



Australian Government  
Department of Defence

ANNUAL  
REPORT  
18-19



*Kulatangku angakanyini manta munu Tjukurpa* [Country and Culture will be protected by spears] tells a story of the importance of protecting land and culture. The artwork greets visitors to the Department of Defence and provides a powerful tribute to Indigenous participation in the Defence of Australia and also helps with the reconciliation journey.

### Artist acknowledgement

Alex Baker (b. 1932), Eric Kumanara Mungi Barney (b. 1973), Pepai Jangala Carroll (b. 1950), Taylor Cooper (b. 1940), Witjiti George (b. 1938), Willy Kaika (b. 1938), Kunmanara (Brenton) Ken (1944–2018), Kunmanara (Ray) Ken (c.1940–2018), Dickie Marshall (b. 1969), Kunmanara (Willy Muntjanti) Martin (1950–2018), Peter Mungkuri (b. 1946), Kunmanara (Jimmy) Pompey (1952–2018), Keith Stevens (b. 1940), Bernard Tjalkuri (b. 1930), Thomas Ilytjari Tjilya (b. 1962), Ginger Wikilyiri (b. 1930), Mick Wikilyiri (b. c.1940), Kunmanara (Mumu Mike) Williams (1952–2019), Frank Young (b. 1950), *Kulatangku angakanyini manta munu Tjukurpa* [Country and Culture will be protected by spears], 2017, acrylic on linen, 200 x 496.5 cm (unframed), Australian War Memorial, AWM2017.912.2



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

ANNUAL  
REPORT  
**18–19**



# Defence at a glance

## Mission

The Defence mission is to defend Australia and its national interests.

## Role

Defence's primary role is to protect and advance Australia's strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support to the Australian community and civilian authorities as directed by Government.

## Purposes

The 2018–19 *Defence Corporate Plan* purposes outline two core outcomes for Defence to deliver for the Government and the Australian community:

1. Defend Australia and its national interests
2. Protect and advance Australia's strategic interests.

Defence's performance in achieving its purposes during the 2018–19 reporting period is described in Chapter 3—'Annual performance statements'.

## Strategy

Through the 2016 Defence White Paper, the Government has identified Australia's strategic defence interests as:

- a secure, resilient Australia with secure northern approaches and proximate sea lines of communication
- a secure nearer region, encompassing maritime South-East Asia and the South Pacific (comprising Papua New Guinea, Timor-Leste and Pacific Island countries)
- a stable Indo-Pacific region and rules-based global order.

## Portfolio structure

As at 30 June 2019, the Defence portfolio consisted of:

- the Department of Defence (including the ADF)
- the Australian Signals Directorate
- trusts and companies
- statutory offices created by the *Defence Force Discipline Act 1982* and the *Defence Act 1903*
- the Department of Veterans' Affairs and its associated bodies.

## Responsible ministers

As at 30 June 2019, the Defence portfolio has four ministers:

- Senator the Hon Linda Reynolds, CSC, Minister for Defence
- the Hon Alex Hawke MP, Assistant Defence Minister
- the Hon Darren Chester MP, Minister for Veterans and Defence Personnel
- the Hon Melissa Price MP, Minister for Defence Industry.

## Values

Our employees conduct their duties in accordance with the Australian Public Service (APS) Code of Conduct, the APS Values, and the Defence and Service-specific values. The purpose of the *Defence Force Discipline Act 1982* is to maintain and enforce military discipline necessary for Australian Defence Force (ADF) capability.

These APS and ADF values and rules are the foundation for our work and govern the way we relate to our stakeholders and to each other. Without diminishing the ADF and APS values, specific Defence values have been established to 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.

## Funding

As at 30 June 2019, the Defence departmental net cash spend was \$36.4 billion. More information about Defence funding can be found in Chapter 4—'Financial summary'.



As at 30 June 2019, the ADF actual strength was 58,554 members and the APS actual full-time equivalent workforce was 15,996. More information can be found in Chapter 6 – ‘Strategic workforce management’.

Defence has the most extensive land and property holdings in Australia, including large training areas and bases close to the coastline. Defence also operates a number of operational bases around the globe.

The map displays the following defence establishments across Australia:

- DARWIN:** RAAF Darwin, Larrakeyah Defence Precinct (Larrakeyah Barracks & HMAS Coonawarra), Robertson Barracks, Defence Establishment Berrimah.
- RAAF Curtin**
- RAAF Tindal**
- RAAF Scherger**
- CAIRNS:** HMAS Cairns
- TOWNSVILLE:** RAAF Townsville, Lavarack Barracks
- PERTH:** RAAF Learmonth
- BRISBANE:** Victoria Barracks, HMAS Moreton, Gallipoli Barracks, Borneo Barracks, Army Aviation Centre Oakey, RAAF Amberley, Kokoda Barracks.
- RAAF Woomera**
- RAAF Williamtown:** Lone Pine Barracks (Singleton Military Area)
- SYDNEY:** Garden Island Defence Precinct (inc HMAS Kuttubul), HMAS Penguin, HMAS Waterhen, HMAS Watson, Liverpool Military Area, Randwick Barracks, Victoria Barracks, Defence Establishment Orchard Hills, RAAF Richmond, RAAF Glenbrook.
- ADELAIDE:** Edinburgh Defence Precinct, Keswick Barracks, Woodside Barracks.
- CANBERRA:** Puckapunyal, RAAF East Sale, HMAS Cerberus, RAAF Williams, Simpson Barracks, Victoria Barracks, DST Fishermans Bend.
- MELBOURNE:** Blamey Barracks, RAAF Wagga, Albury Wodonga Military Area.
- HOBART:** Anglesea Barracks.
- Other locations:** Campbell Barracks, Irwin Barracks, Leerwin Barracks, RAAF Pearce, HMAS Stirling, HMAS Creswell, HMAS Albatross, Defence Headquarters Russell Offices, HQJOC, HMAS Harman, Royal Military College Duntroon / Australian Defence Force Academy, Australian Defence College.

This is the Secretary of Defence and the Chief of the Defence Force's performance report to the Minister for Defence, the Parliament of Australia and the Australian public for the 2018–19 financial year. The report addresses the purposes and outcomes of the Department of Defence and the Australian Defence Force—collectively known as Defence.

## Online content

An electronic version of this report and supplementary performance information may be accessed at [www.defence.gov.au/annualreports](http://www.defence.gov.au/annualreports). Appendix D of this report (page 260) lists the supplementary information that is available on the Defence website.

The Defence Annual Report 2018–19 is also published on [www.transparency.gov.au](http://www.transparency.gov.au).



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

Senator the Hon Linda Reynolds, CSC  
Minister for Defence  
Parliament House  
Canberra ACT 2600

Dear Minister,

We present the Defence Annual Report 2018–19 for the year ended 30 June 2019. The report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Subsection 46(1) of the PGPA Act requires that an annual report be provided to the responsible Minister for presentation to the Parliament.

The report reflects the mandatory requirements as prescribed by the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). It includes Defence's audited financial statements, as required by subsection 43(4) of the PGPA Act, and Defence's annual performance statements, as required by section 39 of the PGPA Act.

Consistent with the requirements set out in Section 10 of the *Public Governance, Performance and Accountability Rule 2014*, we certify that Defence has conducted Whole of Defence fraud risk assessments as part of the biennial Defence fraud and corruption control planning cycle. We also certify that Defence has in place reasonable and appropriate measures, mechanisms and programs to prevent, detect, investigate, record and confidentially report suspected fraud and corruption.

Yours sincerely,

Handwritten signature of Greg Moriarty in black ink.

**Greg Moriarty**  
Secretary  
25 September 2019

Handwritten signature of Angus Campbell in black ink.

**Angus Campbell, AO, DSC**  
General  
Chief of the Defence Force  
25 September 2019

cc the Hon Alex Hawke MP, the Hon Darren Chester MP, the Hon Melissa Price MP

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A No. 36 Squadron C-17A Globemaster takes off from Nackeroo Airfield within the Bradshaw Field Training Area in the Northern Territory.



REVIEWS BY THE  
SECRETARY AND  
THE CHIEF OF THE  
DEFENCE FORCE

Australian Army soldier Private Hannah Bailey lays a poppy at the Lone Pine memorial wall dedicated to the missing. The walls adorning the memorial carry the names of 4,228 Australians missing, as well as those who died on hospital ships and were buried at sea.

# Secretary's review

I am proud to present Defence's achievements for 2018–19. Three themes have been particularly important in our work this year: continued reform; enhanced regional engagement; and investment in defence industry and capability, all of which contribute to Australia's security and future prosperity.

The department has made significant progress in implementation of the 2016 Defence White Paper. The White Paper remains important to ensuring Defence is well equipped and well prepared to addresses the challenges Australia may face over the coming decades. Defence will continue to review how changes in the strategic environment, technology and emerging issues affect our capacity to achieve what the Government and the Australian people expect of us.



Mr Greg Moriarty, Secretary of Defence.

## Organisational and cultural reform

Continual improvement through organisational and cultural reform is a central pillar supporting Defence's mission, capability and strategy. This approach must become part of our organisational DNA and a foundation that empowers agility with our delivery of capability.

We have had another successful year of implementing the recommendations of the First Principles Review, maintaining a clear commitment to our reform agenda. I am pleased that we have successfully implemented all but two of the 75 recommendations. As we become better aligned, continue to embed leadership behaviours, and streamline and integrate our business, we will be able to be more responsive and build on this year's achievements. In 2018–19, Defence continued to build on the progress made over recent years to foster a more inclusive culture and work together as One Defence. The One Defence approach is fundamental to enabling an effective and professional workforce culture that is united, respectful and collaborative within all components of Defence and across Government. How we do business and build teams must continue to mature to be more collegiate and more agile.

Exhibiting One Defence Leadership Behaviours, including accountability, inclusion and judgement, are key. I want to see Defence staff across both the Australian Public Service (APS) and Australian Defence Force (ADF) continuing to embody our values to deliver outcomes and partner more effectively across Government. I was pleased that the results of the last APS employee census showed improved collaboration.

Our workforce must be fit for purpose—capable, efficient, agile and resilient; and one that can deliver Government's objectives in a highly dynamic strategic environment. In 2018–19, we have made a concentrated effort to future-proof our workforce for the next decade. We have committed \$384.3 million to support the 2016 Defence White Paper People Initiatives and provide an integrated, enterprise approach to our developing our workforce.

The Defence Industry Skilling and Science, Technology, Engineering and Mathematics Strategy, released in February 2019, will help us to attract, train and retain a highly skilled and technically effective workforce to meet our defence capability needs.



Defence can point to some significant achievements in improving Indigenous representation across our workforce. We have developed a range of career development pathway programs for Aboriginal and Torres Strait Islander Australians seeking a career in Defence, whether as a Defence Force member or an Australian Public Servant.

This year we were recognised by Supply Nation, the peak industry body for Aboriginal and Torres Strait Islander owned companies, as the Government Member of the Year for our exceptional commitment, engagement and leadership in supplier diversity and driving growth in the Indigenous business sector.

## Regional engagement

Over the year we put additional emphasis on strengthening our international partnerships. These relationships will help ensure our region's stability and prosperity and ensure that we continue to protect Australia's strategic interests.

In June 2019, the Minister for Defence, Senator the Hon Linda Reynolds, CSC, attended the 18th International Institute for Strategic Studies Asia Security Summit (2019 Shangri-La Dialogue). The dialogue reaffirmed our relationships with our key partners, such as the United States, Japan and the ASEAN region. Minister Reynolds reinforced Australia's commitment to collaborating with these partners to support security and prosperity across the Indo-Pacific.

The Pacific Step-Up initiative has been a key focus for Defence in the past 12 months. We have supported the Australian Government's commitment to an open, secure and prosperous region by strengthening relationships and promoting security and stability with our key regional partners.

Our \$2 billion Pacific Maritime Security Program is rolling out 21 new Guardian-Class Patrol Boats to 13 nations, the first of which have already been delivered. The program also includes integrated aerial surveillance, which will significantly enhance regional cooperation over the next five years.

These key initiatives are examples of the breadth of Defence activities and shared purpose with our near neighbours. They demonstrate the pivotal role of the organisation in pursuit of Australia's national interests and the region's prosperity and security.

## Defence industry and capability

Now more than ever, the development of Australian defence industry and the knowledge, expertise and innovation it provides is a fundamental input into capability.

In the past 12 months, the Next Generation Technologies Fund entered into more than 40 funding collaborations with eight companies, 13 universities and two publicly funded research agencies, committing more than \$240 million to research programs being executed over the coming years.

The Defence Innovation Hub has continued to enhance Defence capability by investing in maturing and further developing technologies, awarding 37 innovation contracts at a total investment of more than \$75.2 million in the past 12 months.

This year we have made significant progress in implementing the national Naval Shipbuilding Plan. A milestone was signing the Future Submarine Program Strategic Partnering Agreement with Naval Group on 11 February 2019. The national Naval Shipbuilding Plan directly serves Australia's strategic and nation-building interests.

In the past 12 months we have also strengthened our military and intelligence capabilities to support a more integrated and agile Australian Defence Force. Prominent among these have been the EA-18G Growlers, P-8A Poseidons and fifth-generation F-35 Joint Strike Fighters.

We are also undertaking the biggest acquisition project in the history of the Australian Army. Valued between \$14 billion and \$20 billion over the next 15 years, this project will deliver the next generation of armoured fighting vehicles for our Army.

Defence's achievements would not have been possible without the contributions and commitment of our people. The achievements contained within this annual report are a testament to our APS and ADF workforces' ability to be considered and responsive in a dynamic and more complex strategic environment. Our mission remains unchanged, but we must continue to improve and make smarter choices, manage and balance risk and demonstrate the behaviours that result in a more potent defence organisational capability. I look forward to working with the entire Defence team over the next 12 months, alongside the Chief of the Defence Force, General Angus Campbell, AO, DSC, to protect Australia and defend its national interests.

**Greg Moriarty**

Secretary of Defence



Royal Australian Navy, Australian Army, Royal Australian Air Force and United States Marines on board HMAS *Canberra* during entry into Vietnam as part of Indo-Pacific Endeavour 2019.



# Chief of the Defence Force's review

In 2018–19, Defence increased engagement across the Indo-Pacific region, continued to deliver on the Government's operational commitments, worked towards the capability investment outlined in the 2016 Defence White Paper and made improvements to better support our people.

## Indo-Pacific engagement

The Australian Defence Force (ADF) has been very active in the Indo-Pacific region over the past year, as we continue to partner with military and security forces to address common concerns, and build relationships at both institutional and personal levels. In addition to supporting the delivery of the Australian Government's Pacific Step-Up, the ADF participated in major exercises and supported a number of our neighbours as they delivered key defence and security outcomes.

We supported our nearest neighbour, Papua New Guinea, host the Asia-Pacific Economic Cooperation forum in November 2018. ADF personnel from all Services provided niche capabilities, and Defence also handed over a new geospatial IT system to the Papua New Guinea National Mapping Bureau.

In April 2019, Solomon Islands successfully held the first national general election since the end of the Regional Assistance Mission to Solomon Islands in 2017. The ADF and New Zealand Defence Forces were proud to support Solomon Islands with transport, logistics and communications. Our support reflects the close bilateral relationship we share and underlines our commitment to security and stability in the Solomon Islands.

Exercise Rajawali Ausindo in Indonesia and Exercise Balikatan in the Philippines practiced humanitarian assistance and disaster relief responses, while Exercise Kakadu in Darwin enhanced regional maritime security cooperation. Indo-Pacific Endeavour 2019 and Joint Task Force 637 saw our people engage throughout the Indian Ocean, South-East Asia and the South-West Pacific. All of these events, and many more, maintained relationships and strengthened our ability to effectively work together.

On a personal note, I was pleased to visit Vanuatu, Tonga, Fiji, the Solomon Islands and Papua New Guinea to discuss our common security goals. I also attended the Shangri-La Dialogue in Singapore with both the Minister for Defence, Senator the Hon Linda Reynolds, CSC, and the Secretary.

## Operational performance

The ADF's operational commitments remained focused on countering terrorism. The territorial defeat of Da'esh in the Middle East in March was a significant milestone for the global coalition. However, the ongoing threat from non-state actors remains. The achievement of Initial Operating Capability by the Iraqi Army School of Infantry Non-Commissioned Officer II means our mission has transitioned from directly training Iraqi soldiers to a mentoring and train-the-trainer mission. A KC-30A air-to-air refuelling aircraft and E-7A Wedgetail airborne early warning and control aircraft remain in the region as part of our commitment to the global coalition.



General Angus J Campbell, AO, DSC, Chief of the Defence Force.

We have evolved our support to Afghanistan to include aviation advisors and force protection personnel to enhance Afghan Air Force capabilities, in addition to institutions that support the wider Afghan National Defense and Security Forces. We remain the second largest contributor to the Afghan National Army Trust Fund, contributing US\$520 million since 2010.

HMAS *Ballarat* completed an outstanding deployment as part of Operation MANITOU, locating and destroying explosive precursor chemicals, nearly half a million rounds of illicit ammunition, and over 21 tonnes of heroin, hashish, methamphetamines and amphetamines, with an estimated value in excess of \$1 billion.

Following a request from the United Nations Command, the ADF deployed a small number of military personnel to the Korean Peninsula to support the implementation of the inter-Korean Comprehensive Military Agreement. Additionally, HMAS *Melbourne*, AP-3C Orion and P-8A Poseidon aircraft conducted surveillance patrols in support of the international effort to enforce United Nations Security Council resolutions on North Korea. The flights to deter and disrupt sanctions evasion are part of Australia's commitment to a stable and secure Indo-Pacific region.

## Building future capability

The modernisation of air, land and maritime assets flowing from the Government's \$200 billion 10-year plan, outlined in the 2016 Defence White Paper, is well underway. The partnership between Defence and industry is strong, and I am pleased to see increased contributions by Australian small businesses to ADF capability. While this significant investment in traditional defence equipment is critical, it is being integrated with space and cyber capabilities, and underpinned by modern, integrated systems to support a trained and skilled workforce.

This year, Defence commenced a critical 30-year, \$1.1 billion investment in a simpler, safer and more assured fuel network. We signed a \$1.5 billion contract towards our future short-range, ground-based air defence capability, commenced a \$600 million upgrade for Navy's Fleet Information Environment, and invested \$52.8 million in a deployable computer network to improve information sharing with Five Eyes partners.

ADF personnel will be better prepared as a result of an \$897 million investment in simulation technologies to develop realistic future training environments. Additionally, Government approval was given in September for a 13-year, \$1 billion Integrated Soldier System, to enhance and continuously improve the basic equipment used by personnel in the field.

Technological advances in unmanned and autonomous systems continue to present opportunities and challenges in equal measure. Exercise Autonomous Warrior combined scientific trials, demonstrations and exercises, as part of the ADF's work with industry to inform future capability options. Additionally, Air Force purchased the MQ-4C Triton remotely piloted aircraft for broad area maritime surveillance and selected the MQ-9 as Australia's first armed remotely piloted aircraft system. Navy formed a new Squadron 822X for unmanned aerial systems and Army introduced the Phantom 4 and Black Hornet systems.

## Supporting our people

None of these achievements would have been possible without the dedicated and highly skilled people of Defence, who continue to have a positive impact in our communities. Defence has been proud to support a diverse range of local community events, public events of significance, and communities impacted by natural disasters. I am particularly proud of the Army Aboriginal Community Assistance Program and Exercise Kummundo that continue to reinforce the strong links between the ADF and the Indigenous people of northern, central and western Australia. In 2018–19, 7.3 per cent of new recruits identified as Aboriginal or Torres Strait Islander.

We continue to make inroads to improve Defence culture, including through the Defence Reconciliation Action Plan, to ensure Defence remains a place where all of our people feel safe and want to come to work.

A new contract was signed to deliver contemporary health services for 80,000 ADF members. Mental health support, which is an important focus of the ADF, continues to be a high priority. Adaptive sports now offers wounded, injured and ill members opportunities to improve their confidence to face future challenges in their rehabilitation. This program facilitated the participation of serving and ex-serving personnel in the 2018 Invictus Games hosted in Sydney. A home crowd provided an opportunity for our Invictus athletes to showcase their sporting achievements to all Australians.

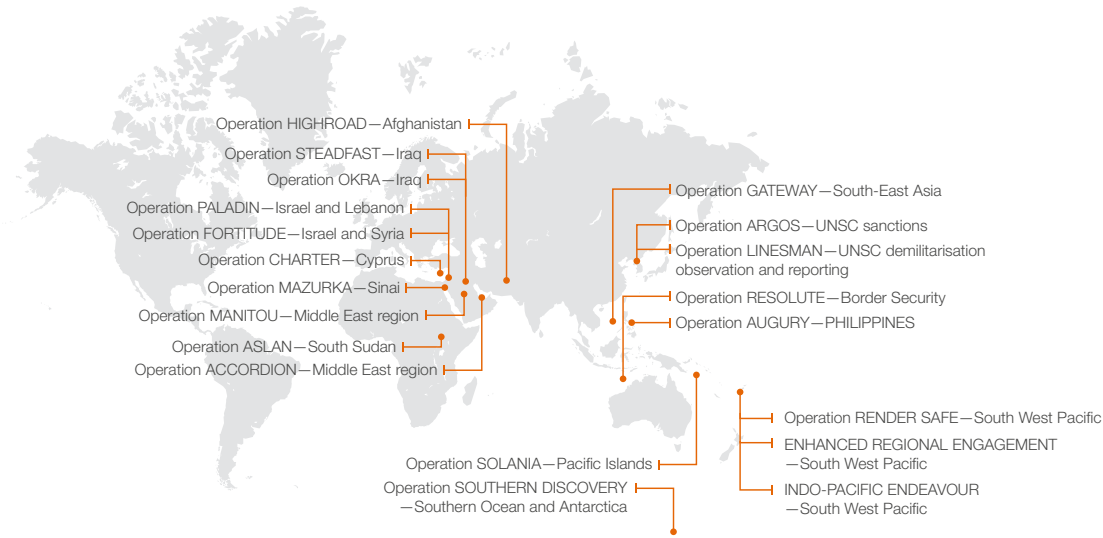
I also recognise the essential support that Defence families provide to our organisation. As such, Defence has continued to implement a broad range of programs and services aimed at helping our people and their families make the most of the challenges and opportunities presented by military life. This included \$1.4 million in community grants to directly support activities and services for our families across Australia.

I am privileged to lead a great ADF team. Every day, our people serve our nation, and I am both very proud of and thankful for their commitment. I look forward to continuing our progress through close cooperation with the Secretary and our outstanding senior leadership team.

**Angus J Campbell, AO, DSC**

General  
Chief of the Defence Force

Figure 1.1: **ADF operations during 2018–19**





Space surveillance telescope facilities at Exmouth, WA

## Space surveillance telescope facilities completed

### **The Defence Estate and Infrastructure Group handed over ownership of the new Space Surveillance Telescope Facilities to Defence Capability Acquisition and Sustainment Group in May 2019.**

The completed facilities, located in Exmouth, Western Australia are an important milestone in Project AIR3029 Phase 2. This project is an inter-government joint initiative between Australia and the United States to provide space situational awareness through the tracking, classification, and identification of space-based objects.

The facilities are on Defence land approximately six kilometres north-west of Harold E Holt Naval Communications Station. This remote site was chosen as the possibility of light interference is low and the area's weather conditions are ideal to enable the maximum collection of useful data.

The new \$97.2 million facilities will accommodate a space telescope that has been relocated from New Mexico, US. Its installation is on track to meet initial operating capability in 2021. The construction of the unique facilities was

completed by a combined team led by Aurecon, the project manager / contract administrator; M3 Engineering and Technology Corporation, the Design Services Consultant; and Sitzler, the prime contractor; and was supported by a range of local industries from the region. The design and manufacture of the track and bogie system to allow the dome to rotate a full 360 degrees, undertaken by Hofmann Engineering, a Perth based contractor, resulted in a world-leading product.

Construction of the 270 tonne rotating dome enclosure and supporting facilities is a significant achievement for the Australian industry, with 22 subcontractor packages awarded to Western Australian industry, of which six packages were awarded to the building and construction sectors local to the Exmouth region. Notably, local Exmouth contractors Exmouth Civil and Pebble Beach Construction performed outstandingly in meeting the facilities' unique building requirements.

The space telescope will be remotely operated by the RAAF in collaboration with the US to monitor orbiting satellites, space debris, and near earth asteroids.



## DEPARTMENTAL OVERVIEW

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## Purposes

Purposes are defined in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) as ‘the objectives, functions or role’ of an entity. Defence’s primary role is to protect and advance Australia’s strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support for the Australian community and civilian authorities as directed by Government.

In the *2018–19 Defence Corporate Plan*, the Defence purposes were:

1. Defend Australia and its national interests
2. Protect and advance Australia’s strategic interests.

Further information on the two Defence purposes is included in the *2018–19 Defence Corporate Plan*, which is available at [www.defence.gov.au/publications/corporateplan/](http://www.defence.gov.au/publications/corporateplan/). Defence’s performance in achieving its purposes during the 2018–19 reporting period is described in Chapter 3—‘Annual performance statements’.

## Strategic direction

The Government supports a stable, rules-based global order that underpins the peaceful resolution of disputes, facilitates free and open trade, and enables access to the earth’s shared natural resources. In a rapidly changing security environment, the Government expects Defence to defend Australia and its national interests, play an active role in contributing to regional security and stability, and contribute to coalition operations around the world where our interests are engaged.

Implementation of the 2016 Defence White Paper continues to be central to ensuring Defence can address emerging challenges in Australia’s strategic environment over the next decades while promoting its interests. This includes investing in Defence’s hard and soft power as a central contribution to Australia’s strategic weight.

Defence will continue to review how shifts in the strategic environment and advances in technology affect Defence’s capacity to achieve what Government and the Australian people expect of it. In response, Defence will make adjustments to strategy, resources and posture, as required.

Defence’s commitment to a strong, unified and integrated One Defence as set out in the First Principles Review recommendations will continue into 2019–20. This will strengthen accountability and decision-making and enable continued improvement in policy formulation and the quality of advice provided to the Government.

## Defence portfolio structure

As at 30 June 2019, the Defence portfolio has four ministers:

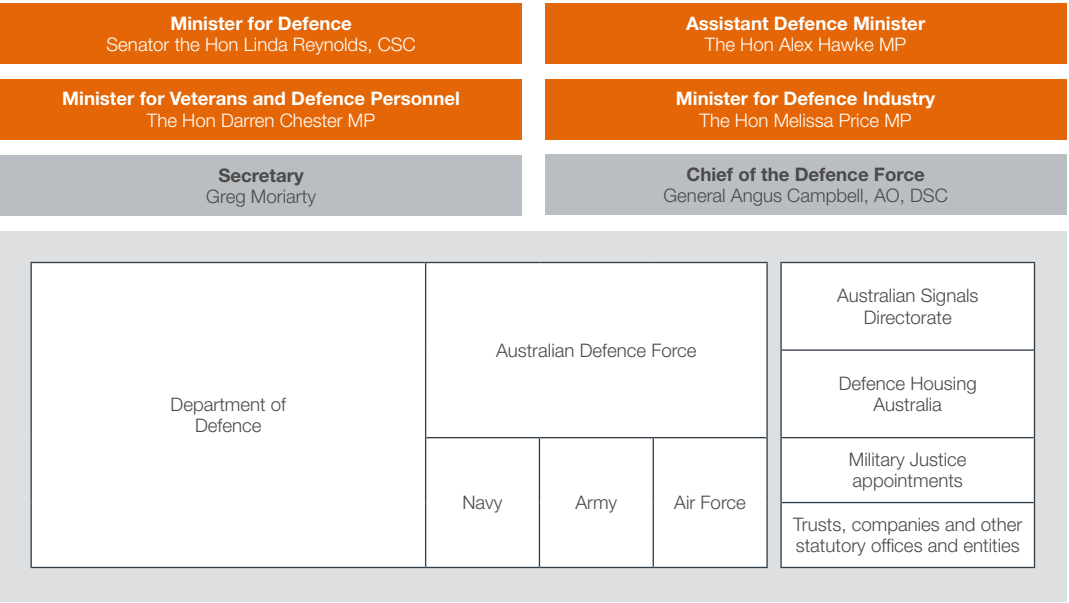
- Senator the Hon Linda Reynolds, CSC, Minister for Defence
- the Hon Alex Hawke MP, Assistant Defence Minister
- the Hon Darren Chester MP, Minister for Veterans and Defence Personnel
- the Hon Melissa Price MP, Minister for Defence Industry.

Defence is established as a Department of State under the Administrative Arrangements Order. Defence operates under the *Public Service Act 1999* and is a non-corporate Commonwealth entity under the PGPA Act. The Australian Defence Force (ADF) is constituted through the *Defence Act 1903*.

