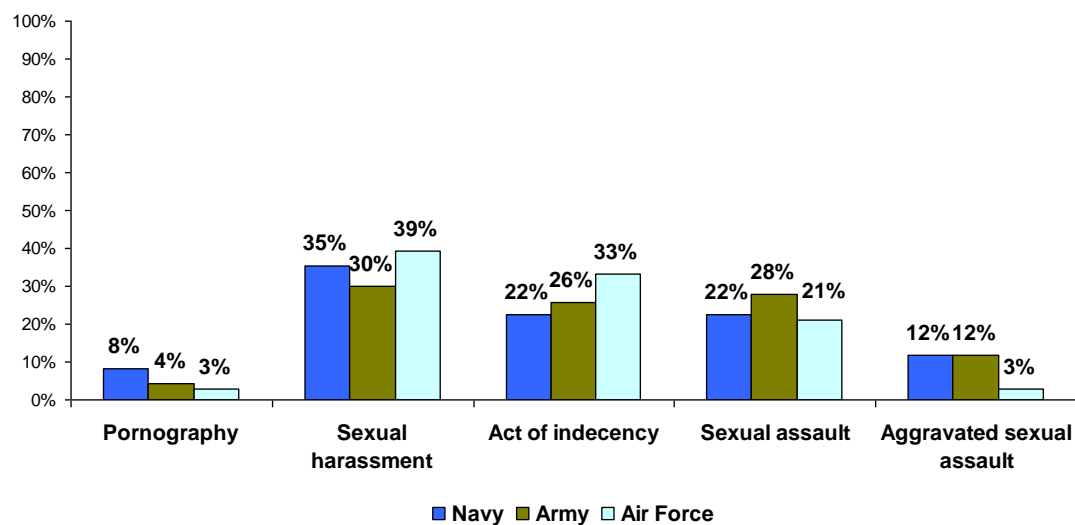
Figure 5 compares the reports made from each Service Group (as a proportion of reports from the Service Groups only) and the proportion of Service Group personnel working in each Group. Figure 5 suggests that there were more reported sexual misconduct incidents reported from Navy Group, and fewer from Army Group, than might be expected by the size of the populations in each. Figure 5 suggests that there were differences across the Service Groups in 2014–15 but it does not indicate the causes of those differences.

**FIGURE 5. EMPLOYEE HEADCOUNT AND SEXUAL MISCONDUCT INCIDENTS REPORTED FROM SERVICE GROUPS IN 2014–15**



The three Service Groups filed reports for each type of sexual misconduct in different volumes<sup>xiii</sup>. Figure 6 shows the proportion of sexual misconduct reports in each Service across all five incident types. The data in Figure 6 suggest Army reports were less likely to be about sexual harassment incidents or acts of indecency than reports from Air Force Group but more likely to be about sexual assaults or aggravated sexual assaults. The type of reports made by each Service Group did not change over the three financial years<sup>xiv</sup> and the distinctions between them become more pronounced when the data from all three financial years were combined.

**FIGURE 6. REPORTED SEXUAL MISCONDUCT INCIDENTS FROM SERVICE GROUPS IN 2014–15 BY TYPE**



Note: The percentages in Figure 6 do not total to 100 per cent because of rounding.

The proportion of sexual misconduct incident reports about historical incidents was similar in all three Service Groups across the three financial years<sup>xv</sup> and also when 2014–15 was considered alone<sup>xvi</sup>.

### INCIDENTS REPORTED IN TRAINING ENVIRONMENTS

Around thirty per cent of sexual misconduct reports came from Defence training environments in 2014–15 ( $n = 64$ ; 27 per cent) which was consistent with the previous two years<sup>xvii</sup>. Around one quarter of those reports were made from ADFA ( $n = 17$ ; 27 per cent); one third were made from officers and other ranks members at Initial Recruitment Training establishments (IRTs) ( $n = 21$ ; 33 per cent); and 40 per cent of reports were made from employment category training or on exercise.

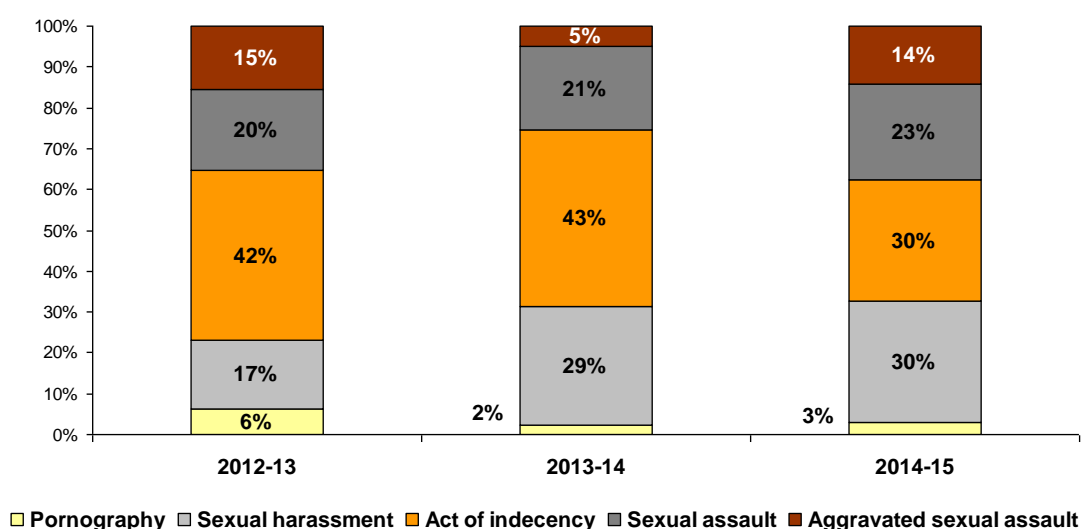
The type of sexual misconduct reports made from inside Defence training environments differed to those made from outside training environments when the data from 2012–15 is examined together<sup>xviii</sup>. More of the reports made from inside training environments were about sexual offences against the person than reports made from other Defence environments<sup>xix</sup>. Table 10 shows that a larger proportion of training establishment reports came from reports about acts of indecency<sup>xx</sup>.

**TABLE 10. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM TRAINING ENVIRONMENTS AND OTHER WORKPLACES FROM 2012–13 TO 2014–15 BY TYPE**

	Training environments		Not in training environments		Total	
	N	%	N	%	N	%
Pornography	8	4%	39	8%	47	7%
Sexual harassment	54	26%	149	32%	203	30%
Act of indecency	82	39%	109	23%	191	28%
Sexual assault	45	21%	132	28%	177	26%
Aggravated sexual assault	23	11%	43	9%	66	10%
Total	212	31%	472	69%	684	100%

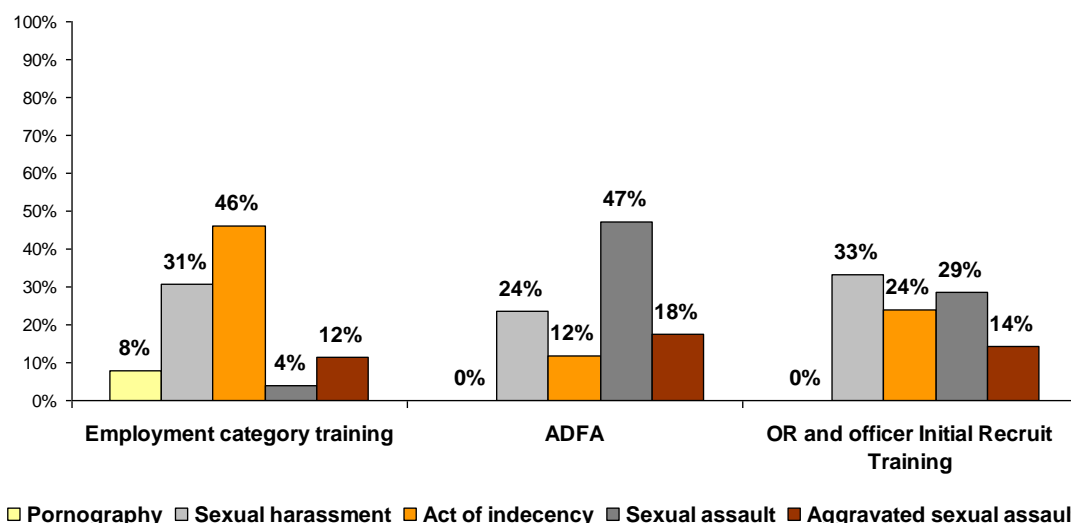
The trend data shown in Figure 7 suggests that the type of reports made from training environments differed across years. Around one third of sexual misconduct incidents reported in 2014–15 were sexual assaults and aggravated sexual assaults with fewer acts of indecency than previous years.