In addition to the Department of Defence and the ADF, the Defence portfolio consists of other entities, including Defence Housing Australia; the Australian Defence Force Cadets; and a number of statutory offices, canteens, trusts and companies. Legislation that establishes these entities includes the *Defence Housing Australia Act 1987*, the *Defence Act 1903*, the *Army and Air Force (Canteen) Regulation 2016*, the *Navy (Canteen) Regulation 2016*, the *Services Trust Funds Act 1947*, the *Royal Australian Air Force Veterans’ Residences Act 1953* and the *Corporations Act 2001*.

The portfolio also contains the Australian Signals Directorate, designated under the *Intelligence Services Act 2001*, and the Department of Veterans' Affairs and associated bodies, as designated in the Administrative Arrangements Order. Figure 2.1 shows the Defence portfolio structure as at 30 June 2019.

Figure 2.1: Defence portfolio structure as at 30 June 2019



**Note:** The Department of Veterans' Affairs is not included in Figure 2.1.

## Changes in ministerial responsibilities

Following the federal election on 18 May 2019, the new Government was sworn in on 29 May 2019. The following changes were made in the Defence portfolio:

- Senator the Hon Linda Reynolds, CSC, was sworn in as the Minister for Defence
- the Hon Alex Hawke MP was sworn in as the Assistant Defence Minister
- the Hon Darren Chester MP continued as the Minister for Defence Personnel
- the Hon Melissa Price MP was sworn in as the Minister for Defence Industry.



A Royal Australian Air Force P-8A Poseidon UNIPAC II drop training exercise over St Vincent Gulf in South Australia.



## P-8A Poseidon — delivering a capability edge

**Since its introduction into service in November 2016 the P-8A Poseidon has given the ADF one of the most advanced maritime patrol and surveillance capabilities in the world, enabling it to protect the strategic defence interest ‘A secure, resilient Australia with secure northern approaches and proximate sea lines of communication’.**

The acquisition and sustainment of the P-8A Poseidon capability remains a fundamental element in supporting the successful delivery of Australia's overarching maritime patrol and response strategy.

With significantly increased connectivity, networking and data-processing capacity compared to the retiring AP-3C Orion, the P-8A Poseidon offers the Royal Australian Air Force a considerable capability edge.

Based on the commercially proven Boeing 737, the P-8A Poseidon is a modern, highly reliable aircraft designed to deliver an advanced maritime intelligence surveillance, reconnaissance and response capability and will dominate in the anti-submarine warfare role.

With complex mission systems supporting anti-surface and anti-submarine warfare, as well as search and survivor assistance capabilities, the aircraft is equipped with advanced sensors including maritime radar, electro-optics, electronic support measures and an acoustic system that provides the ability to conduct searches of large expanses of the ocean more effectively.

The P-8A Poseidon is therefore well equipped for the One Defence focus on securing Australia's northern approaches and is making a vital contribution to meeting the ADF's regional and national security objectives as directed by government.

The P-8A Poseidon has already deployed in support of Operation ARGOS, providing an air component of the multinational effort to enforce UN Security Council resolutions related to North Korea. In 2018–19 its advanced capability was also demonstrated by No. 11 Squadron based at RAAF Base Edinburgh during Operation APEC ASSIST, Operation GATEWAY and Operation RESOLUTE.

Australia now has eight P-8A Poseidon aircraft. The full fleet of 12 is expected to be operational by 2022.



# Outcomes and programs

Defence’s annual Portfolio Budget Statements (PBS) detail the outcomes and program structures for the Defence portfolio. Within this framework, the outcome is the intended result, impact or consequence of our actions. We work towards achieving our outcomes through undertaking activities and delivering results for each program.

Figure 2.2 shows Defence’s two outcomes for 2018–19, together with the related programs. The PBS describe the performance criteria and targets to be used in assessing and monitoring the performance of Defence in achieving government outcomes.

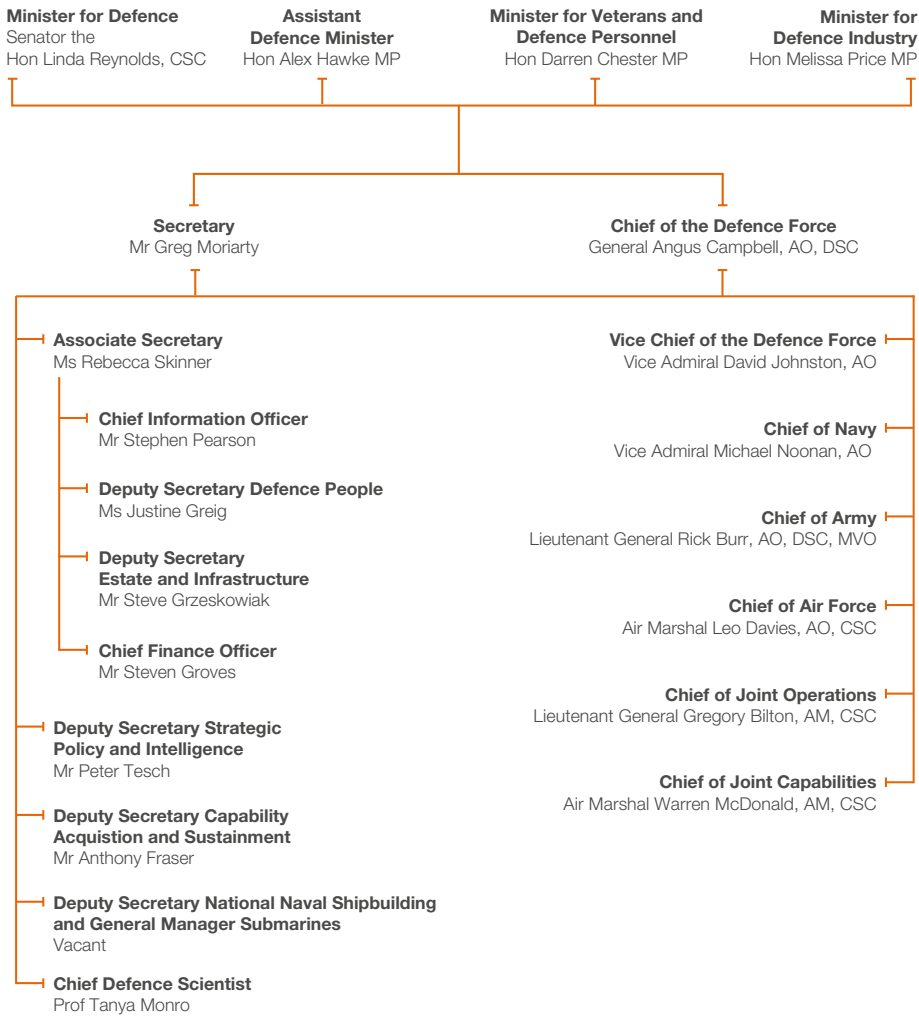
Figure 2.2: **Defence’s outcomes and programs, 2018–19**

Purpose	Outcome statement	Budget program
Purpose 1: Defend Australia and its national interests.	Outcome 1: Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.	<div>1.1 Operations Contributing to the Safety of the Immediate Neighbourhood</div> <div>1.2 Operations Supporting Wider Interests</div> <div>1.3 Defence Contribution to National Support Tasks in Australia</div>
Purpose 2: Protect and advance Australia’s strategic interests.	Outcome 2: Protect and advance Australia’s strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.	<div>Departmental</div> <div>2.1 Strategic Policy and Intelligence</div> <div>2.2 Defence Executive Support</div> <div>2.3 Chief Finance Officer</div> <div>2.4 Joint Capabilities</div> <div>2.5 Navy Capabilities</div> <div>2.6 Army Capabilities</div> <div>2.7 Air Force Capabilities</div> <div>2.8 Australian Defence Force Headquarters</div> <div>2.9 Capability Acquisition and Sustainment</div> <div>2.10 Estate and Infrastructure</div> <div>2.11 Chief Information Officer</div> <div>2.12 Defence People</div> <div>2.13 Defence Science and Technology</div> <div>Administered</div> <div>2.14 Defence Force Superannuation Benefits</div> <div>2.15 Defence Force Superannuation Nominal Interest</div> <div>2.16 Housing Assistance</div> <div>2.17 Other Administered</div>

# Organisational structure

The Secretary of Defence and the Chief of the Defence Force jointly manage Defence as a diarchy. The term ‘diarchy’ reflects the individual and joint responsibilities and accountabilities of the Secretary and the Chief of the Defence Force in ensuring that Defence meets Australian Government requirements. The manner in which the diarchy operates is described in directions given to the Secretary and the Chief of the Defence Force by the Minister for Defence. Figure 2.3 shows the elements and relationships of Defence organisational structure as at 30 June 2019.

Figure 2.3: Defence organisational structure as at 30 June 2019



**Note:** For a more current view visit [www.defence.gov.au](http://www.defence.gov.au).

## Changes in senior leadership

- On 3 July 2018, Lieutenant General Richard Burr was appointed Chief of Army.
- On 6 July 2018, Mr Thomas Hamilton commenced acting as the Deputy Secretary Strategic Policy and Intelligence.
- On 7 July 2018, General Angus Campbell was appointed Chief of the Defence Force.
- On 7 July 2018, Vice Admiral David Johnston, RAN, was appointed Vice Chief of the Defence Force.
- On 7 July 2018, Vice Admiral Michael Noonan, RAN, was appointed Chief of Navy.
- On 28 August 2018, (then) Air Chief Marshal Mark Binskin, the previous Chief of the Defence Force, transferred to the Reserve Service.
- On 1 September 2018, (then) Vice Admiral Raymond Griggs, RAN, the previous Vice Chief of the Defence Force, transferred to the Reserve Service.
- On 1 September 2018, (then) Vice Admiral Timothy Barrett, RAN, the previous Chief of Navy, transferred to the Reserve Service.
- On 3 September 2018, Mr Stephen Johnson was appointed Deputy Secretary National Naval Shipbuilding in the Capability Acquisition and Sustainment Group.
- On 3 September 2018, Mr Greg Divall commenced acting as the Deputy Secretary Capability Acquisition and Sustainment Group.
- On 7 September 2018, Mr Kim Gillis, the previous Deputy Secretary Capability Acquisition and Sustainment, retired from the Australian Public Service.
- On 27 September 2018, Ms Rebecca Skinner was appointed as the Associate Secretary.
- On 5 November 2018, Mr Anthony Fraser was appointed as the Deputy Secretary Capability Acquisition and Sustainment Group.
- On 6 November 2018, Dr Todd Mansell commenced acting as the Chief Defence Scientist.
- On 16 November 2018, Dr Alexander Zelinsky, the previous Chief Defence Scientist, retired from the Australian Public Service.
- On 28 January 2019, Air Marshal Warren McDonald was promoted to Air Marshal and reappointed as Chief of Joint Capabilities.
- On 11 March 2019, Professor Tanya Monro was appointed as the Chief Defence Scientist.
- On 18 April 2019, Mr Peter Tesch was appointed as the Deputy Secretary Strategic Policy and Intelligence.
- On 31 May 2019, Mr Stephen Johnson, the previous Deputy Secretary National Naval Shipbuilding in the Capability Acquisition and Sustainment Group, resigned from the Australian Public Service.
- On 28 June 2019, Lieutenant General Gregory Bilton was appointed Chief of Joint Operations.

# Financial summary

Defence has a sound financial position, with sufficient cash reserves and future appropriations to fund its debts as and when they fall due. Defence’s departmental net cash spend was \$36.4 billion in 2018–19. This was an underspend of \$30 million when compared to the revised estimate in the *Defence Portfolio Budget Statements 2019–20*, excluding appropriations to be returned to Government for operations funded on a No Win, No Loss basis which were not spent during the year.

Defence received an unqualified audit report on the 2018–19 Financial Statements from the Australian National Audit Office. These statements are in Appendices, ‘Financial statements’.

See Chapter 4, ‘Financial summary’, for a financial overview of 2018–19.

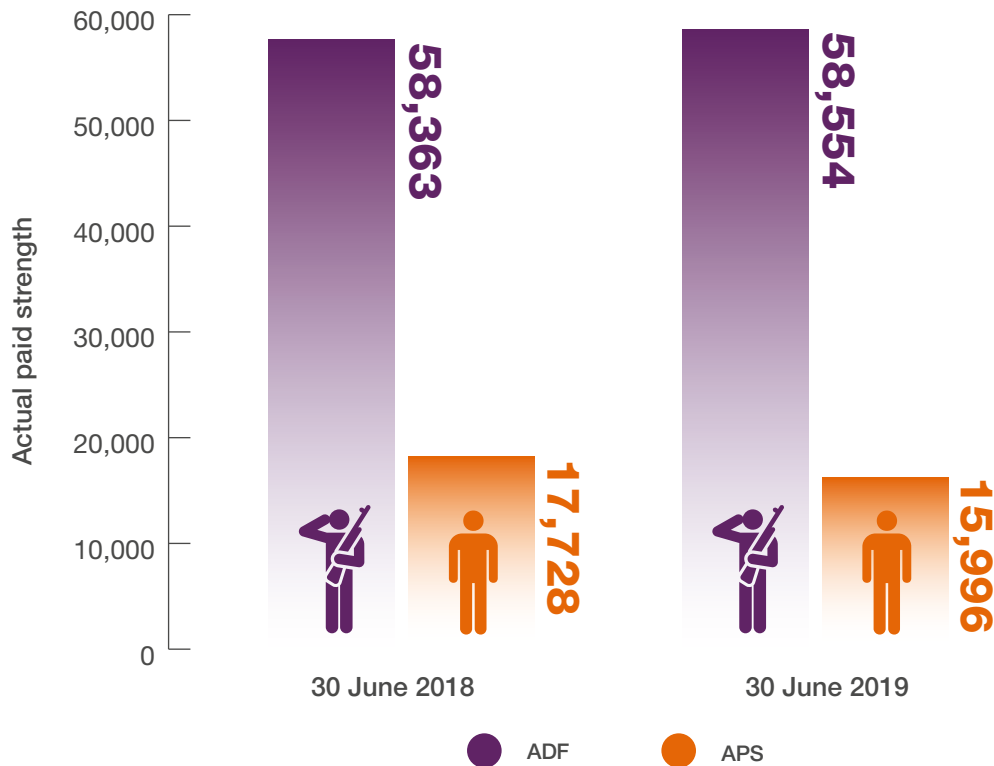
# People summary

Defence’s workforce comprises ADF members of the Navy, Army and Air Force and Australian Public Service (APS) employees.

The ADF’s actual funded strength at 30 June 2019 was 58,554, compared with 58,363 at 30 June 2018. The APS’s actual full-time equivalent workforce at 30 June 2019 was 15,996, compared with 17,308 at 30 June 2018. The reduction in APS strength in 2018–19 was primarily due to the creation of the Australian Signals Directorate as a statutory agency on 1 July 2018.

Detailed information on Defence’s workforce is provided in Chapter 6, ‘Strategic workforce management’ and in Appendix B, ‘Additional workforce tables’.

Figure 2.4: ADF and APS comparative funded strength for 2017–18 and 2018–19



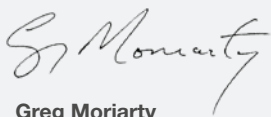
Australian Army soldier Lance Corporal Jordan Hoegger from the 2nd Battalion (Amphibious), Royal Australian Regiment, prepares to move during a platoon attack at Pohakuloa Training Area as part of Exercise Rim of the Pacific 18 (RIMPAC 18).

# ANNUAL PERFORMANCE STATEMENTS

# 3

## Statement of preparation

I, as the accountable authority of the Department of Defence, present the 2018–19 annual performance statements of the Department of Defence, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



**Greg Moriarty**

Secretary of the Department of Defence  
24 September 2019

The annual performance statements for 2018–19 provide an assessment of Defence's performance in achieving our purposes by reporting on the performance measures and criteria set out in the *2018–19 Defence Corporate Plan* and the performance criteria listed in the *Portfolio Budget Statements 2018–19* (PBS) and the *Portfolio Additional Estimates Statements 2018–19* (PAES). In 2018–19 the purposes are directly aligned to the Defence outcomes in the PBS.

To enhance readability of the annual performance statements, the performance measures and criteria are organised around the two purposes described in the *2018–19 Defence Corporate Plan*:

<b>Purpose 1:</b>	Defend Australia and its national interests.
<b>Purpose 2:</b>	Protect and advance Australia's strategic interests.

Outcome statements describe what the Government requires Defence to achieve using resources allocated through the Commonwealth budget process. In 2018–19 Defence had two outcome statements:

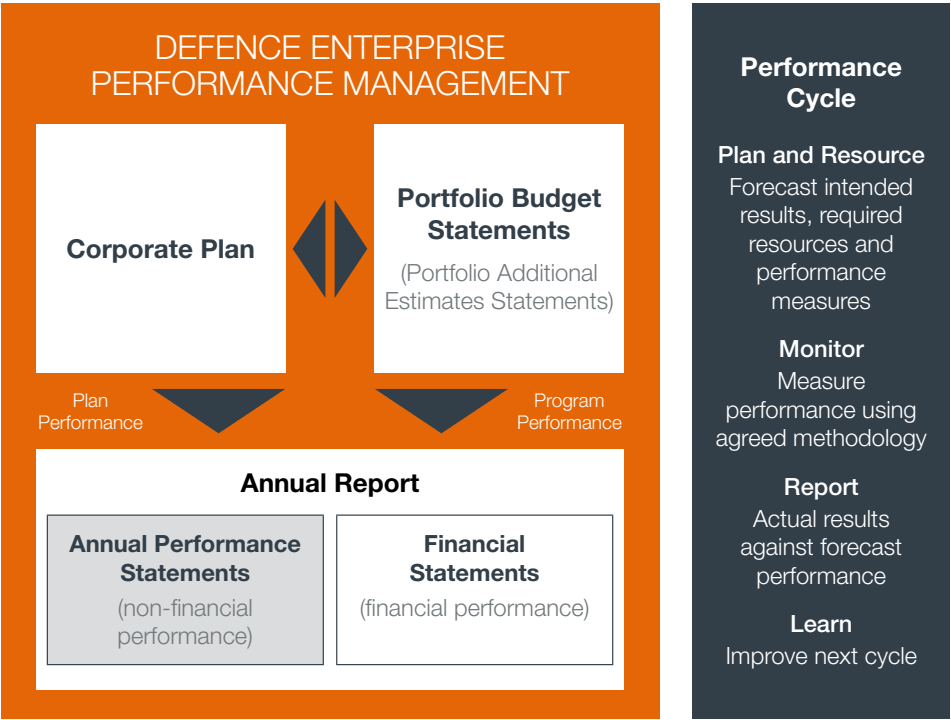
<b>Outcome 1:</b>	Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction.
<b>Outcome 2:</b>	We protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.

The purpose of Defence's enterprise performance management is to ensure alignment between Government direction, strategy, funding and capability, such that the purposes of Defence are achieved. The aim is to provide a clear line of sight between:

- the Corporate Plan (purposes, activities and intended results)
- the PBS (allocation of resources to programs to achieve Government outcomes and a forecast of expected performance)
- annual performance statements within Defence's Annual Report (actual performance results for the financial year against the Corporate Plan and the PBS)
- the Defence Financial Statements at Appendix A.

Defence is continuing to mature the approach which will enable improved traceability in demonstrating the achievement of Government outcomes in accordance with the requirements of the *Public Governance, Performance and Accountability Act 2013*. Figure 3.1 demonstrates the position of the annual performance statements within Defence's enterprise performance management. Figure 3.2 sets out the relationship between Defence's Portfolio Budget Statements, Corporate Plan, the Defence Business Plan and Group and Service business plans.

Figure 3.1: Defence enterprise performance management

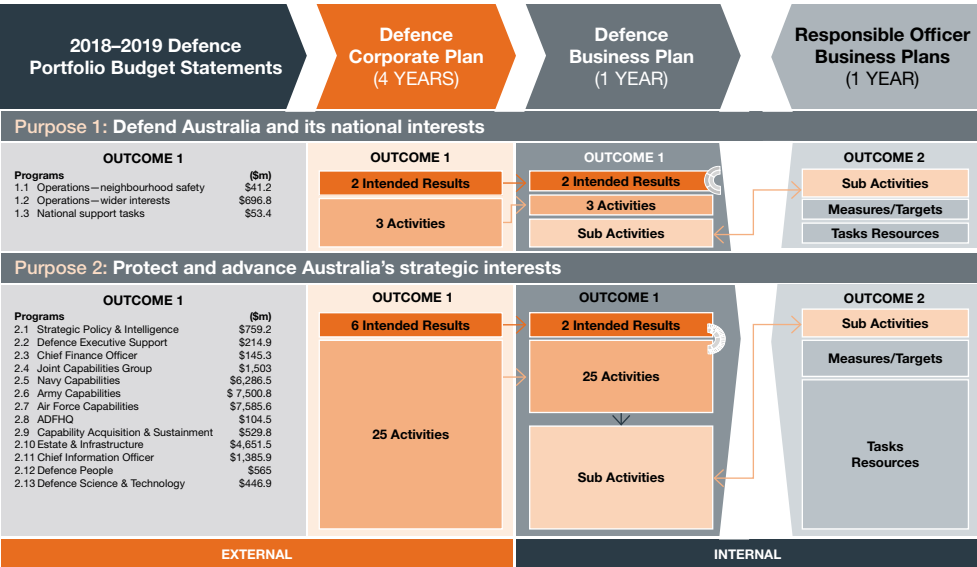


Defence's annual performance statements provide an assessment of actual performance in achieving each Defence purpose. This includes analysis against each performance criterion, using the key:

- Achieved—the intended result was achieved as planned
- Partially achieved—the intended result was not fully achieved during the reporting period.

**Note:** Due to national security considerations, not all targets are available to be published.

Figure 3.2: Defence enterprise planning view





## Purpose 1: Defend Australia and its national interests

Defence achieved Purpose 1 in 2018–19. The Government has deployed the Australian Defence Force to meet policy objectives. The Australian Defence Force has conducted operations to defend Australia's national interests domestically, through the Indo-Pacific region, and globally to promote stability, integrity and cohesion.

Defence has planned and participated in a range of national support tasks in 2018–19, including securing the Australian maritime boundary, support to counter-terrorism capabilities, search and rescue, and humanitarian assistance and disaster relief. Around 3,000 Australian Defence Force members contributed to Joint Task Forces which supported recovery operations in North Queensland after significant flooding in February 2019. In March 2019, approximately 200 Australian Defence Force members supported evacuation and recovery operations in the Northern Territory in the wake of Tropical Cyclone Trevor.

Defence cooperated with other Commonwealth departments and agencies to support operations in the Indo-Pacific region to deliver whole-of-government outcomes and stronger security partnerships. For example, Defence is supporting the Australian Government's Pacific Step-Up initiative through a program of enhanced regional engagement providing training, equipment and infrastructure improvements to enhance the capacity of the region's security forces. These activities have seen more of our people deploying across the Indo-Pacific on a regular basis. The benefits of this enhanced engagement have been reflected through strengthened bilateral and multilateral relationships and closer institutional bonds.

Defence's contribution to building stronger people-to-people links, through activities as diverse as Indo-Pacific Endeavour and the Women, Peace and Security agenda, has been positively received across the region. Indo-Pacific Endeavour is a major maritime activity that promotes regional security and stability. Between May and July 2018, Indo-Pacific Endeavour visited a number of Pacific Island countries, providing an opportunity for Australian Defence Force personnel to work alongside partner nations to build security capacity and strengthen host nation humanitarian assistance and disaster relief capabilities. From February to June 2019, Indo-Pacific Endeavour visited India and Sri Lanka, as well as a range of South-East Asian countries, conducting major maritime security exercises and training activities alongside the military forces of regional neighbours to increase interoperability. Defence integrates Women, Peace and Security principles into all of our activities across the Pacific, including through the Defence Cooperation Program. A particular focus of this program has been preparing regional forces for service on United Nations peacekeeping operations, ensuring Women, Peace and Security principles are effectively and sensitively incorporated into military planning and operation execution.

Defence has assisted regional partners with infrastructure development to support the arrival of Guardian Class Patrol Boats into the region, and is developing facilities to improve the access of host nation personnel to training programs delivered under the Defence Cooperation Program. Defence has progressed the governance framework and initial design work of the Papua New Guinea-Australia joint initiative to redevelop the Lombrum Naval Base to enhance Papua New Guinea Defence Force capability. Defence has also progressed development of the Blackrock Peacekeeping and Humanitarian Assistance and Disaster Relief Camp in Fiji, where we have Australian Defence Force personnel working side by side with Fijian counterparts. Throughout Pacific Island countries, we have undertaken minor facilities repairs and upgrades, on an opportunity basis, during planned Australian Defence Force exercises and activities.

In 2018–19, requests for Australian Defence Force humanitarian assistance and disaster relief capabilities remained high. The Australian Defence Force responded to an earthquake and subsequent tsunami in central Indonesia and assisted Indonesian authorities with the distribution of aid equipment and personnel. Regional assistance missions such as this have obvious humanitarian effects, but also develop trust, cooperation and interoperability with regional forces. Defence also contributed to stability in the Indo-Pacific region, and the rules-based global framework, through collaborating with partners on transnational issues such as counter-terrorism capacity building in South-East Asia, as well as niche support to civil agencies across the Pacific for a number of law enforcement tasks.

Defence has been actively engaged in North-East and South-East Asia. Operation ARGOS, Australia's contribution to maintaining economic and diplomatic pressure on North Korea, continues to support multinational efforts to enforce United Nations Security Council sanctions against North Korea. As part of this operation, the Australian Defence Force has deployed maritime patrol aircraft and Major Fleet Units to conduct maritime surveillance operations. Defence has also supported the inter-Korean peace process through Operation LINESMEN, the



deployment of a small number of Australian Defence Force specialists to the Republic of Korea to monitor the implementation of agreed actions.

Closer to our immediate region, Defence is contributing to the preservation of regional security and stability in South-East Asia through the auspices of Operation GATEWAY, an operation that has endured since the 1980s. Under Operation GATEWAY, the Australian Defence Force provides maritime surveillance patrols in the North Indian Ocean and South China Sea, contributing to the bilateral Defence relationship between Australia and Malaysia.

In the Middle East, Operation MANITOU supports international efforts to promote maritime security, stability and prosperity. During 2018–19, the Australian Defence Force has seized narcotics valued at over A\$1.4 billion, large quantities of ammunition and in excess of 12 tonnes of precursor chemicals required for the manufacture of explosives. Through Operation OKRA, the Australian Defence Force has collaborated closely with the Government of Iraq, Gulf nations and international partners to combat the Daesh terrorist threat in Iraq. Australian Defence Force personnel have provided military advice and assistance to the Counter-Terrorism Service of the Iraqi Security Forces and also supported international efforts to train and build the capacity of the Iraqi Security Forces. In Afghanistan, under Operation HIGHROAD, the Australian Defence Force has contributed to the North Atlantic Treaty Organization-led Resolute Support Mission to train, advise and assist the Afghan National Defense and Security Forces. Australian Defence Force personnel have provided military advice, education and training services to support the long-term growth and development of the Afghan National Defense and Security Forces.

In addition to the operations outlined in the 2018–19 Defence Portfolio Budget Statements, and those mentioned above, Defence has established Operation STEADFAST as the Australian Defence Force's contribution to the North Atlantic Treaty Organization mission in Iraq, providing continued capacity building of the Iraqi Security Forces.

<b>PBS programs contributing to Purpose 1</b>
PBS1.1 Operations Contributing to the Safety of the Immediate Neighbourhood
PBS1.2 Operations Supporting Wider Interests
PBS1.3 Defence Contributions to National Support Tasks in Australia
PBS2.8 Australian Defence Force Headquarters

**Intended Result 1.1: Defence operational capability is able to be deployed to support Government policy objectives.**

During the reporting period, Defence operations and activities were successfully planned and executed as directed by Government. Defence contributed to United Nations and international efforts to uphold global security, engaging in operations and activities that included Operation APEC 2018 ASSIST, Operation AUGURY — PHILIPPINES, Enhanced Regional Engagement in support of Pacific Step-Up, Solomon Islands Election Assistance and Indo-Pacific Endeavour.

In support of the Government's policy objectives of regional stability, security and prosperity, Defence engaged across departments and agencies to deal with requirements relating to Australian Defence Force operations with Indonesia, Papua New Guinea, South-East Asian countries and the island countries of the South-West Pacific.

Defence also collaborated with other departments and agencies such as the Department of Home Affairs, the Department of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet, Emergency Management Australia, the Australian Federal Police and the states and territories to manage short-notice issues relating to the Australian Defence Force's operations, longer-term complex issues such as defeating terrorism, and future operations requiring Government consideration.

Activity	Performance criterion	Target
1.1a Conduct and sustain operations contributing to the security and safety of the immediate neighbourhood in accordance with Government strategic direction.	Assessment of operational deployments against outcomes agreed with Government.	All Government directed tasks are met.