**FIGURE 7. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM TRAINING ENVIRONMENTS FROM 2012–13 TO 2014–15 BY TYPE**



The sexual misconduct reports made in 2014–15 from ADFA, officer and other ranks IRTs, and from employment category training establishments and on exercise were about different types of incidents<sup>xxi</sup>. Two thirds of the reports from ADFA were about sexual assaults or aggravated sexual assaults (n = 11; 65 per cent) and few reported acts of indecency. Figure 8 shows that around half of the 26 reports made from employment category training and on exercise in 2014–15 were about acts of indecency, in contrast, and four were made about sexual assaults or aggravated sexual assaults.

**FIGURE 8. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM DEFENCE TRAINING ENVIRONMENTS IN 2014–15 BY TYPE**



Note: The percentages in Figure 8 do not total to 100 per cent because of rounding.

### VICTIMS AND PERPETRATORS OF FORMALLY REPORTED SEXUAL MISCONDUCT INCIDENTS

- Approximately eight out of ten victims of all reported sexual misconduct incidents in 2014–15 were females.
- Males were victims in 17 per cent of reports made about current incidents in 2014–15 and 45 per cent of historic reports made in 2014–15.
- Almost all perpetrators in incidents reported in 2014–15 were males. Males perpetrated incidents against females and against males.
- About three quarters of perpetrators in single victim-single offender incidents reported in 2014–15 victimised someone who was younger or lower ranking.

### DEFENCE VICTIMS AND DEFENCE PERPETRATORS

One hundred and seventy one of the 236 sexual misconduct incidents reported in 2014–15 involved a Defence victim and 215 reports identified a Defence perpetrator. A total of 23 victims of sexual misconduct incidents reported in 2014–15 were civilians from outside Defence. Table 11 indicates that incidents that involved Defence perpetrators and non-Defence civilians were most likely to be acts of indecency, sexual assaults, and aggravated sexual assaults.

**TABLE 11. DEFENCE AND NON-DEFENCE VICTIMS OF SEXUAL MISCONDUCT INCIDENTS REPORTED IN 2014–15 BY TYPE**

	Defence victim		Victim outside Defence or unknown	
	N	%	N	%
Pornography	1	100%	0	0%
Sexual harassment	68	91%	7	9%
Act of indecency	45	94%	3	6%
Sexual assault	40	85%	7	15%
Aggravated sexual assault	17	74%	6	26%
Total	171	88%	23	12%

Almost all of the sexual misconduct incidents reported to Defence in 2014–15 were perpetrated by Defence personnel. Table 12 indicates that there were 15 reports of sexual offences that involved Defence victims and perpetrators from outside of Defence.

**TABLE 12. DEFENCE AND NON-DEFENCE PERPETRATORS OF SEXUAL MISCONDUCT INCIDENTS REPORTED IN 2014–15 BY TYPE**

	Defence perpetrator		Perpetrator outside Defence or unknown	
	N	%	N	%
Pornography	12	100%	0	0%
Sexual harassment	78	96%	3	4%
Act of indecency	52	95%	3	6%
Sexual assault	48	86%	8	14%
Aggravated sexual assault	25	96%	1	4%
Total	215	93%	15	7%

Almost 80 per cent of the 213 identified victims of incidents reported in 2014–15 were females. Table 13 indicates 37 males were victims of reported sexual misconduct incidents in that year and another ten victims did not have their gender recorded. The proportion of incidents with female victims only from each of the Service Groups did not vary between financial years<sup>xxii</sup>.

**TABLE 13. VICTIMS OF SEXUAL MISCONDUCT REPORTED IN 2014–15 BY GENDER**

Victim gender	Number	Per cent victims
Male victims	37	17%
Female victims	166	78%
Gender unknown	10	5%
Total	213	100%

The proportion of sexual misconduct incidents with male victims was consistent across financial years<sup>xxiii</sup>. Sixteen per cent of incidents reported in 2014–15 (n = 29) involved the 37 male victims shown in Table 13. The 166 female victims shown in Table 13 were involved in 84 per cent of the reported incidents (n = 154). One

incident had both male and female victims. Table 14 shows the sexual misconduct incidents reported across financial years that involved at least one male victim.