Source 2018–19 Defence Corporate Plan Activity 1.1a

Portfolio Budget Statements 2018–19 Program 1.1

Results	Achieved
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Analysis Defence operations and activities were successfully conducted in accordance with operational plans as directed by Government.

Defence successfully engaged across departments and agencies to enable the Australian Defence Force's operations in Australia's immediate neighbourhood with Indonesia, Papua New Guinea, South-East Asian countries and the island countries of the South-West Pacific.

Defence has provided full support to Operation SOVEREIGN BORDERS and maintained other operational commitments, consistent with Government priorities.

Operations and activities during this period included Operation APEC 2018 ASSIST, Operation AUGURY—PHILIPPINES, Enhanced Regional Engagement in support of Pacific Step-Up, Solomon Islands Election Assistance and Indo-Pacific Endeavour.

Activity	Performance criterion	Target
1.1b Conduct and sustain operations supporting wider interests in accordance with Government strategic direction.	Assessment of operational deployments against outcomes agreed with Government.	All Government directed tasks are met.

Source 2018–19 Defence Corporate Plan Activity 1.1b

Portfolio Budget Statements 2018–19 Program 1.2

Results	Achieved
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Analysis During the reporting period, Defence successfully conducted operations and activities supporting wider interests that contribute to United Nations and international efforts to uphold global security.

Defence supported Australia's contribution to multinational efforts to enforce United Nations Security Council sanctions against North Korea through conduct of Operation ARGOS. Defence also supported the inter-Korean peace process through Operation LINESMEN.

Defence supported international efforts to promote maritime security, stability and prosperity in the Middle East through Operation MANITOU, and in collaboration with the Government of Iraq, Gulf nations and international partners combated terrorist threats in Iraq through Operation OKRA. Defence made further contributions to international efforts in Afghanistan and Iraq through Operations HIGHROAD and STEADFAST respectively.

Defence worked collaboratively with other Government departments and agencies to deal with a variety of issues, ranging from short-notice responses to incidents, to longer-term complex issues that required comprehensive Government consideration.

**Intended Result 1.2: Defence contributions to National Support Tasks in Australia are provided in accordance with Government direction.**

Activity	Performance criterion	Target
1.2a Contribute to national security and support tasks as directed by Government.	Assessment of capacity and capability provided in support of whole-of-Government outcomes.	All Government directed tasks are met.
Source	2018–19 Defence Corporate Plan	Activity 1.2a
	Portfolio Budget Statements 2018–19	Program 1.3
Results	Achieved	
Analysis	<p>Defence provided advice and support to operations and activities including:</p> <ul style="list-style-type: none"> <li>the planning and conduct of operations to enforce the sovereignty of Australian maritime zones from unauthorised maritime arrivals, smuggling and quarantine evasion</li> <li>counter-terrorism response</li> <li>search and rescue</li> <li>humanitarian assistance</li> <li>disaster relief.</li> </ul> <p>Defence engaged with and contributed to the Department of Home Affairs civil surveillance program and Maritime Border Command tasking through the provision of maritime surveillance assets that were tasked routinely in accordance with Government direction.</p> <p>Defence supported the Defence Assistance to the Civil Community program with emergency and non-emergency support following severe weather events in north and central Queensland and Tropical Cyclone Trevor in Darwin, and provided support to firefighting efforts in Queensland, Victoria, Tasmania and Western Australia.</p>	



HMAS Success conducts a Replenishment at Sea with USNS Pecos in the approach lanes of the Singapore Straits during Indo-Pacific Endeavour 2019.

## A principal partner in the Indo-Pacific region

**Defence has longstanding relationships with Indo-Pacific nations based on mutual respect, trust and close partnerships. In 2018 the Australian Government announced a step up in our commitment to supporting and working with our closest neighbours.**

To drive the delivery of new and continuing Defence initiatives in the region, the Indo-Pacific Enhanced Engagement Branch was established in the International Policy Division. The new initiatives respond to priorities identified through dialogue with our partners in the region and complement a range of activities conducted under the Defence Cooperation Program and Pacific Maritime Security Program.

Defence has become more active across the region, including through increasing our maritime and land presence in training and activities with military and security forces, planning an annual Joint Heads of Pacific Security Forces event in Australia, reinforcing alumni networks in the security sector, and expanding sporting engagements.

Defence has partnered with Papua New Guinea, Fiji, and Vanuatu on significant infrastructure projects that will enhance the security capability of the Pacific. Australian Army engineers will plan, design and deliver the infrastructure in collaboration with local stakeholders and industry. There will be opportunities for local contractors

and consultants to be part of these projects, providing benefits to the local economy. The new infrastructure incorporates environmentally sustainable design principles to maximise the use of resilient and locally available materials.

Fiji's Blackrock Peacekeeping and Humanitarian Assistance and Disaster Relief Camp project was the first to commence, with early works starting in April 2019 and main works due to start in September 2019. The redevelopment will provide Fiji with world-class infrastructure to support their pre-deployment training, as well as humanitarian assistance and disaster relief capability. The official handover of the main elements of Blackrock camp is planned to coincide with Fiji's 50th anniversary of independence celebrations in October 2020.

Land and maritime deployments in the Pacific region were a high priority under Joint Task Force 637 for the first half of 2019. The task force visited Papua New Guinea, Vanuatu, Samoa, Tuvalu, Tonga, Fiji, Solomon Islands and New Caledonia, delivering training and other activities ranging from cultural engagement and capacity-building to hydrographic surveys. In the second half of 2019 the group will visit French Polynesia, Timor-Leste and the Federated States of Micronesia. At the same time ADF elements will deploy to help in the protection of fishing industries under Operation SOLANIA and the removal of the explosive remnants of war under Operation RENDER SAFE 2019.

In May 2019, Defence successfully completed the latest iteration of the Indo-Pacific Endeavour engagement program after nearly three months, 12,500 nautical miles and visits to seven countries.

Joint Task Group Indo-Pacific Endeavour 2019 comprised 1,200 Defence personnel, four ships and a P-8 Poseidon aircraft. The engagement program deepened existing relationships with regional partners, forged new friendships through bilateral and multilateral engagement, provided training and capacity-building, and promoted security and stability in the near region.

Sri Lanka, India, Malaysia, Indonesia, Thailand, Vietnam and Singapore were the focus of the visits, which encompassed a wide range of activities spanning disaster assistance planning, multinational naval manoeuvres and military training serials. For the first time, Indo-Pacific Endeavour incorporated Australian Defence industry through pop-up exhibitions and displays.

While the Indo-Pacific Endeavour 2019 maritime task group was undertaking the final legs of its deployment, other Navy fleet units were engaged in Exercise La Perouse in the north-east Indian Ocean and Exercise Pacific Vanguard in the Pacific Ocean. The diversity of these activities, distributed across a wide region, demonstrates Defence's readiness to respond if required to a range of contingencies across the region, either as an ADF joint task force or as elements in a combined response with international partners.

In the north-west Indian Ocean, HMAS *Toowoomba* and the submarine HMAS *Collins* participated in the French-led multinational Exercise La Perouse, centred on the aircraft carrier FS Charles de Gaulle in a combined task force that also included ships and aircraft from the United States Navy and the Japanese Maritime Self-Defense Force. This exercise demonstrated the true power of international partnerships and the importance of maritime interoperability.

Further east, in the vicinity of Guam, HMAS *Melbourne* and HMAS *Parramatta* and the submarine HMAS *Farncomb* participated in the United States led Exercise Pacific Vanguard, together with the navies of Japan and South Korea, working through a range of complex maritime task group scenarios.

Navy's newly established Sea Training Group—Defence Cooperation Program had elements supporting the Australian Government's \$2 billion Pacific Maritime Security Program to help introduce the Guardian-Class Patrol Boats into service and through-life sustainment. The first three Guardian-Class Patrol Boats have been handed over to Papua New Guinea, Tuvalu and Tonga. Through this program, the successor of the Pacific Patrol Boat Program, Australia is maintaining what will be a continuous 60-year presence in and commitment to the region.

To increase regional mariner expertise, Navy established the Watch Keeping Support Program to provide on-the-job mariner training to police and military officers from Pacific nations participating in the Pacific Maritime Security Program. This provides an opportunity for these personnel to gain exposure to all aspects of patrol boat operations. As at June 2019, Papua New Guinea, Tuvalu, the Federated States of Micronesia, Kiribati, Fiji, Samoa, Palau and Tonga have participated in the program.

These elements combined have seen a significant contribution to the Indo-Pacific nations over the past year, with more to come in building a region that is strategically secure, economically stable and politically sovereign

## Purpose 2: Protect and advance Australia's strategic interests

Defence achieved Purpose 2 in 2018–19 and continued to protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government.

Defence engaged in the continuous review of the Defence Planning Guidance, Defence's classified strategy document, to ensure the alignment of strategy, capability and resources. Defence made significant progress in aligning its future force structure to changes in Australia's strategic environment through the commencement of the 2019 Force Structure plan.

Defence generated and sustained capability required to support defence operations and preparedness objectives. Classified preparedness assessment and reporting indicated this was supported by the Defence Preparedness Assessment Summary, which reported overall that preparedness performance improved during 2018–19.

Defence progressed many of the investments needed to realise future capability requirements. In 2018–19, Defence continued to deliver the Integrated Investment Program's \$200 billion recapitalisation of Australian Defence Force capability. The Government approved 115 capability-related proposals for major equipment, facilities and infrastructure, information and communications technology (ICT) and science technology.

Defence advanced industry engagement policy initiatives to enhance Australia's industrial base that supports Defence capability. Science and technology research continued to play a major role in supporting Defence and national security operations, as well as the acquisition, sustainment and future-proofing of Defence capability. Evidence of this is the continued implementation of the Defence Innovation Hub, the Next Generation Technologies Fund, the Sovereign Investment Capability Priority Grants program and the Defence Global Competitiveness Grants program.

Defence worked to further enhance international engagement by further investing in the Defence Cooperation Program, increasing the number of training positions for international military students in Australia, and raising Defence's broader international profile. Additional overseas positions were created, notably to enhance Defence Science and Technology cooperation. Defence also regularly meets with allies and partners to discuss national naval shipbuilding issues.

Defence continued to enhance its health and welfare services to Australian Defence Force members and families through support for transitions, casualty and critical incidents, mobility, and community capacity building. The Defence Community Organisation continued to provide a family helpline in addition to regionally based area offices, which allows families to access education assistance, partner employment and support for dependents with special needs. Also, Defence's community capacity building has provided community centres and grants through the Family Support Funding Program. Defence continued to provide practical support to Australian Defence Force members transitioning from the military, including transition seminars and expos, and post-transition surveys to enhance transition outcomes for members.

Overall Defence continued to build on the reform initiatives of the First Principles Review throughout 2018–19. An updated continuous reform and improvement agenda, 'Defence 2022—Embedding One Defence', is in the design stage and will guide enterprise reform initiatives over the next three years.

## PBS programs contributing to Purpose 2

PBS2.1 Strategic Policy and Intelligence

PBS2.2 Defence Executive Support

PBS2.3 Chief Finance Officer

PBS2.4 Joint Capabilities

PBS2.5 Navy Capabilities

PBS2.6 Army Capabilities

PBS2.7 Air Force Capabilities

PBS2.8 Australian Defence Force Headquarters

PBS2.9 Capability Acquisition and Sustainment

PBS2.10 Estate and Infrastructure Group

PBS2.11 Chief Information Officer

PBS2.12 Defence People

PBS2.13 Defence Science and Technology

PBS2.14 Defence Force Superannuation Benefits

PBS2.15 Defence Force Superannuation Nominal Interest

PBS2.16 Housing Assistance

PBS2.17 Other Administered

**Intended Result 2.1: Defence develops strategic policy advice that guides the design, development, integration and preparedness of Defence capability as directed by Government.**

During the reporting period, Defence continued to develop high-quality policy advice to inform decision-making by ministers and Cabinet. Defence continued to ensure the continuous review of the classified Defence Planning Guidance, and the alignment of strategy, capability and resources. Defence conducted strategic identification of inherent and likely strategic risks across the social, environmental, economic, technological and geopolitical environments.

Defence policy guided the design, development, integration and preparedness of Defence capability as directed by Government through the delivery of:

- the Pacific Step-Up
- the Coexistence in the Woomera Prohibited Area Review
- Defence review of foreign investment review cases in liaison with the Treasury.

A robust and effective internal review has ensured that evolving global trends and geostrategic issues are well considered to support policy considerations. Defence's contestability function has ensured a high degree of assurance on capability proposals.

Activity	Performance criterion	Target
2.1a Undertake regular review of strategic risks and mitigations through Defence's strategic-level documents.	Defence's strategic policy is updated to reflect changes in Defence strategic risks.	Defence's strategic review framework supports and manages risk through annual reviews.
Source	2018–19 Defence Corporate Plan	Activity 2.1a
	Portfolio Budget Statements 2018–19	Program 2.1
Results	Achieved	
Analysis	Defence conducted strategic foresighting through the identification of inherent and likely strategic risks across the social, environmental, economic, technological and geopolitical environments. Reported via the Quarterly Strategic Review and the Annual Strategic Review, these two products are endorsed by the Strategic Command Group and the Defence Strategic Policy Committee. This analysis assisted Defence in identifying future developments, potential disruptions, and evolving global trends supporting agile policy consideration to address gaps and optimise opportunities through the classified Defence Planning Guidance.	



Activity	Performance criterion	Target
2.1b Provide Ministers with quality, relevant and timely strategic policy advice.	Quality, relevant and timely strategic policy advice is available for Government.	Ministers are able to make informed decisions in a timely fashion based on advice received.

Source 2018–19 Defence Corporate Plan Activity 2.1b

Portfolio Budget Statements 2018–19 Program 2.1

Results	Achieved
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Analysis Defence provided high-quality advice to inform decision-making by ministers and Cabinet, most prominently in relation to the Pacific Step-Up. The Coexistence in the Woomera Prohibited Area Review was delivered in March 2019 to ensure security and economic interests are optimally balanced. Defence provided advice to Treasury on over 700 foreign investment applications. Defence's contestability function provided a high degree of assurance as to capability, with most contested capability proposals being progressed fully, or with minimal re-work, to Government for approval. Defence continued to advance wide-ranging geostrategic issues, thereby ensuring the continuous review of the classified Defence Planning Guidance, and the alignment of strategy, capability and resources.

Activity	Performance criterion	Target
2.1c Deliver and implement the 2016 Defence White Paper.	Effective implementation of the 2016 Defence White Paper.	The 2016 Defence White Paper implementation plan activities for 2018–22 are delivered as agreed with Government.

Source 2018–19 Defence Corporate Plan Activity 2.1c

Portfolio Budget Statements 2018–19 Programs 2.4, 2.8

Results	Achieved
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Analysis Defence continues to implement the 2016 Defence White Paper across strategy, capability and resourcing. Since the White Paper's release, Government has approved over 300 capability proposals and over \$100 billion in capital and sustainment funding. In addition to capability decisions, Defence deepened international engagement, including through Indo-Pacific Endeavour, and supported the Government's Pacific Step-Up. Work also continued on long-term enablers including ICT modernisation, improved cyber capabilities and estate management. Defence will continue to be responsive to emerging challenges, supported by regular reviews of Defence's classified strategic planning documents and by the Integrated Investment Program. The Government accepted the final 2016 Defence White Paper Implementation Progress Report in February 2019. This was the second and final implementation report to Government. Defence White Paper implementation reporting has now transitioned to business as usual based on individual implementation activities through Defence's enterprise governance.

## Intended Result 2.2: The generation and sustainment of Defence capabilities achieve the objectives of Government.

During the reporting period, Defence made significant progress in maturing processes for aligning Defence’s future force structure to changes in Australia’s strategic environment, the investments needed to realise Defence’s future capability requirements, and the delivery and sustainment of capability elements. Defence capability delivery groups were able to generate and sustain the capability elements required to support Defence operations and preparedness objectives with the support of enabling service delivery groups, as evidenced by the increase in the Defence capability elements meeting preparedness requirements. While risks and issues in some areas were identified and managed during the reporting period, these did not negatively affect the overall Intended Result.

Activity	Performance criterion	Target
2.2a Design the future force through management of the capability lifecycle and the Integrated Investment Program.	The future force design is realised through resourcing delivered through the Integrated Investment Program	Future force design development aligns to strategic policy.
Source	2018–19 Defence Corporate Plan	Activity 2.2a
	Portfolio Budget Statements 2018–19	Program 2.8
Results	Achieved	
Analysis	<p>During the reporting period, Defence continued to refine and employ a process whereby its force structure and the Integrated Investment Program were reviewed at least annually with recommended changes put forward as part of the Bi-annual Integrated Investment Program Update to Government. This ensured that Defence’s force structure and the Integrated Investment Program were iteratively updated to take account of changes in Australia’s strategic environment, potential threats and the pace of technological change. During 2018–19, key activities Defence engaged in included:</p> <ul style="list-style-type: none"> <li>embarking on a fundamental review of Defence’s force structure, known as the 2019 Force Structure Plan</li> <li>implementation of the Force Integration Management System</li> <li>provision of interoperability and integration advice to support Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance design and Information Warfare</li> <li>delivery of a variety of technology forecasting products and events, including Science and Technology Outlook, Human Biotechnologies Military Implications Symposium in October 2018, and the Space Technologies Symposium in March 2019.</li> <li>continuous improvement to ensure the Contestability operating model continued to inform strategic capability and investment options through the provision of risk-based contestability advice across the capability life cycle, including the design of the future force.</li> </ul>	

Activity	Performance criterion	Target
2.2b Integrate and prepare capability elements, and plan for the effective conduct of joint, combined and interagency operations.	Defence's maritime, land, air force and joint capabilities are generated and sustained to ensure forces are available to meet Government requirements.	Forces meet preparedness requirements to conduct joint, combined and interagency operations as directed by Government.

Source 2018–19 Defence Corporate Plan Activity 2.2b

Portfolio Budget Statements 2018–19 Program 2.4

Results	Achieved
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**Analysis**

In 2018–19, interagency preparedness requirements for integrated, whole-of-government operations were met and Joint Force elements were effectively integrated to meet national requirements.

Joint force elements were integrated effectively to meet Defence performance requirements. Specific integration elements were validated through governance and Integration Test and Evaluation activities. These activities included the interoperability activity 'Bold Quest' (a US-led, multinational activity designed to provide the opportunity to ensure interoperability with coalition partners) and Joint Force validation through Exercise TALISMAN SABRE 2019. Integration assessments were progressed through the Force Integration Governance arrangements and endorsed through the Joint Force Authority Directives.

Activity	Performance criterion	Target
2.2c Monitor preparedness for Government-directed operations and national support tasks through the preparedness management system.	Defence's maritime, land, air force and joint capabilities are generated and sustained to ensure forces are available to meet Government requirements.	Forces meet preparedness requirements to conduct joint, combined and interagency operations as directed by Government.

Source 2018–19 Defence Corporate Plan Activity 2.2c

Portfolio Budget Statements 2018–19 Programs 2.4, 2.5, 2.6, 2.7, 2.8

Results	Achieved
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**Analysis**

This performance criterion relates to activities undertaken to monitor preparedness of capability elements for Government-directed operations and national support tasks through the preparedness management system. Defence's preparedness to meet Government direction, in accordance with the Chief of the Defence Force Preparedness Directive, was achieved. Defence preparedness requirements are directed annually, and the Defence Preparedness Assessment Summary measures and reports on Defence's achievement of those requirements. Classified preparedness reporting is provided quarterly in the Defence Preparedness Assessment Summary and the Preparedness and Concurrency ministerial advice.

Overall preparedness performance improved in the 2018–19 financial year. While the total percentage of Defence capability elements that fully met or partially met requirements remained steady at 98 per cent, the percentage of Defence capability elements that fully met preparedness requirements increased by 9.3 per cent.

Activity	Performance criterion	Target
2.2d Conduct raise, train and sustain activities to ensure maritime, land and aerospace forces are available to meet Government direction.	Chief of the Defence Force preparedness levels meet Government requirements.	Chief of the Defence Force preparedness levels are achieved as agreed with Government.

Source	2018–19 Defence Corporate Plan	Activity 2.2d
	Portfolio Budget Statements 2018–19	Programs 2.4, 2.5, 2.6, 2.7, 2.8

Results	Achieved
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Analysis	<p>This performance criterion relates to activities undertaken to raise, train and sustain maritime, land and aerospace capability elements to ensure forces are available to meet Government direction. Overall preparedness performance has improved in the 2018–19 financial year. While the total percentage of Defence capability elements that fully met or partially met requirements has remained steady at 98 per cent, the percentage of Defence capability elements that fully met preparedness requirements has increased by 9.3 per cent during the reporting period.</p> <p>Classified preparedness assessment and reporting is provided quarterly in the Defence Preparedness Assessment Summary and the Preparedness and Concurrency ministerial advice.</p> <p>Activities were conducted to ensure naval forces were prepared and available to meet Government-directed activities and the Chief of the Defence Force preparedness levels, within allocated resources and as agreed with Government.</p> <p>Navy achieved its commitment to generate required forces and continues to improve its warfighting output as reflected by contribution to operations and undertaking key roles in major joint and combined exercises. Integration of new naval capabilities is proceeding according to plan.</p> <p>Underachievement of Unit Availability Days (as detailed in the Navy Deliverable Tables in the Portfolio Budget Statements) was due to emerging defects and program changes associated with planned maintenance. While targets and programs were achieved, ongoing workforce hollowness continues to place stress on the delivery of capability.</p> <p>Army met the specified Australian Government preparedness requirements for the Australian Defence Force's Land Elements. Army maintains a Force Generation System and an Operational Generation System which ensure that Army is Ready Now and Future Ready.</p> <p>Air Force has complied with the preparedness requirements stipulated in the Chief of the Defence Force Preparedness Directive, and has achieved preparedness levels as agreed with Government. The transition of multiple platform types has been actively managed to ensure no impact on preparedness settings. These transitions have resulted in some variation to flying hours, but have not affected Air Force's overall ability to achieve preparedness requirements.</p> <p>Information Warfare Division contributed to the achievement of required preparedness levels through strengthening Defence capability to ensure the Australian Defence Force's forces have superior situational awareness.</p> <p>The Australian Defence College contributed to achieving preparedness levels through the delivery of future-focused Joint Professional Military Education and Joint Individual training including ab initio military officer training, strategic leadership and military theory training, joint operational planning, United Nations peacekeeping operations training and other specialist courses.</p>
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Activity	Performance criterion	Target
2.2e Develop, deliver and sustain intelligence capability to meet Government, Defence and partner requirements.	Defence intelligence outputs align with Government intelligence priorities.	Government intelligence priorities are met.

Source 2018–19 Defence Corporate Plan Activity 2.2e

Portfolio Budget Statements 2018–19 Program 2.1

Results	Achieved
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Analysis Over the 2018–19 period, the Defence intelligence agencies delivered high-quality and timely intelligence services that achieved Government intelligence priorities.

The Defence Intelligence Organisation provided timely, high-quality strategic-level intelligence assessments in support of Australian Defence Force operations, Defence and whole-of-government policy, and capability development.

The Australian Geospatial-Intelligence Organisation met intelligence priorities through delivering accurate and timely geospatial-intelligence activities to Defence, the National Intelligence Community and the Government. This included timely and accurate geospatial-intelligence and hydrographic services in support of military operations and domestic and regional security priorities.

Activity	Performance criterion	Target
2.2f Manage and sustain the Defence estate to meet Government and Defence requirements by developing and delivering major infrastructure, property and environmental programs.	The management and sustainment of the estate meets the requirements of the Capability Managers.	The Defence Estate Strategy implementation plan is delivered as agreed.

Source 2018–19 Defence Corporate Plan Activity 2.2f

Portfolio Budget Statements 2018–19 Program 2.10

Results	Achieved
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Analysis Implementation of the Defence Estate Strategy 2016–36 is in its third year, with Defence continuing to deliver the Defence Estate Strategy Implementation Plan satisfactorily.

Development of the Defence Estate Asset Management Framework and of the Estate Engineering Governance and Integrity System has progressed. When matured, they will enhance Defence's delivery and management of the estate to achieve the objective of an estate that is safe, compliant, and fit for purpose to support Defence capability. Local Industry Capability Plans continue to be a focus to maximise opportunity for local industry involvement. Defence has continued to progress estate projects as part of the Integrated Investment Program, and is working to ensure estate projects are delivered by Australia to support bilaterally agreed intended outcomes for the United States Force Posture Initiative and the Australia-Singapore Military Training Initiative.

Activity	Performance criteria	Target
2.2g Deliver integrated estate and infrastructure services to enable Defence people, equipment and systems, including base support for the Australian Defence Force.	Service delivery is aligned to capability outputs. Service delivery meets customer requirements.	Less than 5 per cent service failures impacting operational capability. An increase in the overall customer satisfaction rate.
Source	2018–19 Defence Corporate Plan Portfolio Budget Statements 2018–19	Activity 2.2g Program 2.10
Results	Achieved	
Analysis	<p>Estate and infrastructure services were delivered with no service failures being identified that directly affected Defence Operational Capability. Infrastructure risks have been identified within the Defence estate, and work is ongoing to identify specific factors.</p> <p>Overall customer satisfaction increased by 2 per cent, from 67 per cent to 69 per cent, since the last survey was completed in November 2017. A refreshed Service Delivery Framework is in place with milestones across two years to December 2020, with an aim to improve integration across enablers. Work is ongoing to improve customer satisfaction rates.</p>	

Activity	Performance criterion	Target
2.2h Manage the acquisition and sustainment of Defence materiel equipment to meet Government and Defence requirements.	Capability proposals, once approved by Government, meet agreed schedule and are delivered within agreed costs and scope.	Deliver Government approved acquisition projects to budget, schedule and agreed capability scope.
Source	2018–19 Defence Corporate Plan Portfolio Budget Statements 2018–19	Activity 2.2h Program 2.9
Results	Achieved	
Analysis	<p>As at 30 June 2019, Defence was managing 205 major and minor acquisition projects worth a total life cycle cost of \$132.0 billion. The 2018–19 acquisition projects budget of \$8.6 billion was achieved and acquisition projects are being delivered within the agreed parameters of scope and cost. Where schedule slippage has occurred, Capability Acquisition and Sustainment Group are working with the Capability Managers to manage any impacts.</p> <p>Of the 124 Government approved Major acquisition projects, two projects had issues with capability, schedule or cost which were significant enough to be included in the Projects of Concern report. A further 13 projects were identified as Projects of Interest, with risks associated with capability, schedule or cost that warrant attention from senior executives. Additional information on selected major acquisition projects can be found in the Major Projects Report, which is tabled annually with the Joint Committee of Public Accounts and Audit.</p> <p>During 2018–19, 35 major and minor acquisition projects closed, seven more than 2017–18. These projects had a final spend over their life of \$5.673 billion against a budget of \$5.745 billion, 1.2 per cent less than the budget approved by Government. The total underspend is a result of 13 projects underspending by a total of \$71.6 million, three projects overspending by a total of \$0.02 million and 19 projects coming in on budget. Of the 35 closed projects, four experienced changes to scope and two projects with changes to schedule. Further information on acquisition projects can be found in Appendix D, 'Supplementary online material', web tables D.3 to D.5.</p>	

Activity	Performance criterion	Target
2.2i Deliver agreed materiel equipment support to meet operational requirements.	Sustainment products are delivered consistent with Capability Manager requirements.	Deliver sustainment products to meet Capability Manager requirements.
Source	2018–19 Defence Corporate Plan	Activity 2.2i
	Portfolio Budget Statements 2018–19	Program 2.9
Results	Achieved	
Analysis	<p>As at 30 June 2019, Defence was managing 113 sustainment products with an annual budget of \$6.7 billion. Capability Acquisition and Sustainment Group has supported the Capability Managers in achieving preparedness levels and operational outcomes, through the delivery of sustainment of military equipment to agreed availability targets. Detail of sustainment products can be found in Table 3.1.</p> <p>Of the 113 sustainment products, ten Products of Interest have demonstrated variances in the areas of availability and cost performance that warrant attention and were managed closely. Further information on sustainment products can be found in Appendix D, ‘Supplementary online material’, web - Web table D.1.</p>	



Table 3.1: Unit availability days, flying hours and HydroScheme products

Source	Deliverable			2017–18 Actual	2018–19 Revised estimate	2018–19 Actual
<b>Navy</b>	<b>2017–18</b>	<b>2018–19</b>				
Portfolio Budget Statements	18	17	Major Combatants <sup>2</sup>	3,408.0	3,053.0	3,080.0
2018–19 Program 2.5 (unit availability days <sup>1</sup> )	21	21	Minor Combatants <sup>3</sup>	3,880.0	4,098.0	3,601.0
	5	5	Amphibious and Afloat Support <sup>4</sup>	1,179.0	1,263.0	1,295.0
	7	7	Maritime Teams <sup>5</sup>	2,555.0	2,331.0	2,416.0
	7	7	Hydrographic Force <sup>6</sup>	1,574.0	1,897.0	1,535.0
<b>Navy</b>						
Portfolio Budget Statements	24	24	MH-60R <sup>7</sup>	6,059.0	5,920.0	5,380.0
2018–19 Program 2.5 (flying hours)	–	–	MRH-90 <sup>8</sup>	–	–	–
	1	1	Laser airborne depth sounder aircraft <sup>9</sup>	1,193.0	1,260.0	1,243.0
<b>Army</b>						
Portfolio Budget Statements	7	10	CH-47F Chinook <sup>10</sup>	2,000.0	2,200.0	2,057.0
2018–19 Program 2.6 (rate of effort—flying hours)	34	34	S-70A-9 Black Hawk <sup>11</sup>	4,193.6	3,000.0	3,158.0
	41	41	B-206B-1 Kiowa <sup>12</sup>	3,058.6	1,800.0	317.0
	22	22	ARH Tiger <sup>13</sup>	2,867.5	4,700.0	4,205.0
	47	47	MRH-90 Taipan <sup>14</sup>	7,348.7	8,430.0	7,246.0

**Notes:**

1. A Unit Availability Day is a day when a unit is materially ready and its personnel state and level of competence enables the unit to safely perform tasks in the unit's normal operating environment, immediately.
2. Major Combatants comprises Adelaide-Class Frigates, Anzac-Class Frigates, Hobart-Class Air Warfare Destroyers and Collins-Class Submarines. HMAS Newcastle was withdrawn from service on 30 June 2019.
3. Minor Combatants comprises Armidale-Class Patrol Boats, Cape-Class Patrol Boats and Coastal Minehunters. Unit Availability Day decrease is due to emerging defects across platforms and extensions to planned maintenance periods.
4. Amphibious and Afloat Support comprises the Oil Tanker, Replenishment Ship, Landing Ship Dock and Landing Helicopter Dock. HMAS Success was withdrawn from service on 29 June 2019.
5. Maritime Teams comprises Clearance Diving, Deployable Geospatial Support and Mobile Meteorological and Oceanographic teams.
6. Hydrographic Force comprises the hydrographic ships, survey motor launches and meteorological and oceanographic centres. The decrease in Unit Availability Days is due to emerging defects across platforms.
7. Flying hours decrease in 2018–19 is due to additional maintenance requirements.
8. Navy is operating six of the 47 MRH-90s; however, Navy flying hours have been included under Army Aviation, as Army is joint capability manager for the aircraft.
9. Laser airborne depth sounder aircraft capability ceases on 6 November 2019.
10. The minor variance in Rate of Effort in 2018–19 for CH-47F can be attributed to routine workforce capacity limitations within the operational unit.
11. The minor variance in Rate of Effort in 2018–19 for S-70A-9 can be attributed to an opportunity to support Special Operations Command Force Generation requirements and was achieved within the existing sustainment funding allocation. The S-70A-9 Fleet achieved planned Rate of Effort for both 2017–18 and 2018–19.
12. B-206B-1 was retired from service on 18 October 2018.
13. The mature ARH capability requirement for aircraft hours has been set at 4,500 for 2019–20 and beyond. The variance in Rate of Effort for this financial year has been attributed to a lower accumulation of hours when embarked at sea in preparation for and during Exercise Indo-Pacific Endeavour. The increase in actual flying hours from 2017–18 to 2018–19 is due to changes in aircraft availability.
14. Achievement of MRH-90 Taipan aircraft hours remains contingent on the provision of aircraft spares.