There were too few reported incidents that involved male victims to identify whether the type of incidents had significantly changed across years. Table 14 suggests the type of incidents reported in each financial year with male victims have not varied dramatically across the 2012–13, 2013–14, and 2014–15 financial years.

**TABLE 14. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM 2012–13 TO 2014–15 WITH MALE VICTIMS BY TYPE**

Type	2012–13		2013–14		2014–15	
	N	%	N	%	N	%
Pornography	0	0%	2	5%	1	3%
Sexual harassment	6	25%	7	18%	7	23%
Act of indecency	10	42%	19	49%	11	37%
Sexual assault	5	21%	9	23%	5	17%
Aggravated sexual assault	3	13%	2	5%	6	20%
Total	24	100%	39	100%	30	100%

None of the incidents reported in 2014–15 with male victims were perpetrated by females. Very few perpetrators in reported sexual misconduct incidents were females. Four out of five of the 2014–15 reported incidents with female perpetrators were committed against female victims. The fifth incident was perpetrated against a victim whose gender was not recorded. Table 15 shows that three female perpetrators committed acts of indecency reported in 2014–15. One female committed a reported sexual assault and one female perpetrated sexual harassment.

**TABLE 15. SEXUAL MISCONDUCT INCIDENTS REPORTED FROM 2012–13 TO 2014–15 WITH FEMALE PERPETRATORS BY TYPE**

Type	2012–13		2013–14		2014–15	
	N	%	N	%	N	%
Pornography	1	20%	0	0%	0	0%
Sexual harassment	2	40%	3	33%	1	20%
Act of indecency	2	40%	5	56%	3	60%
Sexual assault	0	0%	1	11%	1	20%
Total	5	100%	9	100%	5	100%

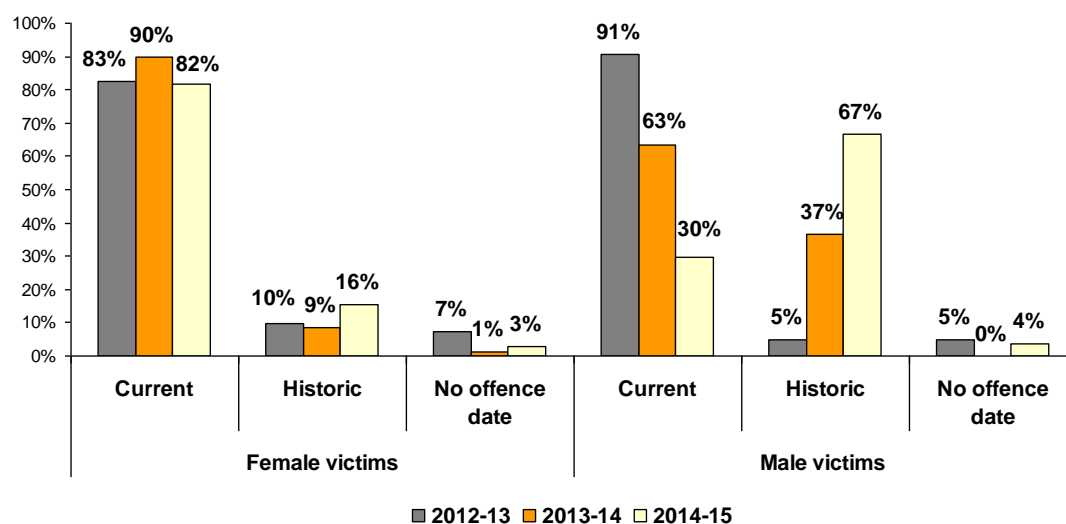
Much of the increased historic reporting from 2013–14 onwards came from male victims. Table 16 shows that historic reporting from males and females increased yet the proportion of historic reports with males victims increased from eight per cent in 2012–13 to almost half in later years<sup>xxiv</sup>. The number of females reporting single victim historic incidents approximately doubled between 2012–13 and 2014–15. The number of males reporting historic single victim incidents increased from one victim in 2012–13 to 18 male victims reporting historic incidents in 2014–15.