				2017–18	2018–19	
Source	Deliverable			Actual	Revised estimate	2018–19 Actual
Air Force						
Portfolio Budget Statements 2018–19 Program 2.7 (flying hours)	62	45	PC-9/A <sup>15</sup>	14,836.2	16,452.0	13,461.0
	8	36	PC-21 <sup>16</sup>	1,224.2	7,000.0	3,984.0
	16	12	KA350 King Air <sup>17</sup>	7,394.0	6,300.0	5,722.0
	12	12	C-130J Hercules	6,999.0	7,350.0	7,357.0
	8	8	C-17A Globemaster III <sup>18</sup>	6,972.0	7,000.0	6,549.0
	10	10	C-27J Spartan <sup>19</sup>	2,144.0	5,000.0	2,595.0
	5	6	KC-30A MRTT <sup>20</sup>	5,662.0	5,660.0	4,836.0
	2	2	737 BBJ <sup>21</sup>	1,435.0	1,600.0	1,288.0
	3	2	CL-604 Challenger and	1,737.0	2,403.0	1,716.0
	–	2	Falcon F7X <sup>22</sup>			
	15	2	AP-3C Orion <sup>23</sup>	4,281.5	1,600.0	1,751.0
	8	8	P-8A Poseidon <sup>24</sup>	2,773.7	4,254.0	4,564.0
	6	6	E-7A Wedgetail <sup>25</sup>	3,018.4	3,600.0	3,199.0
	71	69	F/A-18A/B Hornet <sup>26</sup>	10,375.4	11,200.0	10,129.0
	24	24	F/A-18F Super Hornet <sup>27</sup>	5,183.0	4,050.0	3,540.0
	33	33	Hawk 127 <sup>28</sup>	5,782.0	6,500.0	5,938.0
	12	11	E/A-18G Growler <sup>29</sup>	1,089.5	1,900.0	1,654.0
	2	14	F-35A Lightning II <sup>30</sup>	701.9	2,538.0	2,036.0

15. PC-9/A aircraft numbers are decreasing due to transition to the new PC-21 Pilot Training System. This transition resulted in reductions in numbers of instructors and students for PC-9/A courses and therefore variation of actual versus planned flying hours.
16. PC-21 aircraft numbers are increasing due to transition from PC-9A to the new Pilot Training System. Transition management of new aircraft, including prioritising the development of PC-21 training courseware and curriculum, resulted in variation of actual versus planned flying hours for 2018–19.
17. Changes in aircraft availability due to replacement and reconfiguration of some aircraft resulted in reduction in flying hours for 2018–19.
18. Minor variance in rate of effort in 2018–19 is due to changes in demand to support operations.
19. Changes in aircraft availability in 2018–19 are due to serviceability and logistic support issues and a pause in flying associated with the squadron relocating from Richmond to Amberley.
20. Minor variance in rate of effort in 2018–19 is due to changes in demand to support operations.
21. Changes in demand to support Government.
22. Changes in demand to support Government.
23. AP-3C aircraft numbers are decreasing due to transition to the new P-8A capability. Increase in actual rate of effort for 2018–19 is due to increased demand to support operations.
24. Minor variance in actual rate of effort for 2018–19 is due to increase in demand to support operations.
25. Minor variance in actual rate of effort for 2018–19 is due to planned aircraft modifications affecting aircraft availability.
26. F/A-18A/B aircraft numbers are decreasing due to transition to the new F-35A Air Combat capability. Transition management of workforce to F-35A and increased maintenance requirements associated with retiring aircraft resulted in variation of actual versus planned flying hours for 2018–19.
27. Changes in aircraft availability due to reduced exercise tasking.
28. Changes in aircraft availability due to temporary suspension of flying operations following aircraft incident.
29. Changes in aircraft and aircrew availability.
30. F-35A aircraft numbers are increasing due to transition from F/A-18A/B to the new Air Combat capability. Minor variance in actual rate of effort for 2018–19 is due to changes in aircraft availability, including reduced utilisation of Australian aircraft embedded in pooled United States Air Force training program.

Source	Deliverable	2017–18	2018–19	2018–19
		Actual	Revised estimate	
Strategic Policy and Intelligence				
Portfolio Budget Statements	Maritime Safety Updates <sup>32</sup>	1,063	100% <sup>33</sup>	100% <sup>34</sup>
2018–19 Program 2.1	Charting Projects <sup>35</sup>	11	15	15
(Hydrographic Products and Services <sup>31</sup> )	Nautical Publications <sup>36</sup>	29	30	28 <sup>37</sup>
	Survey Projects <sup>38</sup>	17	13	13
	Australian Hydrographic Office Availability <sup>39</sup>	247	247	246 <sup>40</sup>

31. In accordance with the First Principles Review recommendations, the functions of the Australian Hydrographic Office transferred from Navy to the Strategic Policy and Intelligence Group in 2016–17. Information relating to HydroScheme Products and the Chart Production Office component of Hydrographic Force Unit Availability Days are now included in this table. Full details of hydrographic products and services are in HydroScheme.

32. A Maritime Safety Update is an urgent safety-critical revision to nautical charts and publications or other hydrographic products and services.

33. In 2018–19, the PBS target became qualitative, measuring performance against a goal of 100 per cent of Priority 1 Maritime Safety Updates to be applied to products and released within expected time frames.

34. There were 1,595 Maritime Safety Updates processed in 2018–19. Fourteen were finalised outside expected time frames, which is 0.008 per cent. There were no resulting maritime safety incidents.

35. Charting Projects include the charting activities involved in compiling and publishing all paper and electronic charts, or other charting services, for a particular geographic area. A Charting Project is considered complete when all affected products are updated through different charting activities.

36. The Nautical Publications produced are 25 fortnightly Notices to Mariners, three annual publications, and selected additional publications each year. In 2018–19, the three annual publications produced were Australian National Tide Tables; AusTides; and the inaugural Solomon Islands National Tide Tables, which was produced by the Australian Hydrographic Office as the Primary Charting Authority for Solomon Islands.

37. Publication of the Seafarers Handbook for Australian Waters and the Australian Chart and Publication Maintenance Handbook will occur in August 2019.

38. A Survey Project is a major hydrographic survey activity within a particular geographic area.

39. Australian Hydrographic Office Availability is when the Australian Hydrographic Office, as a Defence capability, is materially ready and its personnel state and level of competence enables the Australian Hydrographic Office to provide hydrographic products and services in accordance with the *Navigation Act 2012* immediately.

40. The Australian Hydrographic Office was unavailable for one day due to a power outage required for office refurbishment activities.

Activity	Performance criterion	Target
2.2j Implement the Defence Strategic Workforce Plan 2016–2026 to attract, recruit, develop and retain a highly skilled workforce.	Progress in the delivery of actions from the Defence Strategic Workforce Plan 2016–2026.	Implementation milestones are achieved.
Source	2018–19 Defence Corporate Plan	Activity 2.2j
	Portfolio Budget Statements 2018–19	Program 2.12
<b>Results</b>	<b>Partially achieved</b>	
Analysis	<p>The Defence Strategic Workforce Plan is a 10-year plan to deliver the workforce identified in the White Paper and the Integrated Investment Program. The Defence Strategic Workforce Plan Implementation Plan includes a number of activities under 10 themed action areas. As at 30 June 2019, 39 per cent of activities were complete; 42 per cent were being implemented and on track; 17 per cent were not yet commenced due to sequencing; and 2 per cent were delayed. Concerted effort continues to attract, recruit, train and retain the right people in the right roles. The partially achieved result pertains to the continuing workforce pressures in critical categories such as cyber, intelligence, engineering, health, and information and communications specialists, as Defence grows its demand in these occupations. There is also hollowness in the mid-career ranks as Navy reshapes the workforce to operate and sustain the new fleet of vessel types. Remediation actions are in place to address these pressures. In 2019–20, Defence will also refresh the Defence Strategic Workforce Plan to respond to changing environmental influences, to enhance the risk analysis framework, to focus more on retention of personnel in critical categories, and to be postured to support anticipated adjustments in Force Structure Planning.</p>	

Activity	Performance criterion	Target
2.2k Deliver and sustain a dependable, secure and integrated ICT capability that ensures a secure and integrated information environment to support Defence business and military operations.	ICT services meet requirements.	ICT capabilities are delivered in accordance with the Integrated Investment Program as governed by the Investment Committee.
Source	2018–19 Defence Corporate Plan	Activity 2.2k
	Portfolio Budget Statements 2018–19	Program 2.11
<b>Results</b>	<b>Partially achieved</b>	
Analysis	<p>Defence is part-way through a major ICT infrastructure transformation program, encompassing the modernisation of desktop, network and data centre services. While individually these programs have delivered a significant upgrade to Defence's aging infrastructure and systems, the complexity and scale of this work with multiple programs being undertaken concurrently, has resulted in some recent unplanned service disruptions within the Defence Network. These disruptions have not undermined the performance of ADF operations. A comprehensive action plan under the direction of the CIO is underway to remediate these deficiencies.</p> <p>There is currently a program underway to upgrade and modernise the Middle East Region Communications and Information Systems capability. One element of this, the enhanced Deployable Local Area Network (eDLAN), has not met delivery milestones and is also contributing to the partially effective assessment. Chief Information Officer has initiated a separate eDLAN remediation activity to mitigate risks to ADF operations.</p>	



**As a portfolio with one of the largest capital investment programs in Australia, Defence's independent and credible contestability function is essential to its outcomes and reputation.**

The Contestability Division, established in response to a recommendation of the 2015 Defence First Principles Review, engages closely with its stakeholders to shape and encourage behaviours across the Department that respectfully challenge the status quo by testing judgments and assumptions. It supports the senior Defence leadership to achieve informed investment leading to enhanced capability by confirming a compelling alignment to strategic guidance, a strong and well-articulated plan to see the program or project to success, and assurance that the Government will realise the expected outcome at the right time.

In addition to the work of the Contestability Division, an increasing number of independent assurance reviews and strong support from

senior committees indicates a developing culture of contestability being just 'something we do around here'. The Smart Buyer Framework applied at key decision points has been a valuable mechanism for improving contesting behaviours. Identifying strategy drivers, assumptions, constraints, unknowns, threats, opportunities and issues enables rich questions to be asked and creates incentives to find expansive answers. This is not a checklist exercise; it is a thinking exercise.

Defence is proud of the cultural shift that has occurred across the Department since the Contestability Division's establishment, and will continue to nourish this change.

The Australian public rightly demands that Defence minimise mistakes and achieve the greatest value from our investments and decisions. An entrenched culture of contestability at every level of the organisation contributes to this outcome.

**Intended Result 2.3: Defence delivers on the objectives of its enterprise reform program as agreed by Government.**

In 2018–19, Defence continued to strongly deliver on its enterprise reform program. Over the last three years Defence has undergone significant transformation implementing the recommendations of the First Principles Review. In the First Principles Review Oversight Board's final report, it advised that the First Principles Review recommendations are substantially implemented (73 of 75 First Principles Review recommendations completed), achieving a step change in organisational effectiveness and efficiency.

The two remaining First Principles Review recommendations relate to ongoing Capability Acquisition and Sustainment Group reform across the network of Systems Program Offices. Completion is expected by 2023.

Building on the foundation of the First Principles Review, a continuous reform and improvement agenda will be implemented over the next three years, 'Defence 2022—Embedding One Defence'.

Defence has met all financial and non-financial legislative requirements, and has provided high-quality and timely strategic financial advice to the Government and senior leaders.

Activity	Performance criterion	Target
2.3a Resource, implement and review Defence's enterprise reform program.	Business outcomes are improved as part of broader Defence reform.	Defence reform is achieved in accordance with Reform Implementation Plans.
Source	2018–19 Defence Corporate Plan	Activity 2.3a
	Portfolio Budget Statements 2018–19	Program 2.2
Results	Achieved	
Analysis	<p>The First Principles Review reform program commenced in 2014 and resulted in 75 agreed or agreed in principle recommendations. Seventy-three recommendations have been implemented. Defence has achieved clearer accountability for senior leaders, a stronger strategic centre to drive decision-making, more effective collaboration and partnering with industry and across Government, and an ongoing process to embed the end-to-end Capability Life Cycle. The two remaining First Principles Review recommendations relate to Systems Program Office reform and are expected to be completed by 2023.</p> <p>At the time of reporting, Enterprise Resource Planning (ERP) program implementation had been delayed due to an Independent Assurance Review process and contractor arrangements for a Systems Integrator. Tranche 1 activities commenced in July 2019 and governance arrangements for ERP have been clarified. Business Process Owners are also actively engaged in reviewing their requirements and change initiatives to support broader organisational transformation activities in advance of ERP implementation.</p>	

Activity	Performance criterion	Target
2.3b Integrate enabling services to deliver a single Defence enterprise.	The Service Delivery system enables Australian Defence Force operations.  Enterprise planning and performance monitoring processes are delivered in line with the One Defence Business Framework, supporting Defence capability.	Enabling services are delivered in accordance with agreed requirements.  Defence meets its non-financial performance management and risk management obligations.

Source	2018–19 Defence Corporate Plan	Activity 2.3b
	Portfolio Budget Statements 2018–19	Program 2.2

Results	Partially achieved
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**Analysis**

Defence has made good progress on the integration of enabling services in line with the milestones outlined in the Service Delivery Framework, which was renewed in December 2018. Initiatives such as the co-location of enabling services have shown positive results for Defence customers. This initiative is being expanded across 33 establishments. Customer Satisfaction Survey data has shown improvements in customer experience across the enabling services. ICT instability and network complications resulting from the rollout of large-scale network transformation programs have at times hampered performance, but have not affected military operations.

In the 2018–19 reporting period Defence met its key non-financial performance management and risk management obligations. For example, Defence published the *Defence Corporate Plan 2018–19* on time and tabled the *Defence Annual Report 2017–18* in accordance with legislative requirements and Commonwealth obligations.

In December 2018 the Enterprise Committee Governance Framework was updated and the number of enterprise committees was reduced from 25 to 11 in early 2019. This has had the effect of strengthening the strategic centre by streamlining and focusing committee activity, strengthening and consolidating decision-making, and improving accountability, transparency and decision-making outcomes for the enterprise. There are now clear lines of sight between committees, standardised processes, escalation thresholds and clarity of decision-making responsibility and accountability.

Activity	Performance criterion	Target
2.3c Implement the Australian Defence Force Total Workforce Model to support individual and organisational flexibility.	All elements of the Australian Defence Force Total Workforce Model, including Service Category 6 (mature) are implemented.	The Defence Workforce has the agility and skills required to meet current and future demand to support capability.

Source	2018–19 Defence Corporate Plan	Activity 2.3c
	Portfolio Budget Statements 2018–19	Program 2.12

Results	Partially achieved
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**Analysis**

The Total Workforce Model has been implemented by Defence and key project milestones have been satisfied. The Total Workforce Model is now embedded in the workforce plans and capability frameworks of Navy, Army and Air Force, which enables greater agility in the utilisation of permanent and Reserve force members in delivering Defence outcomes. The Total Workforce Model is transitioning from an implementation phase to business as usual, where key instruments and processes are refined as part of the maturation of the model. Changes to the Military Superannuation Benefits Scheme Trust Deed will be progressed in 2020 to account for part-time working arrangements for permanent Australian Defence Force members (Service Category 6). These amendments require legislative and systems changes. The maturation of the Total Workforce Model will see opportunities in recruitment, training and integrated workforce design and planning being realised.



Activity	Performance criterion	Target
2.3d Implement and evaluate Defence's cultural reform strategy, Pathway to Change: Evolving Defence Culture 2017–22.	Implementation of the six key cultural priorities through the regular enterprise performance reviews.	Cultural reform priorities are implemented as set out in the Pathway to Change strategy.

Source	2018–19 Defence Corporate Plan	Activity 2.3d
	Portfolio Budget Statements 2018–19	Program 2.12

## Results Partially achieved

Analysis Defence has implemented enterprise initiatives to give effect to the six key cultural reform priorities under Pathway to Change 2017–22. The six priorities are:

- Leadership accountability
- Capability through inclusion
- Ethics and workplace behaviours
- Health, wellness and safety
- Workplace agility and flexibility
- Leading and developing integrated teams.

The six cultural reform priorities are also being implemented through the specific cultural plans of Groups and Services. This includes Navy having launched their cultural program Next Generation Navy, Army reinforcing their commitment to Good Soldiering, and Air Force continuing to focus on their culture program New Horizon.

Defence measures workforce attitudes and behaviours via a number of internal surveys. Results of these surveys indicate there has been a cultural shift in Defence, in that behaviours that were considered acceptable previously are no longer accepted and our leaders understand they are accountable for not just their outcomes but also how those outcomes are achieved. For example the annual YourSay Survey data indicates that 76 per cent of personnel surveyed experience moderate to very high morale in the workplace and 80 per cent are committed to staying at Defence.

Defence has improved its leadership capabilities with an observed cultural shift toward the One Defence Leadership Behaviours. Evaluations of Defence's leadership development programs consistently indicate a positive impact on the reform efforts, particularly for staff at the Executive Levels. Defence has also improved its performance culture as a result of its revised APS Performance Management Framework, which emphasises quality conversations and recognising and rewarding high performance.

Implementation of this activity is assessed as partially achieved, as achieving a cultural shift is a significant undertaking and requires many years for the change to be fully realised. The work of culture change will continue so we can build an organisation capable of meeting Government objectives and sustaining the trust and commitment of the Australian community and of the people who work in Defence.

Activity	Performance criterion	Target
2.3e Deliver enterprise resource planning and budget management in accordance with Commonwealth legislation and policy frameworks.	Produce Defence's Budget, Financial Statements and the annual Defence Management and Finance Plan.	Produced in accordance with agreed statutory timeframes.

Source 2018–19 Defence Corporate Plan Activity 2.3e

Portfolio Budget Statements 2018–19 Program 2.3

Results	Achieved
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Analysis Defence met all key deliverables in accordance with Commonwealth legislation and policy frameworks, including:

- the Defence Portfolio Budget Submission and Defence Management and Financial Plan
- the Defence Portfolio Budget Statements
- the Defence Portfolio Additional Estimates Statements
- input to the Commonwealth Budget Management System
- Defence's Financial Statements.

Performance criterion	Target
Quality and timeliness of financial advice to the Minister, Secretary and Chief of the Defence Force.	Financial advice meets the Minister, Secretary and Chief of the Defence Force's requirements.

Source Portfolio Budget Statements 2018–19 Program 2.3

Results	Achieved
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Analysis Defence provided professional and timely written and verbal strategic financial advice to the Minister for Defence, the Secretary and the Chief of the Defence Force. This included:

- ministerial and Cabinet submissions
- responses to parliamentary Questions on Notice
- support to Senate Estimates and other public accountability activities
- internal reporting and briefing.

All financial information was supported by reliable and validated data sources in Defence's financial systems, meeting the requirements of the Minister, the Secretary and the Chief of the Defence Force.

Performance criterion	Target
Status of Financial Statements.	Financial Statements are unqualified.

Source Portfolio Budget Statements 2018–19 Program 2.3

Results	Achieved
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Analysis Defence produced audited Defence Financial Statements for publication in the Defence Annual Report. The Australian National Audit Office determined that the Defence financial statements:

- complied with Australian Accounting Standards—Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- presented fairly the financial position of Defence as at 30 June 2019 and its financial performance and cash flows for the year.

**Intended Result 2.4: Defence’s capability and capacity is enabled by supporting engagement and innovation with Australian industry.**

Defence has advanced industry engagement policy initiatives to enhance the Australian industrial base that supports Defence capability. During 2018–19, the Defence Industry Skilling and Science, Technology, Engineering and Mathematics Strategy and the Defence Policy for Industry Participation were launched.

Science and technology research continues to play a major role in supporting Defence and national security operations, as well as the acquisition, sustainment and future-proofing of Defence capability.

Enabling Defence’s capability and capacity through industry is evidenced through the continued implementation of:

- the Defence Innovation Hub
- the Next Generation Technologies Fund
- the Sovereign Investment Capability Priority Grants program
- the Defence Global Competitiveness Grants program.

Activity	Performance criterion	Target
2.4a Engage with industry to enhance the Australian industrial base that supports Defence capability.	The objectives of the Defence Industry Policy Statement are met.	Delivery of the outcomes of the Defence Industry Policy Statement.
Source	2018–19 Defence Corporate Plan	Activity 2.4a
	Portfolio Budget Statements 2018–19	Program 2.1
Results	Achieved	
Analysis	Defence has advanced industry engagement policy initiatives to enhance the Australian industrial base that supports Defence capability. During 2018–19, the Defence Industry Skilling and Science, Technology, Engineering and Mathematics Strategy and the Defence Policy for Industry Participation were launched. The Sovereign Investment Capability Priority Grants program commenced, awarding 28 grants to Australian businesses, and the Defence Global Competitiveness Grants program was launched and invested \$1.5 million in nine companies. The Defence Innovation Hub continued to invest in developing Australian technologies. The Hub awarded 37 innovation contracts, with an investment value of more than \$75.2 million, and built its portfolio of innovation projects to over \$130 million.	

Activity	Performance criteria	Target
2.4b Conduct applied research focused on supporting Defence and national security operations, sustaining and enhancing current capability, and supporting the development and acquisition of future capability.	<p>Defence's strategic research builds understanding of future Design capability.</p> <p>Defence capability is enhanced by collaborative research partnerships with Publicly Funded Research Agencies, academia, industry, and international research agencies.</p> <p>Science and technology research supports Defence operations, sustainment and enhancement of current capability, and the development and acquisition of future capability.</p>	<p>Strategic research activities are aligned with Integrated Investment Program priorities.</p> <p>Collaborative activities with academia, industry, and allied defence research agencies are aligned to 2016 Defence White Paper and Defence Industry Policy Statement priorities.</p> <p>Science and technology activities are balanced to support Defence operational and capability priorities in accordance with 2016 Defence White Paper.</p>

Source	2018–19 Defence Corporate Plan	Activity 2.4b
	Portfolio Budget Statements 2018–19	Program 2.13

Results	Achieved
Analysis	<p>Science and technology research continues to play a major role in supporting Defence and national security operations, as well as the acquisition, sustainment and future-proofing of Defence capability. The annual Defence science and technology investment process, coupled with systematic stakeholder feedback, ensures Defence science and technology investment is aligned to the department's highest priorities. Strategic research activities (including those initiated under the Next Generation Technologies Fund) are delivering high-impact research to support Defence acquisitions and generating leap-ahead Defence capabilities. The Defence science and technology supply chain has expanded to include 33 Australian universities, 12 strategic industry alliances and key international government research partnerships.</p>

**Intended Result 2.5: Australia’s reputation as a strategic partner is enhanced by international engagement.**

Activity	Performance criterion	Target
2.5a Conduct international engagement to enhance Australia’s strategic position as directed by Government in accordance with the 2016 Defence White Paper.	Defence has met its commitments to Government and the intention of the Defence International Engagement Policy.	Short-term (2018–2022) government objectives are met including those outlined in the Defence International Engagement Policy.
Source	2018–19 Defence Corporate Plan	Activity 2.5a
	Portfolio Budget Statements 2018–19	Program 2.1
Results	Achieved	
Analysis	Throughout 2018–19 Defence has worked to further integrate international engagement as a core function across the department. Defence has expanded investment in the Defence Cooperation Program, increased training positions for international military students in Australia, and enhanced its broader international activity profile as part of the Pacific Step-Up. Defence’s operational application of the Women, Peace and Security Agenda was successfully completed in December 2018. Additional overseas positions have been created in Singapore and Korea which are focused on enhancing Defence collaboration in science and technology. Defence has also regularly engaged with allies and partners to discuss naval shipbuilding.	



Gerry Payet, Mechanical Technician (QinetiQ); Quang Nguyen, Lead System Engineer; and Beau Krieg, Science Team Lead Spectrum Development preparing the simulated helicopter rig for cycling.

## Helicopter structural fatigue testing

**Defence scientists are maturing the technologies required to conduct full-scale structural fatigue testing of helicopter airframes, potentially transforming the way helicopters are certified and structural integrity is managed.**

While full-scale durability tests are routinely conducted for fixed-wing aircraft, the complex, high-frequency flight loading of helicopters has been particularly challenging to replicate in the laboratory.

Defence Science and Technology (DST) has commissioned a test rig and control systems that will be used to develop technologies for the rapid application of complex flight loads. Once the technologies are mature, they will be trialled on a full-scale retired Romeo Seahawk MH-60 helicopter for a full technical demonstration.

The aim of the research is to mature several technologies to the point where full-scale helicopter airframe durability testing is a viable option for fleet sustainment managers and new helicopter designs.

The benefits of full-scale fatigue testing of helicopters are significant. In the short term, it could provide the certification basis to extend the life of United States and Australian Romeo MH-60R fleets. In the longer term, it could influence how structural integrity is managed for next-generation rotorcraft.

The program is a collaboration between Australia and the United States, with DST and the United States Naval Air System Command providing the technical expertise; the United States Navy providing the test article; and the MH-60R Program Office in Defence's Capability and Sustainment Group providing additional support.

## Intended Result 2.6: Defence provides appropriate health and welfare services.

During the reporting period Defence continued to deliver services to support the health and wellbeing of Australian Defence Force personnel and veterans. Health and wellbeing services were planned and delivered as a collaborative effort between Joint Health Command, Defence People Group, Navy, Army, Air Force and the Department of Veterans' Affairs.

In 2018–19, the Services continued to maintain health capabilities to support their exercises and operations. The Services also contributed to the delivery of health services by providing uniformed Health staff for Garrison Health and Combat Health Support.

The Defence Work Health and Safety Strategy 2017–22 was a key priority in 2018–19. The strategy and supporting implementation plan continue to embed work health and safety into our thinking and behaviour as well as in all Defence business and management systems. The initiatives include:

- Senior Officer Safety Responsibilities
- Work Health and Safety Expected Behaviours
- Defence Work Health and Safety Scorecard.

Defence has long recognised that the mental health and wellbeing of its workforce is critical to Defence capability. As of 1 April 2019, the Periodic Mental Health Screen has been implemented in all Harrison Health Centres. Defence also partnered with the Department of Veterans' Affairs, Open Arms—Veterans and Families Counselling, and Phoenix Australia to run Project RESTORE, a clinical trial of a treatment for post-traumatic stress disorder known as Prolonged Exposure. The recruitment of trial participants will conclude at the end of 2019 and a final evaluation of outcomes will be delivered by the end of 2020. Defence has continued to partner with Beyond Blue to provide the NewAccess Defence service for all its employees. NewAccess is a free and confidential service that provides sessions with a specifically trained NewAccess Defence Coach to help tackle day-to-day pressures.

Activity	Performance criterion	Target
2.6a Deliver health support to meet the requirements of the Australian Defence Force.	Quality of health services delivered to Australian Defence Force members and families.	Delivery of health services meets standards.

Source 2018–19 Defence Corporate Plan Activity 2.6a

Portfolio Budget Statements 2018–19 Program 2.4

Results	Achieved
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Analysis There was an improvement in health services quality measures, including a 24 per cent decrease in complaints and a 12.5 per cent decrease in clinical incidents. The annual Joint Health Command customer satisfaction survey reported a slight increase in survey participants who indicated they 'agree' or 'strongly agree' that the quality of health care was excellent. Garrison Health Clinical Standards and audit processes continued to refine and improve service delivery.

Joint Health Command continues to improve the health aspects of transition from service—for example, ensuring that all Australian Defence Force members who are medically transitioned from service are provided with a positive handover to the Department of Veterans' Affairs and, if necessary, the civilian health system.

Joint Health Command conducted a Family Sensitive Practice pilot in late 2018, which encouraged health practitioners to engage Australian Defence Force members in a discussion about their family needs and to refer them to support as required. The pilot was successful and will now be implemented across all Australian Defence Force health facilities by the end of 2019.

There was an overall increase of 1,493 in Australian Defence Force Family Health Program registrations.



Activity	Performance criterion	Target
2.6b Deliver welfare services to agreed standards to meet the requirements of the Australian Defence Force.	Quality of welfare services delivered to Defence personnel and families.	Delivery of welfare services meets standards.

Source	2018–19 Defence Corporate Plan	Activity 2.6b
	Portfolio Budget Statements 2018–19	Program 2.12

Results	Achieved
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Analysis	<p>Defence delivered a range of support services and measures of practical assistance to members and their families. The Personalised Career and Employment Program was introduced in January 2019, to provide intensive support and employment pathways to at-risk members who are least likely to secure employment without additional support. Access to the two-day Job Search Preparation program is available to all serving Australian Defence Force members at any time in their career. The Transition for Employment Program, launched in July 2018, offers tailored assistance to gain civilian employment to Australian Defence Force members with complex medical conditions. The Career Transition Assistance Scheme continues to facilitate access to training and financial support to prepare members for employment post transition from permanent military service.</p> <p>The outcomes of a member's transition are measured quarterly through the post-transition survey. Defence continues to deliver 30 Australian Defence Force Member and Family Transition Seminars nationally. The new one-day expo-style seminar is reporting high levels of attendance, returning an average of 95 per cent satisfaction rate per scheduled offering.</p>
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Activity	Performance criterion	Target
2.6c Deliver initiatives to improve the delivery of welfare services to current and former members of the Australian Defence Force.	Australian Defence Force members and families are supported through the delivery of welfare services and support services.	Support is delivered in a timely and professional manner.

Source	2018–19 Defence Corporate Plan	Activity 2.6c
	Portfolio Budget Statements 2018–19	Program 2.12

Results	Achieved
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Analysis	<p>Defence continues to provide a range of support services and measures of practical assistance to members and families including critical incident and casualty support; mobility support such as education assistance for children, partner employment assistance and support for members with dependants with special needs; absence from home support; and community capacity building with community centres and grants through the Family Support Funding Program.</p> <p>Defence's 24/7 Defence Family Helpline provides information, crisis response and referral to regionally based Defence Community Organisation area offices who are able to provide brief interventions and a range of support services.</p>
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## Administered PBS programs

Performance criterion	Target
Provision of timely payments to the Commonwealth Superannuation Corporation and quality administration of Defence Force Retirement Benefits, Defence Force Retirement Death Benefits, Military Superannuation Benefits Scheme and Australian Defence Force Super employer and member contributions.	Payments are provided within agreed timeframes to the Commonwealth Superannuation Corporation and quality administration of Defence Force Retirement Benefits, Defence Force Retirement Death Benefits, Military Superannuation Benefits Scheme and Australian Defence Force Super employer and member contributions.

Source Portfolio Budget Statements 2018–19 Program 2.14

Results	Achieved
Analysis	<p>Employer and member contributions to Defence Force Retirement Benefits, Defence Force Retirement Death Benefit and Military Superannuation Benefits Scheme were paid on time to the Commonwealth Superannuation Corporation throughout 2018–19.</p> <p>The related accounting entries were correctly recorded and reconciled in compliance with the monthly financial reporting timetable set by Defence.</p>

Performance criterion	Target
Provide quality administration services for Defence Force Retirement Benefits, Defence Force Retirement Death Benefits, Military Superannuation Benefits Scheme and Australian Defence Force Cover nominal interest transactions.	Administration services are provided as agreed to Defence Force Retirement Benefits, Defence Force Retirement Death Benefits, Military Superannuation Benefits Scheme and Australian Defence Force Cover nominal interest transactions.

Source Portfolio Budget Statements 2018–19 Program 2.15

Results	Achieved
Analysis	<p>The determination of the nominal interest transactions for Defence Force Retirement Benefits, Defence Force Retirement Death Benefits and Military Superannuation Benefits Scheme were correctly made and recorded in compliance with the monthly financial reporting timetable set by Defence.</p>

Performance criterion	Target
Eligible Australian Defence Force members continue to access the scheme. (Defence Home Ownership Assistance Scheme)	The uptake of new subsidised loans is maintained at current levels.

Source Portfolio Budget Statements 2018–19 Program 2.16

Results	Achieved
Analysis	<p>Interest in the Defence Home Ownership Assistance Scheme continues to remain positive with Australian Defence Force members. The number of Defence Home Ownership Assistance Scheme applications and subsidised loans was consistent with the previous year's activity levels. During the financial year the Department of Veterans' Affairs processed 5,608 Defence Home Ownership Assistance Scheme applications, and 3,286 Defence Home Ownership Assistance Scheme subsidy payments were commenced.</p>

Performance criterion		Target
Eligible Australian Defence Force members are offered competitive home loan interest rates by the home loan provider.		Interest rates offered are equal to or lower than standard product offerings.
Source	Portfolio Budget Statements 2018–19	Program 2.16
Results	Achieved	
Analysis	The three appointed home loan providers on the Defence Home Ownership Assistance Scheme panel are providing competitive interest rates in accordance with their obligations under their respective deeds.	

Performance criterion		Target
Account and report 'Other Administered'.		Accounting and reporting is accurate.
Source	Portfolio Budget Statements 2018–19	Program 2.17
Results	Achieved	
Analysis	Transactions relating to 'Other Administered' were correctly determined and recorded in compliance with the monthly financial reporting timetable set by Defence. 'Other Administered' comprises interest on overdue accounts, interest on operational bank accounts, interest on loans to build accommodation, dividends and tax equalisation receipts from Defence Housing Australia, and royalty receipts.	

Australian Army officer from the 6th Battalion, Royal Australian Regiment, disembarks a United States Marine Corps MV-22 Osprey aircraft during an urban assault on Raspberry Creek, Shoalwater Bay Training Area.

# 4

FINANCIAL  
SUMMARY

## Summary

Defence closely manages its performance against its cash based budget throughout the year. The cash based budget is the primary focus of the organisation and it is on this basis that Defence judges its financial performance. The final cash outcome for 2018–19 was an underspend of \$30 million (excluding hand back of \$216 million for No Win No Loss Operations) compared to the cash budget. This cash surplus represents a variance of 0.8 per cent against our cash based appropriation of \$36,601 million and demonstrates the close scrutiny Defence has placed on its financial and budget management during 2018–19. In the 2018–19 accrual based financial statements, Defence had an operating surplus of \$358 million, of which \$176 million relates to gains from the contribution made by Singapore to Defence with respect to the Australia-Singapore Military Training Initiative (ASTMI) agreement. The remaining difference is attributable to the net impact of various non-cash gains and losses recognised in the accrual based financial statements, including revisions of estimates for provisions.

Table 4.1 contains the Defence resource statement for 2018–19. Expenses by outcomes are detailed in tables 4.2 to 4.5, while the cost of operations is shown in tables 4.6 and 4.7.

Table 4.1: **Defence resource statement, 2018–19**

	Actual available appropriation for 2018–19 \$'000	Payments made 2018–19 \$'000	Balance remaining 2018–19 \$'000
<b>ORDINARY ANNUAL SERVICES</b>			
Prior year departmental appropriation available	25,320 <sup>1</sup>	25,233	87
Departmental appropriation	32,637,748 <sup>1</sup>	32,380,419 <sup>2</sup>	257,329 <sup>2,3</sup>
Receipts retained under PGPA Act—section 74	1,264,492	1,264,492	–
<b>Total departmental outputs</b>	<b>33,927,560</b>	<b>33,670,144</b>	<b>257,416</b>
<b>Total ordinary annual services</b>	<b>33,927,560</b>	<b>33,670,144</b>	
<b>OTHER SERVICES</b>			
<b>Departmental non-operating</b>			
Prior year equity injection available	620,000	620,000	–
Equity injection	3,343,482 <sup>1</sup>	3,343,482	–
<b>Total departmental non-operating</b>	<b>3,963,482</b>	<b>3,963,482</b>	<b>–</b>
<b>Total other services</b>	<b>3,963,482</b>	<b>3,963,482</b>	
<b>Total available annual appropriation and payments</b>	<b>37,891,042</b>	<b>37,633,626</b>	
<b>SPECIAL APPROPRIATIONS</b>			
<b>Special appropriations limited by criteria/entitlement</b>			
<i>Defence Force Retirement Benefits Act 1948 Part 1, s.15D; and VIC, s.82ZJ</i>	–	40,648	–
<i>Defence Force Retirement and Death Benefits Act 1973 Part XII, s.125</i>	–	1,601,998	–
<i>Military Superannuation and Benefits Act 1991 Part V, s.17</i>	–	1,014,094	–
<i>Defence Force (Home Loan Assistance) Act 1990 Part IV, s.38</i>	–	331	–
<i>Australian Defence Force Cover Act 2015</i>	–	5,610	–
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	–	121,905	–
Other administered	–	55	–
<b>Total special appropriations</b>	<b>–</b>	<b>2,784,641</b>	<b>–</b>
<b>Special accounts</b>			
Opening balance	113,311	–	–
Non-appropriation receipts to special accounts	268,020	–	–
Payments made	–	265,873	–
<b>Total special accounts</b>	<b>381,331</b>	<b>265,873</b>	<b>115,458</b>
<b>Total resourcing and payments</b>	<b>38,272,373</b>	<b>40,684,140</b>	<b>–</b>

### Notes:

1. Appropriation amounts disclosed exclude amounts withheld under section 51 of the PGPA Act or appropriation acts which have been repealed.
2. Includes No Win No Loss amounts in relation to Operations of \$215.6 million.
3. Payments made and balance remaining have been adjusted to incorporate assets held in trust which are not included in the Department's financial statements.

# Expenses by outcomes

Table 4.2: Total cost of Defence outcomes and programs on an accrual basis, 2018–19

	2018–19 budget estimate <sup>1</sup> \$'000	2018–19 revised estimate <sup>2</sup> \$'000	2018–19 actual result \$'000	Variation \$'000	Variation %
<b>Outcome 1: Defend Australia and its national interests through the conduct of operations and provision of support for the Australian community and civilian authorities in accordance with Government direction</b>					
Net cost of service for Outcome 1	791,401	740,842	643,491	(97,351)	(13)
<b>Outcome 2: Protect and advance Australia's strategic interests through the provision of strategic policy, the development, delivery and sustainment of military, intelligence and enabling capabilities, and the promotion of regional and global security and stability as directed by Government</b>					
Departmental net cost of service	31,679,805	31,931,039	31,524,284	(406,755)	(1)
Administered net cost of service	5,470,129	7,007,429	7,017,634	10,205	0
Net cost of service for Outcome 2	37,149,934	38,938,468	38,541,918	(396,550)	(1)
<b>Net cost of service for Defence outcomes</b>					
Departmental net cost of service	32,471,206	32,671,881	32,167,775	(504,106)	(2)
Administered net cost of service	5,470,129	7,007,429	7,017,634	10,205	0
<b>Total cost of Defence outcomes</b>	<b>37,941,335</b>	<b>39,679,310</b>	<b>39,185,409</b>	<b>(493,901)</b>	<b>(1)</b>

**Notes:**

- 1. As published in the *Portfolio Budget Statements 2018–19*.
- 2. As published in the *Portfolio Budget Statements 2019–20*.



Table 4.3: Overall cost to Government of Defence outcomes (departmental and administered), 2018–19

	Outcome 1 \$'000	Outcome 2 \$'000	Total \$'000
<b>DEPARTMENTAL</b>			
<b>Expenses</b>			
Employees	84,513	11,837,481	11,921,994
Suppliers	585,179	13,448,148	14,033,327
Grants	–	149,376	149,376
Depreciation and amortisation	–	6,063,549	6,063,549
Finance cost	–	111,272	111,272
Write-down of assets and impairment of assets	–	865,338	865,338
Net foreign exchange losses	–	36,665	36,665
Net losses from sale of assets	–	39,754	39,754
Other expenses	11	241,189	241,200
<b>Total expenses</b>	<b>669,703</b>	<b>32,792,772</b>	<b>33,462,475</b>
<b>Income</b>			
<b>Revenue</b>			
Goods and services	26,212	513,442	539,654
Rental income	–	6,544	6,544
Other revenue	–	24,561	24,561
<b>Total revenue</b>	<b>26,212</b>	<b>544,547</b>	<b>570,759</b>
<b>Gains</b>			
Reversals of previous asset writedowns	–	368,665	368,665
Other gains	–	355,276	355,276
<b>Total gains</b>	<b>–</b>	<b>723,941</b>	<b>723,941</b>
<b>Total income</b>	<b>26,212</b>	<b>1,268,488</b>	<b>1,294,700</b>
<b>Net cost of departmental outcomes</b>	<b>643,491</b>	<b>31,524,284</b>	<b>32,167,775</b>
<b>ADMINISTERED</b>			
<b>Expenses</b>	<b>–</b>	<b>8,528,929</b>	<b>8,528,929</b>
<b>Revenue</b>	<b>–</b>	<b>1,511,295</b>	<b>1,511,295</b>
<b>Net cost of administered outcomes</b>	<b>–</b>	<b>7,017,634</b>	<b>7,017,634</b>
<b>Total departmental and administered outcomes</b>	<b>643,491</b>	<b>38,541,918</b>	<b>39,185,409</b>



Table 4.4: **Total cost of Defence Outcome 1**

	2018–19 budget estimate <sup>1</sup> \$'000	2018–19 revised estimate <sup>2</sup> \$'000	2018–19 actual result \$'000	Variation \$'000	Variation %
<b>Program 1.1 – Operations Contributing to the Security of the Immediate Neighbourhood</b>					
Revenues from other sources	–	–	–	–	–
Departmental outputs	41,196	41,123	29,890	(11,232)	(27)
<b>Program 1.2 – Operations Supporting Wider Interests</b>					
Revenues from other sources	21,446	21,633	26,158	4,525	21
Departmental outputs	696,791	667,312	551,880	(115,432)	(17)
<b>Program 1.3 – Defence Contribution to National Support Tasks in Australia</b>					
Revenues from other sources	–	–	54	54	–
Departmental outputs	53,414	32,407	61,721	29,314	90
<b>Total resourcing</b>					
Total departmental outputs	791,401	740,842	643,491	(97,351)	(13)
Total departmental revenue from other sources	21,446	21,633	26,212	4,579	21
<b>Total resources for Outcome 1</b>	<b>812,847</b>	<b>762,475</b>	<b>669,703</b>	<b>(92,772)</b>	<b>(12)</b>

**Notes:** This table excludes capital payments for outcomes.

1. As published in the *Portfolio Budget Statements 2018–19*, Table 11.
2. As published in the *Portfolio Budget Statements 2019–20*, Table 10.

Table 4.5: **Total budgeted resources available for Outcome 2**

	2018–19 budget estimate <sup>1</sup> \$'000	2018–19 revised estimate <sup>2</sup> \$'000	2018–19 actual result <sup>3</sup> \$'000	Variation \$'000	Variation %
<b>Program 2.1 – Strategic Policy and Intelligence</b>					
Revenue from other sources	7,125	5,029	4,150	(879)	(17)
Departmental outputs	759,193	697,705	652,667	(45,038)	(6)
<b>Program 2.2 – Defence Executive Support</b>					
Revenue from other sources	34,899	34,912	30,930	(3,982)	(11)
Departmental outputs	214,908	252,772	304,809	52,037	21
<b>Program 2.3 – Defence Finance</b>					
Revenue from other sources	6,259	17,558	128,917	111,359 <sup>4</sup>	634
Departmental outputs	145,309	169,304	42,790	(126,514) <sup>4</sup>	(75)
<b>Program 2.4 – Joint Capabilities</b>					
Revenue from other sources	169,126	171,769	269,748	97,979	57
Departmental outputs	1,503,836	1,851,943	1,877,015	25,072	1
<b>Program 2.5 – Navy Capabilities</b>					
Revenue from other sources	61,400	61,570	10,935	(50,635)	(82)
Departmental outputs	6,286,506	6,296,957	6,282,467	(14,490)	(0)
<b>Program 2.6 – Army Capabilities</b>					
Revenue from other sources	34,850	33,534	24,483	(9,051)	(27)
Departmental outputs	7,500,795	7,545,104	7,490,033	(55,071)	(1)
<b>Program 2.7 – Air Force Capabilities</b>					
Revenue from other sources	56,060	48,461	42,725	(5,736)	(12)
Departmental outputs	7,585,556	7,057,159	6,821,708	(235,451) <sup>5</sup>	(3)

	2018–19 budget estimate <sup>1</sup> \$'000	2018–19 revised estimate <sup>2</sup> \$'000	2018–19 actual result <sup>3</sup> \$'000	Variation \$'000	Variation %
<b>Program 2.8—Australian Defence Force Headquarters</b>					
Revenue from other sources	181	327	336	9	3
Departmental outputs	104,530	93,782	121,251	27,469	29
<b>Program 2.9—Capability Acquisition and Sustainment</b>					
Revenue from other sources	2,727	17,563	16,107	(1,456)	(8)
Departmental outputs	529,770	630,716	623,574	(7,142)	(1)
<b>Program 2.10—Estate and Infrastructure</b>					
Revenue from other sources	366,039	364,675	697,879	333,204	91
Departmental outputs	4,651,537	4,721,221	4,550,457	(170,764)	(4)
<b>Program 2.11—Chief Information Officer</b>					
Revenue from other sources	42,757	43,424	36,086	(7,338)	(17)
Departmental outputs	1,385,936	1,647,186	1,766,755	119,569	7
<b>Program 2.12—Defence People</b>					
Revenue from other sources	–	4	2,171	2,167	54,175
Departmental outputs	565,001	498,438	505,525	7,087	1
<b>Program 2.13—Defence Science and Technology</b>					
Revenue from other sources	5,270	4,850	4,021	(829)	(17)
Departmental outputs	446,928	468,754	485,233	16,479	4
<b>Program 2.14—Defence Force Superannuation Benefits</b>					
<i>Defence Force Retirement Benefits Act 1948</i> Part 1, s.15D; and VIC, s.82ZJ(1)	–	–	–	–	–
<i>Defence Force Retirements and Death Benefits Act 1973 Part XII, s.125(3)</i>	79,838	114,434	114,000	(434)	(0)
<i>Military Superannuation and Benefits Act 1991</i> Part V, s.17	2,183,097	3,916,892	3,972,702	55,810	1
<i>Australian Defence Force Cover Act 2015</i>	151,020	311,921	304,300	(7,621)	(2)
<b>Total administered expenses</b>	<b>2,413,955</b>	<b>4,343,247</b>	<b>4,391,002</b>	<b>47,755</b>	<b>1</b>
Administered revenue from other sources	1,165,712	1,342,307	1,388,079	45,772	3
<b>Total Program 2.14</b>	<b>1,248,243</b>	<b>3,000,940</b>	<b>3,002,923</b>	<b>1,983</b>	<b>0</b>
<b>Program 2.15—Defence Force Superannuation Nominal Interest</b>					
<i>Defence Force Retirement Benefits Act 1948</i> Part 1, s.15D; and VIC, s.82ZJ(1)	18,816	12,564	12,600	36	0
<i>Defence Force Retirements and Death Benefits Act 1973 Part XII, s.125(3)</i>	1,651,709	1,364,436	1,364,000	(436)	0
<i>Military Superannuation and Benefits Act 1991</i> Part V, s.17	2,572,762	2,631,265	2,629,000	(2,265)	0
<i>Australian Defence Force Cover Act 2015</i>	8,119	12,054	12,000	(54)	(0)
<b>Total administered expenses</b>	<b>4,251,406</b>	<b>4,020,319</b>	<b>4,017,600</b>	<b>(2,719)</b>	<b>0</b>
Administered revenue from other sources	–	–	–	–	–
<b>Total Program 2.15</b>	<b>4,251,406</b>	<b>4,020,319</b>	<b>4,017,600</b>	<b>(2,719)</b>	<b>0</b>

	2018–19 budget estimate <sup>1</sup> \$'000	2018–19 revised estimate <sup>2</sup> \$'000	2018–19 actual result <sup>3</sup> \$'000	Variation \$'000	Variation %
<b>Program 2.16—Housing Assistance</b>					
<i>Defence Force (Home Loan Assistance) Act 1990</i> Part IV, s.38	386	386	5	(381)	(99)
<i>Defence Home Ownership Assistance Scheme</i> <i>Act 2008</i> Part VI, s.84	116,025	113,605	120,320	6,715	6
<b>Total administered expenses</b>	<b>116,411</b>	<b>113,991</b>	<b>120,325</b>	<b>6,334</b>	<b>6</b>
Administered revenue from other sources	16,237	16,237	16,968	731	5
<b>Total Program 2.16</b>	<b>100,174</b>	<b>97,754</b>	<b>103,357</b>	<b>5,603</b>	<b>6</b>
<b>Program 2.17—Other Administered</b>					
Expenses	–	–	2	2	0
Administered revenue from other sources	129,694	111,584	106,248	(5,336)	(5)
<b>Total Program 2.17</b>	<b>-129,694</b>	<b>-111,584</b>	<b>(106,246)</b>	<b>5,338</b>	<b>(5)</b>
<b>Total resourcing</b>					
Total departmental outputs	31,679,805	31,931,039	31,524,284	(406,755)	(1)
Total administered	5,470,129	7,007,429	7,017,634	10,205	0
Total departmental revenue from other sources	786,693	803,677	1,268,488	464,811 <sup>6</sup>	58
Total administered revenue from other sources	1,311,643	1,470,128	1,511,295	41,167	3
Prior year appropriation	–	620,000	620,000	–	–
Equity injection	3,060,443	3,406,065	3,343,482	(62,583)	(2)
<b>Total resources for Outcome 2</b>	<b>42,308,713</b>	<b>45,238,338</b>	<b>45,285,183</b>	<b>46,845</b>	<b>0</b>

**Notes:** This table excludes capital payments for outcomes.

1. As published in the *Portfolio Budget Statements 2018–19*, Table 15.
2. As published in the *Portfolio Budget Statements 2019–20*, Table 14.
3. At the program level, departmental revenues from other sources include minor reclassifications from expenses.
4. The higher than anticipated revenue from other sources and associated lower departmental outputs relates to first found/price adjustments to assets and inventory that could not be directly attributed to a specific program.
5. Lower than anticipated outputs are primarily due to lower than expected supplier and depreciation expenses.
6. Higher than anticipated total departmental revenue from other sources is primarily due to the recognition of other gains associated with the Australia-Singapore Military Training Initiative (ASMTI) agreement and revisions in estimates for decontamination and decommissioning provisions.



Australian Invictus Games wheelchair rugby players Jamie Tanner and Peter Arbuckle celebrate beating the United Kingdom during the wheelchair rugby final at Sydney Olympic Park.

## Unconquered strength, honour and optimism on display at the Invictus Games

**The 2018 Invictus Games, held in Sydney, won the hearts and minds of the nation as almost 500 wounded, injured and ill current and former serving defence personnel from 18 nations showcased their fighting spirit across eight days of spirited but friendly competition from 20 to 27 October.**

The event highlighted the healing power of sport and demonstrated the very best of human spirit on and off the sporting field. Invictus Games 2018 was more than a sporting event—it changed lives. The competitors were tested and challenged but not overcome. They proved that they can reclaim their future by embracing each other and with the support of their families and friends.

Sydney welcomed more than 1,000 of the competitors' family members and friends from the 18 nations to recognise the crucial role they play in the recovery and rehabilitation of their loved

ones. Among the cheering spectators inspired by the courage and camaraderie on display were over 10,000 school students. Millions followed the competitors' journeys through the media.

The Patron of the Invictus Games Foundation, HRH The Duke of Sussex, reflected on the Invictus spirit as a symbol of strength, honour and optimism for a new generation.

Research conducted following Invictus Games 2018 indicated that seven out of every 10 Australians want to play a role in supporting veterans, 87 per cent of all adults nationally were aware of the Invictus Games, and 90 per cent agreed it has the power to make a significant difference to those involved.

An outstanding community of partners across government and the commercial, corporate and not-for-profit sectors came together to support the successful delivery of the event.

The next Invictus Games will be staged in The Hague, the Netherlands, in 2020.

# Cost of operations

Table 4.6: **Net additional cost of operations from 1999–2000 to 2022–23**

	1999– 2000 to 2017–18 actual result \$m	2018–19 actual result \$m	2019–20 Budget estimate <sup>1</sup> \$m	2020–21 forward estimate <sup>1</sup> \$m	2021–22 forward estimate <sup>1</sup> \$m	2022–23 forward estimate <sup>1</sup> \$m	Total \$m
Operation MANITOU	180.2	42.1	72.4	23.9	25.8	–	344.4
Operation ACCORDION	678.4	183.5	215.8	28.8	21.0	–	1,127.5
Operation HIGHROAD	439.7	86.7	86.8	1.1	0.0	–	614.3
Operation RESOLUTE <sup>2</sup>	331.9	65.4	59.3	–	–	–	456.6
Operation OKRA	1,120.1	199.0	269.3	30.8	19.6	–	1,638.8
Operation AUGURY – PHILIPPINES	12.5	7.5	–	–	–	–	20.0
Defence support to the 2018 Commonwealth Games	7.7	0.5	–	–	–	–	8.2
<b>Total net additional costs</b>	<b>2,770.5</b>	<b>584.7</b>	<b>703.6</b>	<b>84.6</b>	<b>66.4</b>	<b>–</b>	<b>4,209.8</b>
<b>Sources of funding for operations</b>							
Government supplementation	2,762.8	576.7	703.6	84.6	66.4	–	4,201.6
Department of Defence (absorbed)	7.7	8.0	–	–	–	–	8.2
<b>Total cost</b>	<b>2,770.5</b>	<b>584.7</b>	<b>703.6</b>	<b>84.6</b>	<b>66.4</b>	<b>–</b>	<b>4,209.8</b>

**Notes:** This table reflects ongoing and new operations funded under No Win, No Loss arrangements.

1. As published in the *Portfolio Budget Statements 2019–20*, Table 3.
2. Includes funding for activities under Operation Sovereign Borders.