**TABLE 16. MALE AND FEMALE VICTIMS REPORTING HISTORIC INCIDENTS WITH A SINGLE VICTIM 2012–13 TO 2014–15**

Year	Male victims		Female victims	
	N	%	N	%
2012-13	1	8%	12	92%
2013-14	11	46%	13	54%
2014-15	18	44%	23	56%
Total	30	38%	48	62%

Figure 9 shows the proportion of single victim reports for male and female victims between 2012–13 and 2014–15. Reporting patterns for female victims remained consistent during that time frame<sup>xxv</sup>. Historic reporting from males in single victim incidents increased from 2012–13 to 2014–15. Reporting for current single victim sexual misconduct incidents with a male victim dropped in 2014–15<sup>xxvi</sup>.

**FIGURE 9. CURRENT AND HISTORIC REPORTING FOR SINGLE VICTIM SEXUAL MISCONDUCT INCIDENTS – MALE AND FEMALE VICTIMS 2012–13 TO 2014–15**



## POWER AND VULNERABILITY

One hundred and sixty four of the 236 sexual misconduct incidents reported in 2014–15 were incidents with a single victim and a single perpetrator. The administrative nature of the data means that many of the victims and perpetrators' demographic details were not recorded. The data that were available indicated the victims in those incidents tended to be younger, less senior, and newer to the organisation than their perpetrators.

The data in Tables 17 and 18 suggest that perpetrators of sexual misconduct incidents reported in 2014–15 tended to be older than victims. Just over half of the victims of sexual misconduct incidents reported in 2014–15 were aged between 18 and 25 (n = 88; 41 per cent) or 26 and 30 (n= 27; 13 per cent). Perpetrators of reported incidents aged between 18 and 30 constituted about one third of those whose ages were identified. More than half of the perpetrators of incidents with a single victim and a single perpetrator reported in 2014–15<sup>7</sup> were older than their

<sup>7</sup> Where their ages were recorded.

victims (n = 30; 56 per cent). The age difference between victims and perpetrators was consistent across financial years<sup>xxvii</sup>.

**TABLE 17. VICTIMS OF INCIDENTS REPORTED IN 2014–15 BY AGE GROUPS**

Age group	Number victims	Per cent 2014–15 victims
U18	7	3%
18 to 25	88	41%
26 to 30	27	13%
31 to 35	6	3%
36 to 40	9	4%
41 to 45	8	4%
46 to 50	1	0%
51 to 55	3	1%
Unknown age	64	30%
Total	213	100%

Note: There were 236 incidents reported in 2014–15 with 213 victims identified and 266 perpetrators identified.

**TABLE 18. PERPETRATORS OF INCIDENTS REPORTED IN 2014–15 BY AGE GROUPS**

Age group	Number perpetrators	Per cent 2014–15 perpetrators
U18	2	1%
18 to 25	36	14%
26 to 30	25	9%
31 to 35	29	11%
36 to 40	15	6%
41 to 45	17	6%
46 to 50	6	2%
51 to 55	7	3%
56 to 60	4	2%
Over 60	2	1%
Unknown age	123	46%
Total	266	100%

Note: There were 236 incidents reported in 2014–15 with 213 victims identified and 266 perpetrators identified.

Data from sexual misconduct incidents reported in 2014–15 identified victims at each rank between recruits and Major equivalent ranks. Table 19 shows that 50 per cent of victims in incidents reported in 2014–15 were Private equivalent ranks, Private (P)/Lance Corporal equivalent ranks, or Officer Cadet equivalent ranks. Table 20, below, also indicated concentrations of perpetrators in those ranks yet also showed that around one third of perpetrators (n = 86) were Corporal equivalent ranks through to Warrant Officers.

**TABLE 19. VICTIMS OF INCIDENTS REPORTED IN 2014–15 BY RANKS**

Rank equivalents	Number victims	Per cent 2014–15 victims
Recruit	12	6%
Private	54	25%
Lance Corporal	29	14%
Corporal	7	3%
Sergeant	5	2%
Warrant Officer Class 2	4	2%
Warrant Officer Class 1	1	0%
Officer Cadet	23	11%
Second Lieutenant	1	0%
Lieutenant (Army)	9	4%
Captain (Army)	6	3%
Major	4	2%
Lieutenant Colonel	0	0%
Colonel	0	0%
Unknown or external	58	28%
Total	213	100%