Table 4.7: **Net additional cost of operations, 2018–19**

	2018–19 budget estimate <sup>1</sup> \$m	2018–19 estimated actual <sup>2</sup> \$m	2018–19 actual result \$m	Variation \$m
Operation MANITOU	64.9	64.9	42.1	(22.8)
Operation ACCORDION	235.8	235.8	183.5	(52.3)
Operation HIGHROAD	89.5	91.9	86.7	(5.2)
Operation RESOLUTE <sup>3</sup>	53.2	53.2	65.4	12.2
Operation OKRA	306.5	306.5	199.0	(107.5)
Operation AUGURY – PHILIPPINES	40.1	40.1	7.5	(32.6)
Defence support to the 2018 Commonwealth Games	0.3	0.3	0.5	0.2
<b>Total net additional costs</b>	<b>790.3</b>	<b>792.7</b>	<b>584.7</b>	<b>(208.0)</b>

**Notes:** This table reflects ongoing and new operations funded under No Win, No Loss arrangements.

1. As published in the *Portfolio Budget Statements 2018–19*, Table 3.
2. As published in the *Portfolio Budget Statements 2019–20*, Table 3.
3. Includes funding for activities under Operation Sovereign Borders.

## Grants

As per the *Commonwealth Grants Rules and Guidelines 2017*, from 1 December 2017, grant opportunities and grants awarded are reported on GrantConnect ([www.grants.gov.au](http://www.grants.gov.au)).

In 2018–19, Defence approved 4,451 grants with a total value of \$165 million (GST exclusive). Information on grants expenditure awarded by Defence during 2018–19 is available at GrantConnect ([www.grants.gov.au](http://www.grants.gov.au)).

## Advertising and market research

During 2018–19, Defence conducted advertising for recruitment and other campaigns. Further information on those advertising campaigns is available at [www.defence.gov.au](http://www.defence.gov.au) and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.

Table 4.8 shows total advertising and market research expenditure by Defence during 2018–19. Table 4.9 shows Defence spending on advertising and market research by Service and Group.

**Table 4.8: Total advertising and market research, by type, 2018–19**

Type	2017–18 expenditure (\$)	2018–19 expenditure (\$)
Advertising	15,379,275	13,783,288
Market research	1,490,728	1,737,957
Polling	–	0
Direct mail	4,620	397
Media advertising	59,555,818	44,255,875
<b>Total</b>	<b>76,430,441</b>	<b>59,777,516</b>

**Note:** All figures are GST inclusive.

**Table 4.9: Total advertising and market research expenditure, by Service and Group, 2017–18 and 2018–19**

Service or Group	2017–18 expenditure (\$)	2018–19 expenditure (\$)
Strategic Policy and Intelligence	17,930,182	661,227
Defence Executive Support	48,705	10,470
Defence Finance	–	1,404
Joint Capability	63,409	90,655
Navy	92,455	95,772
Army	620,032	78,659
Air Force	264,787	161,556
Australian Defence Force Headquarters	187,838	47,464
Capability Acquisition and Sustainment	121,123	77,164
Estate and Infrastructure	159,278	121,140
Chief Information Officer	–	0
Defence People	56,878,262	58,283,656
Defence Science and Technology	64,370	148,348
<b>Total</b>	<b>76,430,441</b>	<b>59,777,516</b>

**Note:** All figures are GST inclusive.

Table 4.10 provides details of individual payments of more than \$13,800 (GST inclusive) to persons or organisations for advertising campaigns and market research.

**Table 4.10: Individual payments of more than \$13,800 to advertising and market research agencies, by Service and Group, 2018–19**

Service/Group and agency name	2018–19 expenditure (\$)	Purpose
<b>Strategic Policy and Intelligence Group</b>		
<b>Market research</b>		
TBWA Melbourne	89,473	Information Campaign
ORIMA Research Pty Ltd	29,900	Information Campaign
<b>Media advertising</b>		
Dentsu X Australia Pty Ltd	508,624	Information Campaign
<b>Navy Capabilities</b>		
<b>Media advertising</b>		
Spinach Advertising	29,944	Advertising of the Young Endeavour recruitment for the Youth Development Voyages
Universal McCann	17,833	Civilian recruitment advertising
<b>Army Capabilities</b>		
<b>Advertising</b>		
Havas Worldwide Australia Pty Ltd	78,364	Regional Force Surveillance Units centred marketing campaign for the recruitment of local Indigenous at Darwin, Cairns and Karratha
<b>Air Force Capabilities</b>		
<b>Advertising</b>		
Universal McCann	21,087	Recruitment advertising
<b>Media advertising</b>		
Lastminute Multimedia	14,780	Advertising of Royal Australian Air Force Museum
Nova Entertainment	36,124	Advertising of Royal Australian Air Force Museum
Universal McCann	15,726	Advertising of Woomera Prohibited Area Range Activity Warning Notice
<b>Estate and Infrastructure Group</b>		
<b>Advertising</b>		
Dentsu X Australia Pty Ltd	20,664.67	Public notices — Defence Field Firing Ranges
<b>Defence People</b>		
<b>Advertising</b>		
Havas	11,018,411	ADF recruitment advertising
VMLY&R	2,582,518	ADF recruitment advertising
<b>Market research</b>		
Where to Research	162,679	Qualitative and quantitative research to maximise ADF recruitment targets
Kantar Public	492,302	Qualitative and quantitative research to maximise ADF recruitment targets
Chat House	378,421	Qualitative and quantitative research to maximise ADF recruitment targets
Hall and Partners	579,789	Qualitative and quantitative research to maximise ADF recruitment targets
<b>Media advertising</b>		
Australian Public Service Commission	304,632	2018–19 Public Service Gazette
Dentsu X Australia Pty Ltd	68,887	Defence graduate marketing package
Universal McCann	76,151	Defence graduate marketing package

Service/Group and agency name	2018–19 expenditure (\$)	Purpose
Dentsu X Australia Pty Ltd	1,599,151	Planning and placement of campaign advertising
Universal McCann	40,936,184	Planning and placement of campaign advertising
<b>Defence Science and Technology Group</b>		
<b>Advertising</b>		
Nationwide News	16,500	Journal Publication

**Note:** All figures are GST inclusive.

## Legal expenses

Expenditure on internal and external legal services in 2018–19 is shown in tables 4.11, 4.12 and 4.13. 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. The figures are GST exclusive.

**Table 4.11: Estimated expenditure on internal and external legal services, 2017–18 and 2018–19**

Type of legal expenditure	2017–18 \$m	2018–19 \$m
Internal	46.57	49.20
External	49.89	60.68
<b>Total</b>	<b>96.46</b>	<b>109.88</b>

**Table 4.12: Estimated cost breakdown of internal legal expenses, 2017–18 and 2018–19**

Items	2017–18 \$m	2018–19 \$m
Salaries for military lawyers	18.27	21.39
Salaries for civilian staff	16.41	17.73
ADF Reserve legal officers	7.55	6.42
Operating costs of the division	4.03	3.37
Military justice disbursements	0.31	0.29
<b>Total</b>	<b>46.57</b>	<b>49.20</b>



Table 4.13: **Estimated cost breakdown of external legal expenses, 2017–18 and 2018–19**

Items	2017–18 \$m	2018–19 \$m
Professional fees—Defence legal panel	46.54	55.14
Disbursements	3.18	5.34
Legal assistance at Commonwealth expense	0.17	0.20
Total	49.89	60.68

## Payment of accounts

In 2018–19, Defence met 98.6 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 Purchasing Cards and Travel Cards represented approximately 78 per cent of all payments, which continued to have a positive effect on the paid-by-due-date result (Table 4.14).

Table 4.14: **Accounts paid by due date, 2017–18 to 2018–19**

	2017–18	2018–19
Number of accounts paid	2,457,010	2,610,782
Accounts paid by due date	2,426,952	2,575,848
Percentage of accounts paid by due date	98.8	98.6

**Note:** Figures for 2017–18 include accounts paid for the Australian Signals Directorate—these are no longer reported as part of Defence.

## Tactical payments scheme

The tactical payment scheme was legislated on 1 July 2009, under sections 123H and 123J of the *Defence Act 1903*. 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 2018–19, fourteen individual payments totalling \$8,705 were made under the scheme. All payments were a consequence of damage to property from motor vehicles.



The MH-60R Helicopter fires flares during a practice serial with HMAS Toowoomba.

# Australian Hydrographic Office engagement in the region and beyond

**The Australian Hydrographic Office, part of the Strategic Policy and Intelligence Group, is responsible for Defence's obligations under the *Navigation Act 2012*. In support of Australian ships and the wider global maritime community, it manages a portfolio of 889 electronic navigation charts, 483 paper nautical charts, and a range of associated nautical publications. In 2018–19 the Australian Hydrographic Office continued its engagement in the South-West Pacific, partnering with nations in the region to achieve a variety of commendable outcomes.**

In February 2019 the Australian Hydrographic Office released the inaugural edition of the Solomon Islands National Tide Tables. This publication is a natural progression from the memorandum of understanding between Australia and the Solomon Islands, signed in September 2017, establishing Australia as the primary charting authority for the Solomon Islands. This annual publication will contribute to hydrographic capacity-building and maritime safety in Solomon Islands waters.

In March 2019 the Australian Hydrographic Office published the first Papua New Guinea branded official nautical chart. This change makes it one of the first hydrographic offices in the world to formally identify charts by the sovereignty of the nation state for which the charts are produced. It reflects a bilateral relationship of respect, equality and openness between Australia and Papua New Guinea.

Commodore Fiona Freeman, Royal Australian Navy, Hydrographer of Australia, chairs the annual South-West Pacific Hydrographic Commission Conference, which focuses on raising awareness of the importance of hydrography in the region and coordinating hydrographic capacity-building activities for developing South-West Pacific nations.

The most recent conference was hosted in Niue in February 2019. Twenty nations were represented, as well as industry stakeholders and representatives from the International Hydrographic Organization. The conference followed a technical workshop focusing on the implementation of hydrographic governance and updates in the region, including surveying, charting, risk assessments and capacity-building projects.

This engagement strengthens Australia's strategic importance in the region, improves navigational safety and freedom of manoeuvre, and is a core part of Australia's hydrographic capacity-building support for the South-West Pacific.

In addition to capacity-building, the Australian Hydrographic Office continues to contribute to the knowledge of the Australian maritime community. It published a downloadable supplement to the Seafarers Handbook for Australian Waters in November 2018 in response to feedback from shipping industry representatives and the Australian Maritime Safety Authority. This publication addresses misconceptions among mariners regarding the accuracy of bathymetry in electronic navigational charts and the impact that level of accuracy should have on route planning and conduct. The supplement is freely available from the Australian Hydrographic Office website ([www.hydro.gov.au](http://www.hydro.gov.au)) and has been downloaded over 7,000 times. The content has also been offered to the International Hydrographic Organization for publication as an internationally recognised standard.

Conferences, engagements, products and activities like these are valuable opportunities for Australia to build strong relationships with governments and senior officials of other nations and cement the Australian Hydrographic Office as a leading voice in the international maritime community.

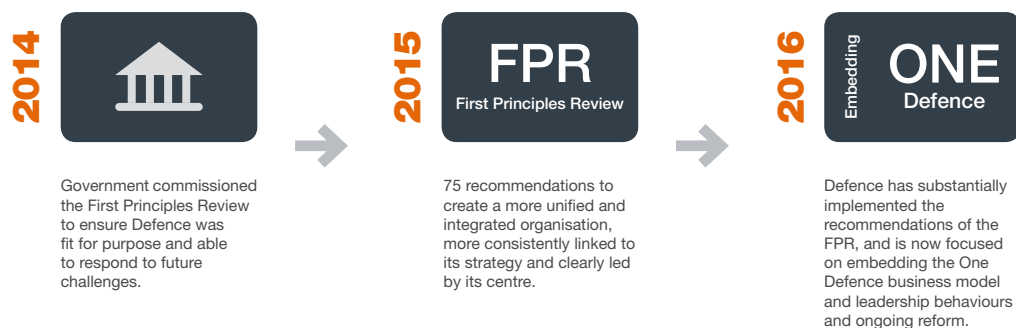


## GOVERNANCE AND EXTERNAL SCRUTINY

# 5

Royal Australian Navy officer Lieutenant Shafiqah Shariff-Ali on board HMAS Newcastle while transiting the Malacca Strait during Indo-Pacific Endeavour 2019.

# ONE DEFENCE | Our continuing journey



## Achievements to date

73 of the 75 recommendations have now been completed.

The independent First Principles Review Oversight Board provided their final report to the Minister in June 2019, evaluating Defence's implementation and embedding of the First Principles Review.

The Oversight Board reported that the First Principles Review recommendations have been substantially implemented, with Defence having undertaken significant work to improve business structures, processes and culture in line with the One Defence model.

## What next ...

**Beyond 2018–19, Defence will implement an ongoing reform agenda to evolve and transform Defence, ensuring responsiveness to Government priorities and the changing strategic environment. This reform agenda will focus on:**



transforming our workforce to ensure Defence is a flexible and agile organisation capable of meeting evolving national security challenges



improving our business processes to ensure Defence is a more integrated, streamlined and efficient organisation



continuing to integrate our service delivery functions to reduce duplication and waste as part of the Government's congestion-busting agenda



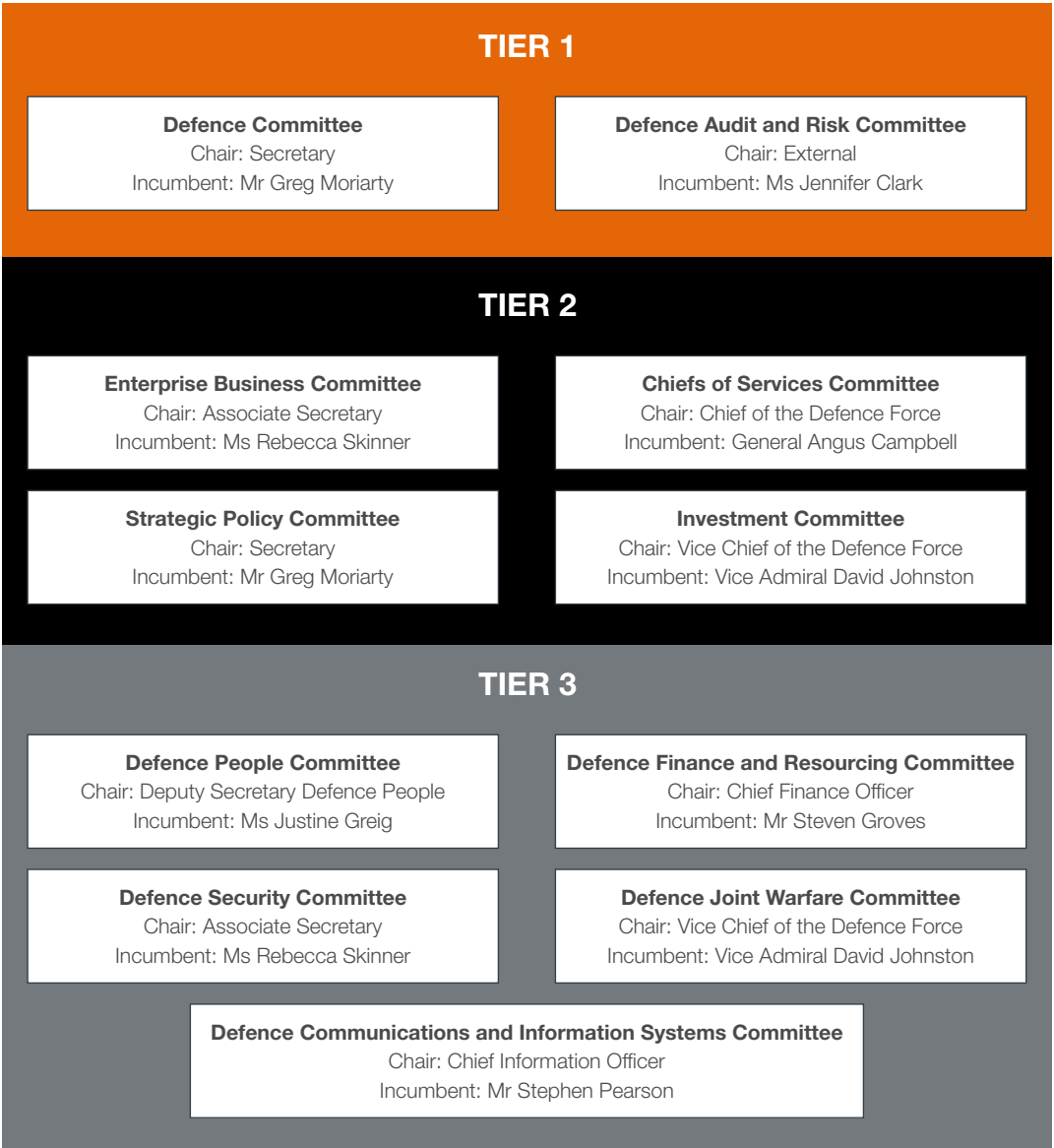
continuing to improve our relationship with—and support for—Australia's defence industry to support Defence's ability to meet strategic challenges.

# Senior management committees and their roles

Defence's enterprise management and advisory committees are the primary mechanisms for providing direction and assuring that strategy, capability and resources are aligned across the Defence enterprise. The tiered committee structure, as shown in Figure 5.1, supports aggregated reporting, decision-making at the lowest level and mechanisms for escalation and de-escalation as required.

The Defence enterprise committee governance framework was developed to address recommendations from the First Principles Review. Further development of appropriate tools, guidance and systems is expected to provide more effective management of workflow through enterprise committees and improve enterprise level governance, reform, enterprise risk and reporting requirements.

Figure 5.1: Defence enterprise committee structure and roles, indicating incumbent Chairs as at 30 June 2019



## Performance and accountability

The purpose of enterprise performance management is to monitor performance and keep strategy, capability and resources aligned with Government direction. Defence's Strategy Framework 2017 includes the 2016 Defence White Paper, the Integrated Investment Program, the Defence Industry Policy Statement, the First Principles Review and the Defence budget. This policy direction shapes strategic policy guidance, including the Defence Planning Guidance and Australia's Military Strategy.

Defence's enterprise performance is achieved by ensuring that Defence strategy and policy requirements are translated into corporate planning and budget allocation, which is implemented and resourced through Group and Service business plans. Performance and risks to achievement are monitored and reported by responsible and accountable officers to senior committees, including the Defence Committee, and to the Minister for Defence.

In 2018–19, Defence continually improved the quality of planning, monitoring and reporting.

Improvements to performance reporting during 2018–19 have enabled Defence to align the performance information in the *Portfolio Budget Statements 2019–20* and the *2019–20 Defence Corporate Plan*.

## Risk

Risk management is an essential element of Defence's good governance and internal control environment. Defence maintains a system of risk oversight and management to support the achievement of Defence's outcomes and meet its risk management obligations in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In 2018–19, Defence reviewed and updated its risk management framework to strengthen alignment between enterprise risk management, corporate planning and performance reporting to better support decision-making. This involved:

- reviewing key risks affecting the achievement of Defence's outcomes
- identifying enterprise-level risks and the enterprise-level controls that mitigate the risks
- developing guidelines for enterprise-level control management
- defining a risk appetite statement.

In 2018–19, Defence delivered two senior leadership risk management program seminars to the Senior Leadership Group. The program aims to foster a positive risk culture and build senior leaders' ability to recognise key and emerging risk management issues as administrators.

## Major Projects Report

The Major Projects Report was established to increase departmental transparency and accountability. It includes information about the cost, schedule and progress towards delivery of required capability of a selection of individual projects managed by the Capability Acquisition and Sustainment Group. It was first published in 2008.

The report is a joint publication between Defence and the Australian National Audit Office (ANAO), and it is prepared in accordance with guidelines endorsed by the Joint Committee of Public Accounts and Audit. The latest guidelines were endorsed in September 2018. They provide the process and projects to be reported as at 30 June 2019.

The Major Projects Report is scheduled for publication within five months after the end of the financial year. However, the tabling date depends on the resolution of issues that arise in any given year. The latest report (Auditor-General report No 20 of 2018–19) was published on 18 December 2018. All published reports are available on the [ANAO website](#).



## Capability delivery

The First Principles Review Recommendation 2 called for Defence to 'Establish a single end-to-end capability development function within the Department to maximise the efficient, effective and professional delivery of military capability'. The Capability Life Cycle is Defence's response to this recommendation.

The Capability Life Cycle delivers the Government's capability aspirations outlined in the 2016 Defence White Paper and the accompanying Integrated Investment Program. It has been operating since April 2016.

The Capability Life Cycle provides Defence with an end-to-end process for capability development and delivery of capital projects, and associated through-life support, related to major capital equipment, infrastructure, enterprise enablers and information and communications technology.

The Capability Life Cycle has clarified roles, strengthened accountabilities, improved central agencies, engagement and established strong Force Design and Contestability functions that are central to improved decision-making. The Capability Life Cycle introduced tailored investment approval pathways guided by the Smart Buyer decision-making framework, along with an ongoing Force Design process. Together these enable the Integrated Investment Program to be agile and responsive to Defence and Government priorities.

The capability stream and program structure established in the 2016 Defence White Paper and Integrated Investment Program has matured through the Capability Life Cycle and has enabled clearer communication with central agencies and Government regarding how Defence investments combine to deliver a more capable and lethal Australian Defence Force.

In 2018–19 Defence commenced an incremental review of the Capability Life Cycle to update it to reflect lessons learnt and ensure it remains fit for purpose.

Overall, the implementation of the Capability Life Cycle is enabling Defence to deliver on the ambitious \$200 billion recapitalisation of Australia's defence capability originally outlined in the 2016 Defence White Paper and associated Integrated Investment Program. This is evidenced by the significant number of capability investment approvals achieved since its introduction in 2016.

## Audit

The Defence internal audit program provides independent assurance to senior internal stakeholders on the department's controls and the effectiveness of those controls in mitigating strategic enterprise risks. The 2018–19 Internal Audit Work Program delivered 26 audit reports. In addition, two management-directed tasks were completed.

Defence also supported audit activities undertaken by the ANAO. In 2018–19, the Auditor-General completed five performance audits on Defence, financial statements audit, and the priority assurance review (Major Projects Report).

Defence also monitors the implementation of recommendations from internal audits and ANAO audits, reporting to the Defence Audit and Risk Committee and the Enterprise Business Committee.

## Fraud and integrity

In accordance with the Commonwealth Fraud Control Framework 2017, Defence continues to meet its mandatory obligations to prevent, detect and respond to fraud and corruption. Defence has a mature fraud and corruption control program which has a range of strategies to manage, evaluate and report fraud and corruption activities, including:

- the promotion of integrity and development of a strong ethical culture through mandatory and focused training, publications and an Ethics Advisory Service
- a rigorous fraud and corruption risk assessment program focusing on Defence-wide vulnerabilities

- an intelligence-led and targeted fraud and corruption detection program
- investigation of fraud, corruption, misconduct and unethical conduct with the application of appropriate criminal, civil, administrative or disciplinary action
- recovery of proceeds from fraudulent and corrupt conduct
- development and strengthening of partnerships, at the Commonwealth and international levels, to facilitate information-sharing arrangements.

## Investigations

In 2018–19, there were 202 fraud investigations registered within Defence, with 176 investigations completed during the year (some of those completed were registered in previous years). Approximately 40 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, approximately 35 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*.

Table 5.1: **Determined fraud losses and cash recoveries, 2014–15 to 2018–19<sup>1</sup>**

	2014–15(\$)	2015–16(\$)	2016–17(\$)	2017–18(\$)	2018–19(\$)	Total
Loss	480,937	535,766	608,593	605,351	445,422	2,676,069
Cash recovery	415,120	269,728	426,007	817,761	804,165	2,732,781

**Note:**

1. Fraud losses are recorded against the financial year in which the relevant investigation is closed. Cash recoveries comprise all payments received in the financial year, regardless of the year in which the investigation was closed, and include recoveries relating to matters that are currently the subject of investigation.

## Compliance with finance law

Section 19 of the PGPA Act requires, among other things, that agencies notify their responsible Minister, as soon as practicable, of any significant issue that has affected the entity. Defence advised the Minister of 53 instances of significant non-compliance with finance law in 2018–19.

## Exercise of the Defence Minister’s powers under the Customs Act

In accordance with the requirements of section 112BC in Division 1AA of the *Customs Act 1901*, the Minister for Defence must table a statement on the exercise of the Minister’s powers under Division 1AA of the Act for each preceding year. For the period 1 July 2018 to 30 June 2019, the Minister for Defence exercised the powers pursuant to Division 1AA of the Act on one occasion.



# Report of the Inspector-General of the Australian Defence Force

The Inspector-General of the Australian Defence Force (IGADF) is a statutory appointment and operates outside the ordinary chain of command to provide an independent and impartial integrity, inquiry and assurance function. The position of the IGADF is established under section 110B of the *Defence Act 1903*.

The functions of the IGADF are to:

- provide the Chief of the Defence Force (CDF) with a mechanism for internal audit and review of the military justice system
- provide an avenue by which failures in the military justice system may be examined and remedied
- provide advice on matters concerning the military justice system
- conduct reviews of complaints made under the statutory redress of grievance scheme
- conduct inquiries into deaths of ADF members
- inquire into or investigate matters concerning the ADF as directed by the Minister or CDF.

The operating tempo in the Office of the IGADF remained relatively high in 2018–19. In comparison with 2017–18, the operating tempo was characterised by an increase in the number of military justice performance audits, a comparable submission and investigation case workload, and a consistent number of Redress of Grievance complaints and reviews of deaths of ADF members.

In 2018–19, IGADF received 65 new submissions—a figure that is comparable with previous reporting periods. Approximately 30 per cent of those submissions proceeded to inquiry. As at 30 June 2019, 56 submissions had been finalised based on the results of an IGADF inquiry or assessment.

In addition, IGADF received 24 complaints of possible Military Police professional standards breaches. During the reporting period, 33 such complaints were finalised. Of these, 14 were submitted in 2018–19, while the remaining 19 were submitted in previous reporting periods.

At the request of the Chief of Army, and subsequently under the direction of CDF, in May 2016 IGADF established an inquiry into rumours and allegations of misconduct, including potential breaches of the law of armed conflict, by members of the Special Operations Task Group during deployments in Afghanistan between 2005 and 2016. This inquiry remained ongoing at the end of the reporting period.

In 2018–19, IGADF conducted 62 military justice performance audits—an increase of approximately nine per cent from 2017–18. Of those units audited, two were re-audits that took place after material deficiencies were identified in the previous reporting period.

In 2018–19, material deficiencies were identified in one ADF unit. A re-audit of that unit will occur within 12 months. During the conduct of military justice performance audits in the reporting period, 4,723 ADF personnel participated in focus group discussions.

In 2018–19, IGADF initiated 32 new reviews of deaths in service of ADF members. During the same period IGADF finalised 48 inquiries into deaths in service of ADF members.

IGADF received 360 new applications for redress of grievance in 2018–19—a decrease of approximately nine per cent from the 392 received in 2016–17. As at 30 June 2019, 394 applications had been finalised (some of which were received in previous reporting periods).

Pursuant to section 110R of the *Defence Act 1903*, IGADF prepares an annual report on the operations of the Office of IGADF for the Minister, for presentation to the Parliament, at the end of each financial year. For more information and to access a copy of the latest IGADF Annual Report, visit [www.defence.gov.au/mjs/reports.asp](http://www.defence.gov.au/mjs/reports.asp).



Collins Class submarines HMAS Collins, HMAS Farncomb, HMAS Dechaineux and HMAS Sheean in formation while transiting through Cockburn Sound, Western Australia.

## Royal Australian Navy submarines lead regional focus

**Following successful implementation of the Coles Review over a number of years, and through the exceptional efforts of the Submarine Enterprise (Navy, CASG and Defence Industry), RAN submarines are deploying and operating at unprecedented rates.**

The submarines as a force are now achieving over 600 days at sea per year. In 2018–19, submarines deployed across the region and participated in Exercises AUSINDEX, Bersama Shield, Kakadu, La Perouse, Pacific Vanguard and RIMPAC. During these activities they visited a number of regional ports, including but not limited

to Chennai, Noumea, Phuket, Sembawang, Sepanggar, Subic Bay and Visakhapatnam.

With improved submarine availability comes the ability to grow and train an increasingly large workforce. Submarine recruitment and retention has seen the force meet their growth targets to achieve the requirements of a sustainable and successful workforce, and prepare for the transition to a larger force of 12 Attack Class submarines.

The submarine force continues to go from strength to strength, providing the ADF with a potent capability and powerful deterrent.

## Defence engagement with parliamentary committees

In 2018–19 Defence provided evidence at 16 public hearings, three Senate estimates hearings and 14 private briefings.

Defence provided 24 submissions and seven government responses to parliamentary committee inquiries, including input to six government responses led by other departments.

Defence took 432 questions on notice. Of these, 317 were from estimates hearings; 70 were from parliamentary committee hearings and briefings; and 45 were submitted in writing from senators and members.

Defence's submissions, responses to questions on notice and transcripts of committee hearings are available on the Parliament of Australia website.

## Parliamentary committees

Defence is examined by the Senate Standing Committee on Foreign Affairs, Defence and Trade. The committee comprises senators from the Government, Opposition and other parties and covers the Defence, Veterans' Affairs, Foreign Affairs and Trade portfolios. Table 5.2 lists Defence's involvement in inquiries and reviews by parliamentary committees between 1 July 2018 and 30 June 2019.

Table 5.2: **Defence's involvement with parliamentary committees, 2018–19**

SENATE STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
<b>Use of the quinoline anti-malarial drugs mefloquine and tafenoquine in the Australian Defence Force</b> Defence provided one submission and two further supplementary submissions to the inquiry, and participated in one public hearing. Defence provided input to a Department of Veterans Affairs led Government response.
<b>Defence Amendment (Sovereign Naval Shipbuilding) Bill 2018</b> Defence provided one submission and participated in one public hearing.
<b>Impact of Defence training activities on rural and regional communities</b> Defence provided a Government response to the final report.
<b>Implications of climate change for Australia's national security</b> Defence provided input to the Department of Home Affairs for inclusion in the Government response.
<b>Projects of Concern</b> Defence provided one submission.
JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
<b>Inquiry into the management of per- and polyfluoralkyl substances (PFAS) contamination in and around Defence bases</b> Defence provided input into one submission and Government response and participated in four public hearings.
<b>Inquiry into transition from the ADF</b> Defence provided a joint submission with Department of Veterans' Affairs and participated in one public hearing. A Government response is currently being developed.
<b>Benefits and risks of a bipartisan Australian defence agreement, as a basis of planning for, and funding of, Australian Defence capability</b> The Defence-led Government response was tabled in February 2019.
<b>Review of the Defence Annual Report 2015–16</b> Defence tabled the Government response in August 2018.
PARLIAMENTARY JOINT COMMITTEE ON INTELLIGENCE AND SECURITY
<b>Review of Administration and Expenditure No 16 (2016–17)</b> Defence provided one submission and participated in one private briefing.
<b>Review of Administration and Expenditure No 17 (2017–18)</b> Defence provided one submission and one supplementary submission.
JOINT STANDING COMMITTEE ON TREATIES
<b>Inquiry into Defence Support—France</b> Defence participated in one public hearing.
JOINT STANDING COMMITTEE ON HUMAN RIGHTS
<b>Defence Inquiry Regulations 2018</b> Defence provided one submission.
JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES
<b>Inquiry into Australia's Antarctic Territory</b> Defence provided one submission and input into a Government response.

## JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

### Auditor-General report No 34 of 2017–18—Defence First Principles Review

### Auditor-General report No 39 of 2017–18—Naval Construction Programs—Mobilisation

These reports are combined. Defence provided one submission to each inquiry and participated in two public hearings. A Government response is currently being developed.

### Auditor-General report No 38 of 2017–18—Mitigating insider threats through personnel security

Defence provided one submission and participated in two public hearings.  
The Government response is under development.

### Cybersecurity compliance—Inquiry into Auditor-General's report 42 (2016–17)

Defence provided input to Government response.

### Report 463: Commonwealth Financial Statements

Defence tabled a Government response (Executive Minute) in August 2018.

### Defence sustainment expenditure

Defence tabled a Government response (Executive Minute) in September 2018.

### Defence Major Projects Report 2016–17

Defence tabled a Government response (Executive Minute) in December 2018.

### Issuing of a Certificate under section 37 of the Auditor-General's Act 1997—Inquiry based on Auditor-General's Report No. 6 (2018–19)

Defence provided one submission and a further supplementary submission, and participated in two public hearings.

## SENATE STANDING COMMITTEE ON REGULATIONS AND ORDINANCES

### Defence Determination, Conditions of Service Amendment (Flexible Service Determination) Determination 2018

Defence provided one submission.

### IGADF Amendment Regulations 2018

Defence provided one submission and one further supplementary submission.

### Defence Determination, Conditions of Service Amendment (Reserve capability payment and Reserve capability completion bonus) Determination 2019 (No 9)

Defence provided one submission.

## SENATE STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS

### Australia's faunal extinction crisis

Defence provided one submission.

## SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS

### Judiciary Amendment (Commonwealth Model Litigant Obligations) Bill 2017

Defence provided one submission.

## SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

### Regulatory requirements that impact the safe use of Remotely Piloted Aircraft Systems, Unmanned Aerial Systems and associated systems

Defence provided input to the Government response.

## SENATE STANDING COMMITTEE ON ECONOMICS

### Future of Australia's naval shipbuilding industry

The Government response is under development.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON INDUSTRY, INNOVATION, SCIENCE AND RESOURCES

### Space Industry Roundtable

Defence participated in one public hearing.

## PRODUCTIVITY COMMISSION

### Compensation and rehabilitation for veterans—'A better way to support veterans' draft report

Defence provided one submission and a supplementary joint submission with the Department of Veterans' Affairs.

## INDEPENDENT REVIEWS

### Review of the Defence Trade Controls Act 2012 (Thom Review)

The independent review and initial Government response were tabled in February 2019.

### Review of the rules, regulations and policies governing political activities by members of the ADF

The review is undergoing consideration.

### Independent inquiry into the administration of Defence Force Retirement and Death Benefits Scheme commutation arrangements

The Commonwealth Ombudsman is to undertake an independent inquiry.

## QUEENSLAND GOVERNMENT—STATE DEVELOPMENT, NATURAL RESOURCES AND AGRICULTURAL INDUSTRY DEVELOPMENT COMMITTEE

### Inquiry into job creation opportunities in Queensland arising from establishment of an Australian space industry

Defence attended one public hearing.

## NEW SOUTH WALES GOVERNMENT STANDING COMMITTEE ON STATE DEVELOPMENT

### Inquiry into Defence industry in New South Wales

Defence provided one submission.

## Parliamentary Standing Committee on Public Works

In 2018–19, Defence witnesses appeared at seven hearings of the Parliamentary Standing Committee on Public Works. Defence referred four major projects and notified four medium works projects to the committee. In 2018–19, parliamentary approval was achieved for six major projects and four medium works projects.

**Table 5.3: Defence major projects that achieved parliamentary approval through the Parliamentary Standing Committee on Public Works, 2018–19**

Project	Location	Value (\$m)
LAND 2110 Phase 1B—Chemical, Biological, Radiological and Nuclear Defence (CBRND) Facilities	Multiple	16.7
AIR2025 Phase 6 Jindalee Operational Radar Network Facilities	Multiple	50.7
LAND 200 Tranche 2—Battlefield Communication System Facilities	Multiple	24.3
Naval Guided Weapons Maintenance Facilities Project	Defence Establishment Orchard Hills (NSW)	95.5
LAND 4502 Phase 1—Additional CH-47F Chinook Facilities	RAAF Base Townsville (QLD)	49.9
Defence High Performance Computing Centre	RAAF Base Edinburgh (SA)	68.8
<b>Total</b>		<b>305.9</b>

**Table 5.4: Defence medium works notified to the Parliamentary Standing Committee on Public Works, 2018–19**

Project	Location	Value (\$m)
Australian Government Security Vetting Agency Fit-out Project	Brisbane (QLD)	5.8
Robertson Barracks Close Training Area Post Acquisition Works Project	Robertson Barracks (NT)	7.6
Walker House Fit-out, Canberra, Project	Brindabella Business Park (ACT)	4.9
United States Force Posture Initiative Marine Rotational Force Darwin Modular Accommodation RAAF Base Darwin Project	RAAF Base Darwin (NT)	12.8
<b>Total</b>		<b>31.1</b>

# Judicial and administrative tribunal decisions

In *Searle v Commonwealth of Australia* [2019] NSWCA 127, the New South Wales Court of Appeal overturned the decision of the Supreme Court of New South Wales in *Searle v Commonwealth* [2018] NSWSC 107 that a training contract between the Commonwealth and a Navy member was void because it fettered the power of naval command given by the *Defence Act 1903* and/or the Constitution. The Court of Appeal found that the training contract was not beyond the power of the Commonwealth; was a valid exercise of the Commonwealth's broad power to contract; and did not fetter the Commonwealth's power of naval command. The Court noted that there needs to be a balance between the public interest in upholding contracts into which the Commonwealth chooses to enter and the public interest in avoiding fettering of the discretion. The Court of Appeal determined that, where the sole remedy is one of damages (rather than specific performance or injunctive relief) and where such damages are not significant, this will not fetter the Commonwealth's power of naval command.

# Commonwealth Ombudsman and Defence Force Ombudsman reports

Defence did not receive any reports issued by the Ombudsman under sections 15, 16, 17 or 19 of the *Ombudsman Act 1976* or by the Defence Force Ombudsman under section 19FA of the *Ombudsman Act* in relation to Defence during the financial year.

# Auditor-General's reports

In 2018–19, the Auditor-General published five performance audit reports in relation to Defence and one priority assurance review.

Table 5.5: Auditor-General's performance audit reports on Defence, 2018–19

Report	Date presented to Parliament	Audit objective
Army's Protected Mobility Vehicle—Light	11 September 2018	To assess the effectiveness and value for money of Defence's acquisition of light protected vehicles under Defence project Land 121 Phase 4.
Joint Strike Fighter—Introduction into Service and Sustainment Planning	5 December 2018	To assess the effectiveness of the Department of Defence's preparations for the introduction of the Joint Strike Fighter into Australian service and its subsequent sustainment.
ANZAC-Class Frigates—Sustainment	18 March 2019	To examine whether the Department of Defence has effective and efficient sustainment arrangements for the Royal Australian Navy's fleet of eight ANZAC-Class Frigates.
Defence's Management of its Projects of Concern	26 March 2019	To assess whether the Department of Defence's Projects of Concern regime is effective in managing the recovery of underperforming projects.
Modernising Army Command and Control—the Land 200 Program	23 May 2019	To assess the effectiveness and value for money of Defence's acquisition of a Battle Management System and a Tactical Communications Network through Land 200 Tranche 2 Work Packages B–D.

Table 5.6: Auditor-General's priority assurance review involving Defence, 2018–19

Report	Date presented to Parliament	Review objective
2017–18 Major Projects Report	18 December 2018	To provide the Auditor-General's independent assurance over the status of the selected major projects.

## Organisational capability reviews

The Australian Public Service Commission did not conduct a review into Defence's organisational capability in 2018–19.

## Freedom of information

During 2018–19, Defence received 1,208 requests for information. These requests were a combination of freedom of information requests, enquiries that were handled administratively by agreement with the applicant, and courtesy consultations from other government agencies. In addition, Defence managed 124 review requests on finalised freedom of information decisions. These reviews were managed internally or by providing detailed submissions to the Office of the Information Commissioner.

In 2018–19, 439 requests were for information under section 15 of the *Freedom of Information Act 1982*. Defence finalised 468 requests, including requests carried over from 2017–18. An additional 21 requests, for amendment or annotation of records of personal information, were managed under section 48 of the Freedom of Information Act.

Defence also received 60 internal reviews of freedom of information decisions—57 were finalised, including cases carried over from the previous financial year.

Defence managed 684 requests for information which did not proceed to a formal freedom of information decision. Of these, 236 were requests for access to personnel records. These were processed in accordance with section 15A of the Freedom of Information Act, which provides for access to be given in such cases through established administrative channels. Defence received 64 courtesy consultations from other government agencies in 2018–19.

Defence managed 64 external review cases submitted to the Office of the Australian Information Commissioner. The Office of the Australian Information Commissioner completed 14 reviews, and 50 are awaiting a decision from the Information Commissioner. Defence also managed three cases before the Administrative Appeals Tribunal, of which one was completed.

Additionally, four external complaints relating to Defence freedom of information cases were submitted to the Office of the Australian Information Commissioner. These four complaints are awaiting a decision.

## Contracts exempt from publication on AusTender

In 2018–19, Defence reported a total of 146 contracts, standing offers or variations, with a total value of \$337,898,833.97, subject to an exemption under the Freedom of Information Act. These exemptions were generally applied under the national security provisions of the Act.

## Information Publication Scheme

Entities subject to the Freedom of Information Act are required to publish information 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 Defence's Information Publication Scheme website detailed in Appendix D.

## Defence Public Interest Disclosure Scheme

The Defence Public Interest Disclosure Scheme continues to facilitate a strong reporting culture in Defence. The scheme facilitates and encourages reports of suspected wrongdoing, provides support and protection to disclosers, and ensures that suspected wrongdoing is investigated, where appropriate, consistent with the requirements of the *Public Interest Disclosure Act 2013*.



During 2018–19, Defence received a total of 255 matters reported under the Defence Public Interest Disclosure Scheme. Of these, Defence accepted 128 matters as public interest disclosures and allocated them for investigation.



Australian Army personnel from the 4th Regiment, Royal Australian Artillery assist Townsville residents in sandbagging their homes in preparation for rising flood waters.

## Operation North Queensland Flood Assist—Defence support to families affected by Townsville floods

**Described as a ‘once in 500 years’ event, the 2019 Townsville floods resulted from unprecedented monsoonal rains that caused Ross River Dam to rise to the highest level ever recorded. Soon after the Queensland Government declared a state of natural disaster on 31 January 2019, Townsville’s ADF presence—including 3rd Brigade, 17th Brigade, 16th Brigade, 1st Division and Air Force elements—joined the local disaster management group, and Operation NORTH QUEENSLAND FLOOD ASSIST swung into action.**

The Australian Army began flood preparation support, sandbagging private homes and local businesses in low-lying areas. As floodwaters rose, the ADF helped local authorities evacuate more than 500 residents, flew in an additional 104,000 sandbags and provided aerial reconnaissance of flood-affected areas.

When weather conditions made it impossible to transport essential items by road or rail, C-17A Globemaster III and C-27J Spartan aircraft and Army CH-47 Chinook helicopters delivered critical supplies of aviation fuel, 72 tonnes of food and water, and livestock feed to isolated communities.

Not since Cyclone Tracy in 1974 has a natural disaster affected so many Defence families. Many of the around 2,800 Defence members who supported the response were unable to return home for days, only to find that they too had lost their homes.

As the impact on Defence families became apparent, specialist staff from bases across Australia were mobilised to support them. These staff travelled to Townsville, joining representatives from Defence Housing Australia, Toll Transitions, the Department of Human Services and the Australian Taxation Office to provide emergency accommodation, removals, clean-up services and other assistance to over 230 Defence families.





STRATEGIC  
WORKFORCE  
MANAGEMENT

Lieutenant Colonel Bronwyn Johnstone  
(Army), Wing Commander Ian Kirkham  
(Air Force), Lieutenant Commander Jayne  
Trustum (Navy) and Basu Banka (APS).

## Workforce summary

Defence continues to pursue a capable, agile and resilient workforce that will deliver Defence outcomes in a highly dynamic strategic environment.

Defence is currently in the third year of implementing the actions outlined in the Defence Strategic Workforce Plan 2016–2026. The actions in the plan provide an integrated, enterprise approach to recruitment, career and talent management, workforce mobility, education and training, learning and development, transition and re-engagement, and partnerships with other Government departments, industry and academia. The actions are supported by Defence White Paper People Initiatives valued at \$384.3 million over the decade to financial year 2024–25.

Defence is building its skill base through training and education, targeted recruitment and balancing the integrated APS, ADF and contractor workforce to effectively deliver our capability requirements.

Significant effort has been put into recruitment and retention of the shipbuilding; cyber; science, technology, engineering and mathematics (STEM); and information and communications technology workforce.

Retention of our workforce and their skills and experience are critical to the effectiveness of delivering Defence capability. The Pathway to Change strategy, evolving a workforce culture, embedding the One Defence Leadership Behaviours and developing a safety culture are critical to our operational effectiveness and retention of the Defence workforce.

A summary of key initiatives is below.

### Recruiting of ADF personnel

In 2018–19 Defence recruited over 7,000 personnel to permanent and reserve roles in the ADF, resulting in 93.4 per cent of targets being filled. This outcome represents the highest number of enlistments since 2009–10. There remain some areas that require further improvement, including critical categories and recruitment outcomes for women and Indigenous Australians. During 2018–19 Defence Force Recruiting and the Services implemented targeted recruitment and retention initiatives to address these areas.

### Families and transition support

In 2018–19, Defence adopted a needs-based model of transition support, which offers transitioning members and their families access to targeted services and support for up to 12 months after transition. Defence has delivered greater support for families, including expanding the Partner Employment Assistance Program and a range of initiatives to improve employment opportunities upon transition.

### Work health and safety

The Defence Work Health and Safety Strategy 2017–2022 sets out Defence's work health and safety priorities. The strategy and implementation plan continue to embed work health and safety into the thinking and behaviours of personnel and in all Defence business and management systems.

In 2018–19, Defence and the Department of Veterans' Affairs jointly funded the Transition and Wellbeing Research Program, which is the most comprehensive study ever undertaken in Australia of the impact of military service on the mental, physical and social health of serving and former ADF members and their families.

### First Principles Review reforms

During 2018–19, Defence's APS Performance Management Framework focused on quality conversations and recognising and rewarding high performance. A revision of the policy focused on more positive language to improve performance and support employees and supervisors to work together to achieve the required performance standard. Increased participation in Defence's leadership programs including the Gateway, Catalyst and Impetus programs and Leading for Reform has enhanced the leadership capability of Defence employees throughout 2018–19.

## Cultural reform

In 2018–19 Defence leveraged the implementation of all First Principles Review recommendations and continued progress on its cultural reform priorities under *Pathway to Change: Evolving Defence Culture 2017–22*. This strategy identifies six priority areas for continued improvement: leadership accountability; capability through inclusion; ethics and workplace behaviours; health, wellness and safety; workplace agility and flexibility; and leading and developing integrated teams. Each Service has reflected these priorities in their individual cultural programs: Next Generation Navy, Good Soldiering and New Horizon. Importantly, as cultural improvement is a long-term process, throughout 2018–19 Defence continued to work with partners such as the Australian Human Rights Commission on reinforcing and embedding progress to date.

## Sexual misconduct prevention and response

During 2018–19 the Sexual Misconduct Prevention and Response Office provided education sessions to approximately 13,355 Defence personnel. This represents a small increase on the previous year's total of 12,920. The Sexual Misconduct Prevention and Response Office was focused on maximising access to Defence's values and expected behaviours messages and has developed e-learning packages to support distributed learning opportunities.

## Key workforce initiatives and achievements

A range of new initiatives, combined with enhancements to previous programs, have been implemented to attract, recruit and build the required workforce, and support ADF members and their families.

- Further progress was made in implementing the Total Workforce Model, designed to optimise the contribution of the ADF workforce to capability through different patterns of service. Implementation of Service Category 6 was achieved, to allow for all patterns of flexible service, including months per year.
- Strategic Workforce Plans were finalised for the cyber and intelligence workforces. Professional and Workforce Employment frameworks were also developed, to further the professionalisation of the cyber workforce.
- Partnerships with industry, other government agencies and the education sector were strengthened to build skills that will yield better results for Defence capability. Key to this was the launch of the Defence Industry Skilling and Science, Technology, Engineering and Mathematics (STEM) Strategy.
- The Defence STEM Council was introduced to drive a more collective approach across Defence and with other agencies, to develop the talent pipeline for careers in science, technology, engineering and mathematics.
- Targeted ADF recruitment activities in relation to engineering, health, naval, and intelligence related roles have been undertaken. This included, for example, a successful competition to encourage potential candidates to consider a career as a submariner.
- Defence continued to use Specialist Recruiting Teams for Women, comprising current serving Defence women, to assist with the promotion of Defence careers for women and provide mentoring support through the recruiting process.
- Information sessions focused on women, mentoring programs, and experience camps intended to address some of the perceived barriers to entry are ongoing.
- Pathway programs, to support Indigenous Australians progressing to a career in the ADF, have been conducted in Cairns, Darwin, Kapooka, and Wagga Wagga. In addition, the Defence Work Experience Program hosted 338 Indigenous students across Australia.
- In delivering on the Naval Shipbuilding Plan, demand and supply strategies have been developed. This includes a dedicated Naval Construction APS graduate stream, with the first cohorts commencing in 2018–2019, supported by a mentoring program to best develop the technical and professional skills of this foundation workforce.

- Services to support ADF families have been furthered, including through the Individual Case Management Service, which has assisted 191 families in 2018–19 to source appropriate childcare arrangements.
- To raise awareness of family and domestic violence, a targeted training and education program has been introduced for supervisors and commanders.
- A range of mental health initiatives have been progressed including the Periodic Mental Health Screen in all garrison health centres, to provide early identification and intervention for members with mental health concerns.

## First Principles Review workforce initiatives

### Developing staff

Defence is undergoing one of its largest workforce transformations to meet a rapidly evolving national security challenge. This presents unique challenges in attracting, recruiting, training and re-skilling a workforce for both new and existing capabilities, while remaining within workforce allocations.

The leadership capability of executive-level employees was enhanced in 2018–19 through the Defence Leading for Reform program. The program aims to develop leaders who can effectively implement reform and who act in accordance with the One Defence Leadership Behaviors. In 2018–19, 16 cohorts comprising 361 individuals, completed the program.

An increased number of personnel have participated in a suite of Defence leadership programs including the Gateway, Catalyst and Impetus programs. In 2018–19, 28 cohorts of APS 4 to APS 6 employees completed the Gateway program, with 613 individual completions recorded. For Catalyst, 14 cohorts completed the program, with 246 APS 6 to EL2 employees participating in the course. Fifty-one EL1 and EL2 employees completed Impetus. This program supports graduates of the Catalyst program to reflect on, reassess and re-energise their transformational leadership development journey.

Evaluation of Defence's leadership development programs consistently indicates a positive impact on the reform efforts of Executive Level staff in Defence, improved leadership capabilities and a cultural shift in behaviours towards the One Defence Leadership Behaviours.

Defence has built a skills framework to enhance the professional development of all employees and to support actions resulting from the Defence Strategic Workforce Plan. The foundation of the framework is the Australian Public Service Commission Core Skills Strategy 2030 and the skills relevant to Defence job families.

In 2018–19 Defence continued a number of other key activities to develop personnel:

- Defence continued to offer tertiary education assistance programs for ADF members and APS employees. Nearly 1,600 ADF members were supported in their studies through the Defence Assisted Study Scheme (DASS). Support is provided through financial assistance and/or work release for study purposes. Over 450 APS and Australian Signals Directorate employees were funded to study through Studybank in 2018–19.
- Fully funded master's level postgraduate places are available through the University of New South Wales Canberra at the Australian Defence Force Academy. Study can be undertaken through intensive or distance education modes, offering flexibility for our regional learners. 1,300 personnel were supported to gain qualifications under this program in 2018–19—1,095 ADF and 205 APS.
- The Defence and Strategic Studies Course (DSSC) provides advanced policy-related skills, high-level corporate leadership and strategic decision-making skills combined with an in-depth knowledge of national and international Defence issues of strategic importance as well as opportunities to develop strategic relationships overseas. There are 51 military officers and eight APS Executive Level 2 employees participating in this course in 2019.

- The Australian Command and Staff Course (ACSC) provides education in Command, Leadership and Management, Strategic and Australian Defence Studies, Staff Skills and Joint Operations. There are 181 military personnel and seven APS Executive Level 1 and two APS Level 6 employees completing the program in 2019.
- For APS employees, the Secretary of Defence Fellowship (one Fellow), the Sir Roland Wilson Foundation PhD Scholarship (three Scholars), and the Women, Peace and Security Fellowship (one Fellow) schemes are offered. Partnering with Defence Science and Technology and International Policy Division, a Defence Science Policy Fellowship was established. In 2019 Defence also participated in the Association of Southeast Asian Nations (ASEAN) scholarship. Scholarships are offered annually through the Chief of the Defence Force fellowships (one Fellow) for ADF members.

## Cultural reform

Defence's collaboration with the Australian Human Rights Commission to support and improve the implementation of our reform priorities and to embed cultural change across the organisation continued throughout 2018–19. The work of the Defence collaboration team has focused on issues around gender, race, diversity, sexual orientation and the impact of alcohol and social media, among other cultural and workplace issues.

Defence is building on the progress made so far to foster a more inclusive culture and to drive high performance at all levels. *Pathway to Change: Evolving Defence Culture 2017–22* underpins Defence's commitment to driving authentic, sustainable change and creating an environment where the workforce is accountable for a more positive and inclusive culture. In 2018–19 Defence progressed its work on the key cultural reform priorities of leadership accountability; capability through inclusion; ethics and workplace behaviours; health, wellness and safety; workplace agility and flexibility; and leading and developing integrated teams. These cultural priorities have been embodied in the Cultural Plans of Groups and Services.

The launch of Next Generation Navy builds on earlier New Generation Navy initiatives and focuses on five cultural pillars: Value our People; Instil a Sense of Purpose; Drive to Professional Mastery; Develop Leaders who Value their Teams, and Enhance Resilience.

In March 2019, the Chief of Army launched a new organisational culture program, Good Soldiering, based on principles of inclusion, a platform of trust reflected through exemplary character and adherence to the four Army values: Courage, Initiative, Respect and Teamwork.

New Horizon is Air Force's link to Pathway to Change, with a focus on the Air Force values of Respect, Excellence, Agility, Dedication, Integrity and Teamwork, in order to revitalise Air Force values to ensure a fair, safe and inclusive work environment.

Defence has built a more inclusive workplace by implementing workplace flexibility and mobility initiatives to build the skills of our people and provide greater options for how people work and contribute to the Defence mission. In the ADF, the Total Workforce Model has provided members more flexible career options, including easier transfer between different patterns of service, such as full-time, part-time and permanent part-time. Our Flexible Work Awareness Campaign provided renewed awareness for managers, supervisors and personnel of the types of flexible work arrangements available to suit individual circumstances and enhance work-life balance.

In March 2019, Defence launched the SBS Cultural Competence Program to assist our people to gain knowledge and build practical skills to improve their cultural awareness. The course assists workplaces to be able to understand cultural differences and foster a more inclusive workplace. Additionally, strong attendance on Defence's leadership programs has enabled Defence to further embed the One Defence Leadership Behaviours and highlight the importance of workplace inclusion.

In 2018–19, Defence improved its performance culture by revising the APS Performance Management Framework, with an emphasis on quality conversations and recognising and rewarding high performance. The revised policy is consistent with the First Principles Review recommendation that Defence introduce consequences for underperformance and failure to deal with it.

Members of HMAS Canberra's aeromedical evacuation team conduct training with an MRH-90 maritime support helicopter during Indo-Pacific Endeavour 2019. (L-R) Australian Army officer Lieutenant Colonel Ben Butson and Royal Australian Navy officers Lieutenant Lisa Bird and Lieutenant Commander Mitchell Parker.



## Navy workforce expansion and retention strategies

**Workforce challenges represent the most significant strategic risk to delivering Navy's capability in line with the aims of the 2016 Defence White Paper. Development and retention of personnel is the Chief of Navy's highest workforce priority and risk, as detailed in Plan Pelorus. In 2018–19, Navy developed and implemented ambitious initiatives to recruit, attract, grow and retain its people.**

As Navy prepares to double its submarine fleet, the submariner workforce is anticipated to almost triple by 2050. Accordingly, Defence Force Recruiting launched a successful inaugural National Submarine Tour and Competition, offering a three-day VIP experience for eight winners (one from each state and territory) to HMAS *Stirling*, Western Australia. Numbers of expressions of interest and submariner applications increased throughout the competition. Subsequently 30 of the combined 33 candidates and competition winners

progressed along the recruitment pipeline for submariner roles.

Following the success of its leadership development programs, Navy launched a series of Emerging Leaders Forums designed to empower frontline leaders to build strong humanistic approaches into their leadership styles. Keynote external speakers have been engaged to participate in open forums alongside Navy leaders, providing an unprecedented platform for peer-focused professional development. Designed to complement Navy's formal training, the forums also provide an opportunity for contiguous, real-time feedback to Navy senior leadership from its most influential work group.

The Navy Retention Cell and the Retention Working Group were established to pursue Navy's retention goals. Among the many retention initiatives developed during the year are systems enabling all Navy personnel to check their progress, raise new ideas and provide continuous feedback.



# Workforce planning

This section provides information on average workforce strength during 2018–19. Like other Commonwealth agencies, Defence uses average workforce strength figures for planning and budgeting purposes.

Defence continued to implement the Defence Strategic Workforce Plan 2016–2026. In 2018–19 this saw improvements to ADF recruiting, career management and transition support, as well as progress in managing and professionalising the APS workforce through the use of Job Families. ADF recruiting achieved 92 per cent of recruiting targets for enlistments into the permanent ADF (ab initio and prior service). Women represented 24.2 per cent of enlistments and, combined with retention efforts, this has resulted in 406 more women serving in the ADF (Service Categories 7 and 6) than 12 months ago.

Indigenous representation in the ADF also improved, with over 326 Indigenous personnel recruited. Total Indigenous representation is now at 2.9 per cent. In relation to transition services, Defence implemented individualised career coaching and mentoring services to ADF personnel who transition from Defence, with the aim of assisting members to achieve employment or other forms of meaningful engagement. In addition to the tables in this chapter, further workforce reporting tables can be found at Appendix B.