**TABLE 20. PERPETRATORS OF INCIDENTS REPORTED IN 2014–15 BY RANKS**

Rank equivalents	Number perpetrators	Per cent 2014–15 perpetrators
Recruit	4	2%
Private	23	9%
Lance Corporal	37	14%
Corporal	34	13%
Sergeant	29	11%
Warrant Officer Class 2	18	7%
Warrant Officer Class 1	5	2%
Officer Cadet	19	7%
Second Lieutenant	2	1%
Lieutenant (Army)	6	2%
Captain (Army)	10	4%
Major	6	2%
Lieutenant Colonel	4	2%
Colonel	1	0%
Unknown or external	68	26%
Total	266	100%

Victims and perpetrators were the same rank in 28 per cent of incidents with a single victim and a single perpetrator reported in 2014–15<sup>8</sup> (n = 22). More than half of the perpetrators of incidents with a single victim and a single perpetrator had rank seniority over their victims (n = 44; 56 per cent). The victims were more senior than the perpetrators in a small number of incidents (n = 12; 15 per cent). Half of those incidents took place in Defence training environments where staff may hold positions of power at more junior ranks to students such as at ADFA.

<sup>8</sup> Where the rank of both members was recorded.

## SECTION THREE. SELF REPORTED PREVALENCE

- Self reported prevalence for sexual misconduct was consistent between 2013 and 2014.
- Just over half of 2014 survey respondents who disclosed their sexual misconduct experience in Defence or reported it externally were at least moderately satisfied after doing so.

Defence survey respondents provided self reported prevalence data for sexual harassment and sexual offences based on the year prior to completing the survey. One in five female ADF members and one in 20 male ADF members who completed the survey in 2014 experienced sexual harassment or sexual offences in the previous 12 months. Respondents self reported contact with sexual harassment and sexual offences was similar in 2013 and 2014 surveys. Table 21 indicates that females in the Navy were the only group to show a significant increase in self reported experiences of sexual harassment and sexual offences<sup>xxviii</sup>.

**TABLE 21. SELF REPORTED SEXUAL HARASSMENT INCIDENTS AND SEXUAL OFFENCES IN THE YEAR PRIOR TO COMPLETING THE SURVEY OF UNACCEPTABLE BEHAVIOUR**

	Navy		Army		Air Force		Defence APS	
	Female	Males	Women	Men	Women	Men	Women	Men
2013	12%	7%	18%	5%	23%	5%	13%	6%
2014	22%	7%	21%	5%	16%	7%	14%	6%

Survey respondents who disclosed a sexual harassment incident or sexual offence within Defence, or reported them externally, evaluated their satisfaction with that process. Respondents reported disclosure and complaints process satisfaction remained consistent between the 2013 and 2014 surveys. Table 22 indicates that about 45 per cent of respondents were dissatisfied with that process and around 55 per cent of respondents were at least moderately satisfied with that process.

**TABLE 22. 2014 SURVEY OF UNACCEPTABLE BEHAVIOUR RESPONDENTS' EVALUATION OF DISCLOSURE AND REPORTING PROCESSES FOR SEXUAL HARASSMENT AND SEXUAL OFFENCES**

Respondent Service	Moderately to extremely satisfied	Dissatisfied or very dissatisfied
ADF - all	55%	45%
Navy	54%	46%
Army	55%	45%
Air Force	58%	42%
APS	48%	52%

## SUMMARY

Reporting data, SeMPRO client data, and self reported victimisation data is not a complete picture of sexual misconduct prevalence or management in Defence. The available data, despite its shortcomings, is able to indicate some trends and changes to the circumstances surrounding sexual misconduct incidents in Defence and the organisation's response.

## **PREVALENCE**

Formal reporting data showed a spike in reporting in 2013–14. Sexual misconduct reports made in 2014–15 returned to similar levels to those in 2012–13. The increased reporting in 2013–14 came from sexual offence incidents that were current at the time of reporting. One hundred and thirty current sexual offences were reported in 2013–14 which was approximately 40 more incidents than were reported both in the year before and in the year after<sup>xxix</sup>. It is not possible to definitively know the volume of unreported sexual misconduct incidents across the three financial years. The self reported prevalence data gathered in the surveys of unacceptable behaviour provide an estimate of victimisation outside of formal reporting. That data suggested that the genuine prevalence of sexual misconduct incidents did not change between 2013–14 and 2014–15. The consistent self reported prevalence suggested that the increase in reporting in 2013–14 was more likely to reflect a changed organisational response that erred on the side of reporting in that year and not a spike in incidents.

SeMPRO client data also points to organisational and management changes to responding to sexual misconduct incidents taking place in Defence. SeMPRO client data showed that both the volume and proportion of callers seeking advice about responding to sexual misconduct rose significantly between the two financial years of SeMPRO's operation. The picture emerging from all three data sets is a shift in reporting responses and seeking assistance to ensure that incidents are managed appropriately.

## **THREE SERVICES**

Sexual misconduct incident reporting from Navy Group was larger in 2014–15 than expected based on population alone. Reporting from Army Group, also based on population alone, was smaller than expected in that year. Mapping formal reporting to the volume of employees in those Defence Groups did not, however, indicate prevalence differed between the two Groups.

The difference in Navy and Army Group reporting could indicate different reporting cultures, environmental constraints to reporting or workplace constraints encouraging reporting, different offending behaviours, all of these factors, or others. The survey data from 2013 and 2014 tentatively suggested that a propensity for reporting in Navy Group was at least one of the reasons Navy Group was over represented based on population size. The self reported prevalence data hinted that Navy and Army members experienced similar levels of sexual misconduct. This might indicate that more of the incidents that involved Navy members, the bulk of whom make up the personnel in Navy Group, were reported than the incidents that involved Army members.

## **REPORTING AND MALES AND FEMALES**

Males were exclusively the perpetrators of reported incidents against other males in 2014–15 and were almost exclusively the perpetrators of incidents against females in 2014–15. Females were consistently the majority of victims in sexual misconduct incidents in all three financial years. Males have been consistently less than 20 per cent of victims in reported incidents yet the picture for male victims changed during the three year period.

Sexual misconduct incident reporting in 2014–15, as noted above, is very similar to reporting in 2012–13 for current incidents. The key difference between those two

years was in the volume of historical reporting. Historical reporting increased from 17 incidents in 2012–13 to 47 historical incidents reported in 2014–15. Historic reporting for females, however, remained fairly consistent across the three financial years. A substantial factor in rise in historical reporting was increased historical reporting from male victims from one in 2012–13 to 18 in 2014–15.

Historical reporting from males occurred concurrently with unexpected numbers of males contacting SeMPRO for support. SeMPRO support and case management client data showed about one third of those clients, in both years of operation, were males. Given that males made up about 15 per cent of all victims in reported sexual misconduct incidents in 2014–15, and in previous years, males appear to be over represented in the SeMPRO client base. The incident report data and SeMPRO client data does not explain why there was a rise in historical reporting from male victims or why more males have contacted SeMPRO for support than expected. Both indicate, however, that the climate for male victims of sexual misconduct in Defence is changing.

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<sup>i</sup> The mix of services provided by SeMPRO varied between financial years ( $\chi^2(3) = 45.865$ ;  $p = 0.000$ ; Cramer's  $V = 0.300$ ).

<sup>ii</sup> The gender mix of mental health clients remained consistent between financial years ( $\chi^2(1) = 0.206$ ;  $p = 0.650$ ).

<sup>iii</sup> The service status of mental health clients was consistent between financial years ( $\chi^2(2) = 2.102$ ;  $p = 0.350$ ).

<sup>iv</sup> The proportion of members from each Service seeking advice about managing sexual misconduct did not change between financial years ( $\chi^2(2) = 1.014$ ;  $p = 0.602$ ).

<sup>v</sup> The type of sexual misconduct incidents reported to Defence was consistent across financial years ( $\chi^2(8) = 13.872$ ;  $p = 0.085$ ).

<sup>vi</sup> The proportion of reported sexual misconduct incidents that came from sexual offences remained consistent across financial years ( $\chi^2(4) = 5.418$ ;  $p = 0.247$ ).

<sup>vii</sup> The mean number of days open for sexual harassment complaints finalised in 2013-14 was not significantly different to the mean number of days for complaints finalised in 2014-15 ( $F(1, 173) = 0.312$ ;  $p = 0.577$ ).

<sup>viii</sup> The distribution of reported sexual misconduct incidents across regions differed between financial years ( $\chi^2(14) = 31.052$ ;  $p = 0.005$ ; Cramer's  $V = 0.155$ ).

<sup>ix</sup> The proportion of reports made more than one year after the incident differed between financial years ( $\chi^2(2) = 10.961$ ;  $p = 0.004$ ; Cramer's  $V = 0.131$ ).

<sup>x</sup> The proportion of sexual offences reported that were more than one year prior at the time of reporting differed between financial years ( $\chi^2(2) = 10.867$ ;  $p = 0.004$ ; Cramer's  $V = 0.166$ ).

<sup>xi</sup> The time between incident and report differed across different types of sexual misconduct incidents against the person ( $\chi^2(3) = 28.993$ ;  $p = 0.000$ ).

<sup>xii</sup> The distribution of sexual misconduct reports across the Service Groups differed across financial years ( $\chi^2(4) = 11.630$ ;  $p = 0.020$ ; Cramer's  $V = 0.097$ ).

<sup>xiii</sup> The type of incidents reported differed across Service Groups ( $\chi^2(4) = 21.192$ ;  $p = 0.000$ ; Cramer's  $V = 0.134$ ).

<sup>xiv</sup> The mix of sexual misconduct reports made by Navy Group did not change between the financial years ( $\chi^2(4) = 2.242$ ;  $p = 0.691$ ). The mix of sexual misconduct reports made by Army Group did not change between the financial years ( $\chi^2(4) = 6.574$ ;  $p = 0.160$ ). The mix of sexual misconduct reports made by Air Force Group did not change between the financial years ( $\chi^2(4) = 0.727$ ;  $p = 0.947$ ).

<sup>xv</sup> The proportion of reports made that were historical was similar across all Service Groups in the three financial years ( $\chi^2(2) = 0.449$ ;  $p = 0.804$ ).

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- <sup>xvi</sup> The proportion of reports made in 2014-15 that were historical was similar across the Service Groups ( $\chi^2(2) = 0.895$ ;  $p = 0.638$ ).
- <sup>xvii</sup> Consistently around one third of sexual misconduct reports came from Defence training environments across financial years ( $\chi^2(2) = 2.636$ ;  $p = 0.268$ ).
- <sup>xviii</sup> The type of sexual misconduct reports made from Defence training environments differed to those made from outside training environments ( $\chi^2(4) = 21.875$ ;  $p = 0.000$ ; Cramer's  $V = 0.179$ ).
- <sup>xix</sup> More of the sexual misconduct reports made from inside training establishments were about sexual offences than reports from other workplaces ( $\chi^2(1) = 7.068$ ;  $p = 0.008$ ; Cramer's  $V = 0.102$ ).
- <sup>xx</sup> More of the sexual misconduct reports from inside training environments were about acts of indecency than reports from other workplaces ( $\chi^2(1) = 15.686$ ;  $p = 0.000$ ; Cramer's  $V = 0.151$ ).
- <sup>xxi</sup> The type of reports filed from different types of training environments in 2014-15 were not consistent ( $\chi^2(4) = 11.692$ ;  $p = 0.020$ ; Cramer's  $V = 0.307$ ).
- <sup>xxii</sup> The proportion of incidents with only female victims from each Service Group was consistent over time ( $\chi^2(4) = 4.810$ ;  $p = 0.307$ ).
- <sup>xxiii</sup> The proportion of reported incidents with only male victims remained consistent across financial years ( $\chi^2(2) = 0.523$ ;  $p = 0.770$ ).
- <sup>xxiv</sup> The proportion of male and female victims reporting an historical incident changed between financial years ( $\chi^2(2) = 6.264$ ;  $p = 0.044$ ; Cramer's  $V = 0.283$ ).
- <sup>xxv</sup> Historic reporting from female victims has been consistent across the last three financial years ( $\chi^2(2) = 3.753$ ;  $p = 0.155$ ).
- <sup>xxvi</sup> Historic reporting from male victims differed across the last three financial years ( $\chi^2(2) = 19.683$ ; Cramer's  $V = 0.509$ ).
- <sup>xxvii</sup> The age difference between victims and perpetrators in single victim/perpetrator sexual misconduct incidents was consistent across financial years ( $\chi^2(4) = 6.593$ ;  $p = 0.159$ ).
- <sup>xxviii</sup> Statistical testing undertaken by Workforce Planning Branch.
- <sup>xxix</sup> The type of sexual misconduct incidents reported when current changed between financial years ( $\chi^2(4) = 9.899$ ;  $p = 0.042$ ; Cramer's  $V = 0.100$ ).