## Staffing levels and statistics

Defence budgets for its ADF workforce on an average funded strength basis and for the APS workforce on an average staffing level basis. Defence uses actual full-time equivalent (FTE), which is paid strength on a particular date, to provide the most accurate indicator of current staffing levels. Workforce planning is based on average funded strength and average staffing levels respectively for the financial year and these averages are used to plan for an affordable workforce.

Defence also records some statistical data by headcount. All personnel are counted equally regardless of the number of hours worked. 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 information by gender, employment categories and employment location. Defence does not base its workforce planning on headcount figures.

## Total Workforce Model

Defence transitioned to the new service continuum under the Total Workforce Model in 2016–17, which utilises new terminology to describe the pattern of service ADF personnel undertake. Throughout 2017–18 and 2018–19 the focus has been on implementing this new model.

The model offers increased service options, providing flexibility for individuals across their careers and organisational agility for Defence. Under the model, Service Categories are used to group the ADF workforce into similar services that share mutual obligations and conditions of service. Members of the permanent ADF now serve in Service Categories 7 and 6. Reservists serve in Service Categories 5, 4 and 3.

Full implementation of Service Category 6 was completed in late 2018. This included changes to military personnel policy and pay and conditions policy to allow for all patterns of flexible service, including months per year.

During 2018–19 a change program was run across Defence to embed flexible service behaviours within the ADF and to further enable the Total Workforce Model to enhance the delivery of directed capabilities.

Each Service has a target of 2 per cent of the trained workforce accessing formalised flexible work arrangements. As at 30 June 2019, Navy has again exceeded this target for the non-seagoing, trained, permanent and continuous full-time service workforce, with 6.1 per cent; Army has 444 personnel (1.7 per cent) on formal flexible work arrangements and 117 personnel (0.45 per cent) in Service Category 6 serving under a pattern of service other than full time; and Air Force has 6.5 per cent of its trained workforce on formal, documented flexible work arrangements.

Table 6.1: **Total Workforce Model continuum**

Previous description	Total Workforce Model continuum	Additional information
Permanent	Full-time service (Service Category 7)	Reservists on continuous full-time service (Service Option C) are included in permanent force funded strength numbers but not in headcount figures.
	Other than full-time service (Service Category 6)	Members of the permanent forces rendering a pattern of service other than full-time, who are subject to the same obligations as Service Category 7.
Reserves	Specific pattern of service and number of days served (Service Category 5)	Members of the Reserves who provide a contribution to capability that extends across financial years and who have security of tenure for the duration of their approved commitment to serve. They are liable for a call-out. They can undertake continuous full-time service (Service Option C).
	Providing service, which includes an availability to serve at short notice (Service Category 4)	Members of the Reserves who provide a contingent capability at short notice, with their notice to move defined by their Service. They are liable for call-out and available to be 'called for'. They can undertake continuous full-time service (Service Option C).
	Available for service or is providing service (Service Category 3)	Members of the Reserves who provide a contingent contribution to capability by indicating their availability to serve or who are rendering service to meet a specified task within a financial year. They are liable for call-out. They can undertake continuous full-time service (Service Option C).
	Not providing service but can be called out in specific circumstances if required (Service Category 2)	Members of the Reserve forces who do not render service and have no service obligation. They are liable for call-out.
Defence APS employees on deployment	Employees of the Defence APS who are force assigned (Service Category 1)	APS employees of Defence who have been seconded or attached to the ADF and are force assigned on operations.
ADF Gap Year	Full-time service (Service Option G)	

## Australian Defence Force staffing

ADF staffing figures for 2017–18 and 2018–19 are shown in Table 6.2.

Table 6.2: **Australian Defence Force staffing figures, 2017–18 and 2018–19**

ADF staffing measure <sup>1,2</sup>	2017–18	2018–19	Variation
For workforce planning purposes			
Actual funded strength (paid strength as at 30 June)	58,363	58,554	191
Average funded strength (over the financial year)	58,475	58,380	95
For other statistical data			
Permanent headcount (on duty/leave and paid/unpaid)	57,958	58,058	100

### Notes:

1. Funded strength figures include the ADF Gap Year. For consistency with other tables in this chapter, the headcount figures do not include the ADF Gap Year, which had 523 participants on 30 June 2018, rising to 567 participants on 30 June 2019.
2. 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 6.3 details ADF permanent force average funded strength for 2018–19, which includes ADF Reservists on continuous full-time service. ADF strength was 58,380 in 2018–19, a reduction of 95 from 2017–18. Average funded strength for Reservists on continuous full-time service was 778 (comprising Navy 293, Army 427 and Air Force 58)—an increase of 56 from 2017–18.

**Table 6.3: Australian Defence Force permanent force (Service Categories 7 and 6) and Reserves undertaking continuous full-time service (Service Option C), average funded strength**

	2017–18 Actual	2018–19 Budget Estimate <sup>3</sup>	2018–19 Revised Estimate <sup>4</sup>	2018–19 Actual	Variation	%
Navy	13,818	14,689	14,143	14,176	33	0.2
Army	30,410	30,810	30,223	29,982	-241	-0.8
Air Force	14,247	14,295	14,299	14,222	-77	-0.5
<b>Total average funded strength</b>	<b>58,475</b>	<b>59,794</b>	<b>58,665</b>	<b>58,380</b>	<b>-285</b>	<b>-0.5</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.

3. As published in the *Portfolio Budget Statements 2018–19*.

4. As published in the *Portfolio Budget Statements 2019–20*.

## ADF enlistments and separations

In 2018–19 Defence recruited over 7,000 personnel to a combination of permanent and Reserve roles, an increase of 1,763 from 2017–18.

While there are specific areas that require further improvement to attain the desired workforce numbers, overall Defence has achieved 92 per cent in the recruitment of full-time ADF members (ab initio and prior service).

The ADF enlisted 5,717 permanent members, made up of 4,331 men and 1,385 women, for the 12 months to 30 June 2019. This was 476 more enlistments than in 2017–18.

ADF enlistments can be categorised as ab initio (those with no prior military service) or prior service enlistments. Of the 5,717 ADF permanent members enlisted, 1,028 entrants had prior military service in the Reserves (Service Categories 5, 4 and 3), the Gap Year program (Service Option G) or another country, or they had previous permanent force service. There were 4,689 ab initio entrants.

The permanent ADF headcount (Service Categories 7 and 6) increased by 100 in 2018–19. This reflects the net difference between enlistments and separations. The Reserve headcount increased by over 2,000, reflecting the implementation of the Total Workforce Model for how Defence generates personnel capability. This is also reflected in the increased number of days that personnel provided to the Reserve Service.

Tables 6.4 and 6.5 provide comparative information about ADF permanent force (Service Categories 7 and 6) separations over the last two years.

**Table 6.4: ADF permanent force (Service Categories 7 and 6), 12-month rolling separation rates as at 30 June 2018 and 30 June 2019**

	12-month rolling separation rate (%)	
	30 June 2018	30 June 2019
Navy	9.3	8.1
Army	10.8	11.6
Air Force	6.7	7.3
<b>Total ADF permanent force</b>	<b>9.4</b>	<b>9.7</b>

**Note:** For improved accuracy, separation rates are calculated using monthly average headcounts, not end of financial year headcount figures.

Table 6.5: **ADF permanent force (Service Categories 7 and 6) separations, 2017–18 and 2018–19.**

		Voluntary separations <sup>1</sup>	Involuntary separations <sup>2</sup>	Age retirement	Trainee separations	Total
<b>2017–18</b>						
Navy	Officers	136	22	16	48	222
	Other ranks	649	252	14	132	1,047
Army	Officers	254	97	27	114	492
	Other ranks	1,391	858	21	496	2,766
Air Force	Officers	195	78	17	35	325
	Other ranks	421	159	12	48	640
Total ADF permanent force	Officers	585	197	60	197	1,039
	Other ranks	2,461	1,269	47	676	4,453
	Total	3,046	1,466	107	873	5,492
<b>2018–19</b>						
Navy	Officers	142	33	8	50	233
	Other ranks	558	200	8	128	894
Army	Officers	236	117	31	147	531
	Other ranks	1,613	857	23	424	2,917
Air Force	Officers	219	49	18	45	331
	Other ranks	420	204	22	65	711
Total ADF permanent force	Officers	597	199	57	242	1,095
	Other ranks	2,591	1,261	53	617	4,522
	Total	3,188	1,460	110	859	5,617

**Notes:** Figures in this table show permanent force (Service Categories 7 and 6) substantive headcount numbers. Reserves undertaking continuous full-time service (Service Option C) are not included. Separation groupings are mutually exclusive, and an individual is placed in only one group, with age retirement and trainee separations taking precedence over voluntary and involuntary separations. ADF members commencing leave or leave without pay are not included.

Data for 2017–18 does not match the data provided in the *Defence Annual Report 2017–18* due to retrospective transactions.

1. 'Voluntary' includes voluntary redundancies and resignations.
2. 'Involuntary' primarily comprises members who are medically transitioned from Defence, and personnel who are unsuitable for further duty, who died while serving or who were part of 'Command Initiated Transfer to the Reserve'.

## ADF Reserves

The number of days each ADF Reserve member (Service Categories 5, 4 and 3) works in a year can vary substantially depending on personal circumstances and organisational need. To reflect this, Table 6.6 shows both the total number of days served by Reserve members in 2018–19, and the number of Reservists who rendered paid service.

2018–19 saw an increase of 46,101 days' service when compared to 2017–18 to a total of 1,011,519 (102,574 Navy; 691,758 Army; and 217,187 Air Force), while the number of Reservists undertaking service days increased to 20,551 (1,722 Navy; 15,418 Army; and 3,411 Air Force).

As Table 6.6 shows, the number of days served by Navy, Army and Air Force Reserve members were all greater than forecast (by 8 per cent, 2 per cent and 1 per cent respectively).

Table 6.6: **ADF Reserve paid strength (Service Categories 5, 4 and 3), 2017–18 and 2018–19<sup>1,2</sup>**

	2017–18 Actual: days served (members paid)	2018–19 Budget Estimate <sup>3</sup> : days served (members paid)	2018–19 Revised Estimate <sup>4</sup> : days served (members paid)	2018–19 Actual: days served (members paid)	Variation: days served (members paid)	Percentage variation days served (members paid)
Navy	96,121	95,000	95,000	102,574	7,574	8%
	(1,642)	(1,750)	(1,700)	(1,722)	(22)	(1%)
Army	665,774	665,000	675,000	691,758	16,758	2%
	(15,030)	(14,900)	(15,250)	(15,418)	(168)	(1%)
Air Force	203,523	211,000	214,320	217,187	2,867	1%
	(3,350)	(3,200)	(3,200)	(3,411)	(211)	(7%)
<b>Total paid Reserves</b>	<b>965,418</b>	<b>971,000</b>	<b>984,320</b>	<b>1,011,519</b>	<b>27,199</b>	<b>3%</b>
	<b>(20,022)</b>	<b>(19,850)</b>	<b>(20,150)</b>	<b>(20,551)</b>	<b>(401)</b>	<b>(2%)</b>

**Notes:**

1. Because the number of days or hours worked by Reserve members can vary greatly, figures in this table show the total number of days' service rendered, with a headcount of members rendering paid service in brackets.
2. This table includes Service Categories 5, 4 and 3. Reservists on continuous full-time service (Service Option C) are not included in this table; they are included in Table 6.3.
3. As published in the *Portfolio Budget Statements 2018–19*.
4. As published in the *Portfolio Budget Statements 2019–20*.

## Australian Public Service workforce

APS staffing figures for 2017–18 and 2018–19 are shown in Table 6.7.

Table 6.7: **Australian Public Service staffing figures, 2017–18 and 2018–19**

APS staffing measure	2017–18	2018–19 <sup>1</sup>	Variation
For workforce planning purposes			
Actual FTE (paid strength as at 30 June)	17,728	15,996	-1,732
Average FTE (over the financial year)	17,407	15,925	-1,482
For other statistical data			
Headcount figure (on duty/leave, full-time or part-time, paid/unpaid)	18,798	16,902	-1,896

**Notes:** Figures include both ongoing and non-ongoing APS employees.

1. Figures do not include the Australian Signals Directorate, which became a statutory authority from 1 July 2018.

Table 6.8 shows details of the APS average strength, expressed as average FTE, for 2018–19. APS average strength was 15,925 in 2018–19. This was a decrease of 1,482 from the 2017–18 figure of 17,407.

Table 6.9 shows the actual FTE at the last pay in 2018–19, which at 15,996 was 1,732 less than the final pay figure in 2017–18 of 17,728.

The reduction in APS strength in 2018–19 was primarily due to the creation of the Australian Signals Directorate as a statutory agency on 1 July 2018.

Table 6.8: APS workforce, average full-time equivalent, 2017–18 and 2018–19

	2017–18 Actual	2018–19 Budget Estimate <sup>1</sup>	2018–19 Revised Estimate <sup>2</sup>	2018–19 Actual	Variation	%
APS	17,407	16,373	16,010	15,925	-85	-0.5

**Notes:** These figures are average FTE; they are not a headcount.

1. As published in the *Portfolio Budget Statements 2018–19*.
2. As published in the *Portfolio Budget Statements 2019–20*.

Table 6.9: APS workforce, end-of-year equivalent, 2017–18 and 2018–19

	2017–18 Actual	2018–19 Budget Estimate <sup>1</sup>	2018–19 Revised Estimate <sup>2</sup>	2018–19 Actual	Variation	%
Total APS	17,728	16,373	16,010	15,996	-14	-0.1

**Notes:** Figures in this table are actual FTE for the last payday of 2018–19. Employees on forms of leave without pay are not included. The figures differ from Table 6.8 as that table shows the average FTE across the full year.

1. As published in the *Portfolio Budget Statements 2018–19*.
2. As published in the *Portfolio Budget Statements 2019–20*.

## Australian Public Service recruitment and separations

Defence recruited 1,715 APS employees during 2018–19, including 164 as part of the graduate program.

The APS headcount decreased by 1,896, which reflects the net difference between recruitment and separations and includes 1,770 transfers to the Australian Signals Directorate, which is now a separate statutory authority in the Defence portfolio. The majority of separations were due to resignation or retirement from Defence (Table 6.10).

Table 6.10: APS separations, 2017–18 and 2018–19

	Voluntary redundancy <sup>1</sup>	Involuntary separations <sup>2</sup>	Resignation/ retirement <sup>3</sup>	Transfers <sup>4</sup>	Total
<b>2017–18<sup>5</sup></b>					
Senior Executive Service	–	–	14	6	20
Executive Levels 1 and 2	56	15	283	62	416
Other levels	192	59	866	119	1,236
<b>Total APS</b>	<b>248</b>	<b>74</b>	<b>1,163</b>	<b>187</b>	<b>1,672</b>
<b>2018–19</b>					
Senior Executive Service	1	–	11	10	22
Executive Levels 1 and 2	103	16	334	83	536
Other levels	192	66	863	162	1,283
<b>Total APS</b>	<b>296</b>	<b>82</b>	<b>1,208</b>	<b>255</b>	<b>1,841</b>

**Notes:** Figures in this table show ongoing and non-ongoing headcount numbers (substantive headcount).

1. Voluntary redundancies are those that are program initiated.
2. Involuntary figures include breach of conduct, invalidity retirement, involuntary redundancies, 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.
4. Transfers are those who have transferred to other government departments.
5. Some 2017–18 figures have been adjusted from those reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

## Actual workforce

This section provides workforce information as at 30 June 2019 and outlines changes in the workforce that occurred during 2018–19. Tables 6.11 to 6.17 include numbers of people, employment categories, locations and gender information. The number of Star-rank and Senior Executive Service officers are also provided at Tables 6.13 and 6.14. The information is based on headcount.

At 30 June 2019, Defence had a permanent workforce of 74,735, comprising 58,058 permanent ADF members (Service Categories 7 and 6) and 16,677 ongoing APS employees. An additional 225 APS employees were employed on a non-ongoing basis (Table 6.16).

The Reserve (Service Categories 5, 4 and 3) headcount increased by 2,157 to 27,483 (including those members on continuous full-time service (Service Option C)). The total ADF workforce was 85,541, and included 17,547 Navy permanent and Reserve members, 48,249 Army permanent and Reserve members, and 19,745 Air Force permanent and Reserve members. At 30 June 2019, 1,138 Reservists were also Defence APS employees.

**Table 6.11: Defence workforce headcount as at 30 June 2018 and 30 June 2019**

	Navy	Army	Air Force	ADF <sup>1</sup>	APS <sup>2</sup>
Headcount 30 June 2018	13,650	29,996	14,312	57,958	18,798
Additions	1,683	2,963	1,071	5,717	1,715
Separations	1,127	3,448	1,042	5,617	1,841
Machinery of Government changes <sup>3</sup>	–	–	–	–	1,770
Headcount 30 June 2019	14,206	29,511	14,341	58,058	16,902
Change	556	-485	29	100	-1,896

**Notes:** Figures in this table show substantive headcount numbers.

1. ADF figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. APS figures include paid and unpaid employees, which covers full-time, part-time, suspended, ongoing and non-ongoing employees.
3. Movement of employees due to the Australian Signals Directorate becoming a separate statutory authority within the Defence portfolio on 1 July 2018.

**Table 6.12: Defence workforce by employment location as at 30 June 2019**

	NSW	VIC <sup>1</sup>	QLD	SA	WA	TAS	NT	ACT <sup>2</sup>	O/S <sup>3</sup>	Total
<b>Permanent force<sup>4</sup></b>										
Navy	6,243	1,876	810	133	2,517	22	577	1,826	202	14,206
Army	5,144	3,072	12,272	1,876	904	56	2,912	2,952	323	29,511
Air Force	4,265	1,082	3,378	1,899	299	11	923	2,160	324	14,341
<b>Subtotal</b>	<b>15,652</b>	<b>6,030</b>	<b>16,460</b>	<b>3,908</b>	<b>3,720</b>	<b>89</b>	<b>4,412</b>	<b>6,938</b>	<b>849</b>	<b>58,058</b>
<b>Reserves<sup>5</sup></b>										
Navy	1,011	286	479	98	277	82	87	1,013	8	3,341
Army	5,242	3,290	4,805	1,496	1,863	504	567	966	5	18,738
Air Force	1,386	421	1,485	560	238	65	110	1,139	–	5,404
<b>Subtotal</b>	<b>7,639</b>	<b>3,997</b>	<b>6,769</b>	<b>2,154</b>	<b>2,378</b>	<b>651</b>	<b>764</b>	<b>3,118</b>	<b>13</b>	<b>27,483</b>
<b>Total ADF</b>	<b>23,291</b>	<b>10,027</b>	<b>23,229</b>	<b>6,062</b>	<b>6,098</b>	<b>740</b>	<b>5,176</b>	<b>10,056</b>	<b>862</b>	<b>85,541</b>
<b>APS<sup>6</sup></b>										
<b>Total APS</b>	<b>2,505</b>	<b>3,476</b>	<b>1,236</b>	<b>2,071</b>	<b>460</b>	<b>71</b>	<b>210</b>	<b>6,861</b>	<b>12</b>	<b>16,902</b>

**Notes:** Figures in this table show substantive headcount numbers.

1. Victorian figures include individuals located in Albury, New South Wales.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (New South Wales) and Bungendore (New South Wales).

3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.
4. Permanent force (Service Categories 7 and 6) does not include ADF Gap Year participants (Service Option G).
5. Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).
6. Includes paid and unpaid employees, which covers full-time, part-time, ongoing and non-ongoing employees. Figures for the APS include 1,138 APS employees who are also counted as Reserve members.

**Table 6.13: Star-ranked officers as at 30 June 2019**

	Star-ranked officers <sup>1</sup>			2018–19 engagements <sup>2</sup>			2018–19 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Four-star</b>									
Navy	–	–	–	–	–	–	–	–	–
Army	1	–	1	1	–	1	–	–	–
Air Force	–	–	–	–	–	–	1	–	1
<b>Three-star</b>									
Navy	2	–	2	1	–	1	2	–	2
Army	3	–	3	2	–	2	–	–	–
Air Force	3	–	3	1	–	1	–	–	–
<b>Two-star</b>									
Navy	10	1	11	2	1	3	4	–	4
Army	15	3	18	3	2	5	3	–	3
Air Force	8	2	10	2	–	2	2	–	2
<b>One-star</b>									
Navy	33	5	38	6	–	6	5	1	6
Army	51	7	58	8	1	9	6	1	7
Air Force	33	4	37	4	3	7	4	1	5
<b>Total</b>	<b>159</b>	<b>22</b>	<b>181</b>	<b>30</b>	<b>7</b>	<b>37</b>	<b>27</b>	<b>3</b>	<b>30</b>

**Notes:**

1. Figures in this table show members in Service Categories 7 and 6 (Permanent Service), at their substantive rank.
2. Figures in this table show substantive promotions only.



Australian Army soldiers from 2nd Commando Regiment move out towards an off-shore target during counter-terrorism training in Sydney in May 2019.

Table 6.14: APS Senior Executive Service employees as at 30 June 2019

	Total Senior Executive Service <sup>1</sup>			2018–19 engagements <sup>2,3</sup>			2018–19 separations <sup>2,4</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Senior Executive</b>									
Secretary	1	–	1	–	–	–	–	–	–
Band 3	5	3	8	2	1	3	3	–	3
Band 2 <sup>5</sup>	18	8	26	2	2	4	5	2	7
Band 1 <sup>6</sup>	49	40	89	7	9	16	8	3	11
<b>Chief of Division</b>									
Grade 2	8	2	10	–	–	–	–	1	1
Grade 1	2	–	2	–	–	–	–	–	–
<b>Senior Executive</b>									
Relief staff <sup>7</sup>	11	14	25	–	–	–	–	–	–
<b>Total</b>	<b>94</b>	<b>67</b>	<b>161</b>	<b>11</b>	<b>12</b>	<b>23</b>	<b>16</b>	<b>6</b>	<b>22</b>

**Notes:**

- Figures in this table show employee numbers at their substantive level, but not employees on long-term leave (4).
- Gains and losses do not reflect movement of officers between levels in each of the Senior Executive Service 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.
- Senior Executive Service Band 1 includes Medical Officer Grade 5.
- Relief staff indicates non-Senior Executive Service employees on long-term acting arrangements in Senior Executive Service / Chief of Division positions that are vacant, or where the incumbents are taking leave, acting in higher positions or undertaking other duties.

Table 6.15: APS Executive Level employees and below, by gender and classification, as at 30 June 2019

	30 June 2019 headcount			2018–19 engagements			2018–19 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executive Level</b>									
Executive Level 2	1,125	444	1,569	40	39	79	51	147	198
Executive Level 1	2,149	1,227	3,376	102	81	183	126	212	338
<b>Subtotal</b>	<b>3,274</b>	<b>1,671</b>	<b>4,945</b>	<b>142</b>	<b>120</b>	<b>262</b>	<b>177</b>	<b>359</b>	<b>536</b>
<b>Other staff</b>									
APS Level 6	2,828	2,027	4,855	254	204	458	177	292	469
APS Level 5	1,530	1,311	2,841	140	148	288	110	183	293
APS Level 4	747	1,018	1,765	73	141	214	91	90	181
APS Level 3	449	886	1,335	55	97	152	108	62	170
APS Level 2	362	418	780	127	100	227	61	56	117
APS Level 1	132	106	238	43	46	89	28	25	53
<b>Subtotal</b>	<b>6,048</b>	<b>5,766</b>	<b>11,814</b>	<b>692</b>	<b>736</b>	<b>1,428</b>	<b>575</b>	<b>708</b>	<b>1,283</b>
<b>Total APS</b>	<b>9,322</b>	<b>7,437</b>	<b>16,759</b>	<b>834</b>	<b>856</b>	<b>1,690</b>	<b>752</b>	<b>1,067</b>	<b>1,819</b>

**Note:** Figures in this table show ongoing and non-ongoing employee substantive headcount numbers. Figures include paid, unpaid, full-time and part-time employees. Figures exclude SES employees. Figures exclude employees who do not exclusively identify as either male or female.

Table 6.16: APS employees by gender as at 30 June 2018 and 30 June 2019

	30 June 2018 <sup>1</sup>			30 June 2019		
	Full-time	Part-time <sup>2</sup>	Total	Full-time	Part-time <sup>2</sup>	Total
<b>Ongoing employees</b>						
Men	10,461	242	10,703	9,080	206	9,286
Women	6,796	1,080	7,876	6,422	967	7,389
Unspecified <sup>3</sup>	–	1	1	1	1	2
<b>Total ongoing</b>	<b>17,257</b>	<b>1,323</b>	<b>18,580</b>	<b>15,503</b>	<b>1,174</b>	<b>16,677</b>
<b>Non-ongoing employees</b>						
Men	114	15	129	110	13	123
Women	81	8	89	86	15	101
Unspecified <sup>3</sup>	–	–	–	1	–	1
<b>Total non-ongoing</b>	<b>195</b>	<b>23</b>	<b>218</b>	<b>197</b>	<b>28</b>	<b>225</b>
<b>Total APS employees</b>						
Men	10,575	257	10,832	9,190	219	9,409
Women	6,877	1,088	7,965	6,508	982	7,490
Unspecified <sup>3</sup>	–	1	1	2	1	3
<b>Total</b>	<b>17,452</b>	<b>1,346</b>	<b>18,798</b>	<b>15,700</b>	<b>1,202</b>	<b>16,902</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees.

1. Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.
2. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.
3. Figures include employees who have identified as indeterminate, intersex or unspecified.

Table 6.17: ADF permanent (Service Categories 7 and 6), Gap Year (Service Option G) and Reserve forces (Service Categories 5, 4 and 3) and APS by gender as at 30 June 2018 and 30 June 2019

	30 June 2018 <sup>1</sup>				30 June 2019			
	Men	%	Women	%	Men	%	Women	%
<b>Navy permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	2,077	15.2	532	3.9	2,072	14.6	549	3.9
Other ranks	7,359	53.9	1,910	14.0	7,366	51.9	2,023	14.2
<b>Training force</b>								
Officers	581	4.3	173	1.3	651	4.6	214	1.5
Other ranks	695	5.1	322	2.4	1,020	7.2	309	2.2
<b>Total Navy</b>	<b>10,712</b>	<b>78.5</b>	<b>2,937</b>	<b>21.5</b>	<b>11,109</b>	<b>78.2</b>	<b>3,095</b>	<b>21.8</b>
<b>Army permanent<sup>2</sup></b>								
<b>Training force</b>								
Officers	4,622	15.4	867	2.9	4,565	15.5	900	3.0
Other ranks	18,466	61.6	2,574	8.6	17,844	60.5	2,725	9.2
<b>Training force</b>								
Officers	768	2.6	249	0.8	770	2.6	228	0.8
Other ranks	1,855	6.2	593	2.0	2,011	6.8	466	1.6
<b>Total Army</b>	<b>25,711</b>	<b>85.7</b>	<b>4,283</b>	<b>14.3</b>	<b>25,190</b>	<b>85.4</b>	<b>4,319</b>	<b>14.6</b>



	30 June 2018 <sup>1</sup>				30 June 2019			
	Men	%	Women	%	Men	%	Women	%
<b>Air Force permanent<sup>2</sup></b>								
<b>Training force</b>								
Officers	3,367	23.5	986	6.9	3,368	23.5	1,023	7.1
Other ranks	6,918	48.3	1,719	12.0	6,712	46.8	1,865	13.0
<b>Training force</b>								
Officers	596	4.2	226	1.6	608	4.2	245	1.7
Other ranks	266	1.9	233	1.6	276	1.9	243	1.7
<b>Total Air Force</b>	<b>11,147</b>	<b>77.9</b>	<b>3,164</b>	<b>22.1</b>	<b>10,964</b>	<b>76.5</b>	<b>3,376</b>	<b>23.5</b>
<b>ADF permanent<sup>2</sup></b>								
<b>Training force</b>								
Officers	10,066	17.4	2,385	4.1	10,005	17.2	2,472	4.3
Other ranks	32,743	56.5	6,203	10.7	31,922	55.0	6,613	11.4
<b>Training force</b>								
Officers	1,945	3.4	648	1.1	2,029	3.5	687	1.2
Other ranks	2,816	4.9	1,148	2.0	3,307	5.7	1,018	1.8
<b>Total ADF permanent</b>	<b>47,570</b>	<b>82.1</b>	<b>10,384</b>	<b>17.9</b>	<b>47,263</b>	<b>81.4</b>	<b>10,790</b>	<b>18.6</b>
<b>ADF Gap Year</b>								
Navy	43	8.2	55	10.5	53	9.4	74	13.1
Army	192	36.7	105	20.1	199	35.2	82	14.5
Air Force	64	12.2	64	12.2	73	12.9	85	15.0
<b>Total ADF Gap Year</b>	<b>299</b>	<b>57.2</b>	<b>224</b>	<b>42.8</b>	<b>325</b>	<b>57.4</b>	<b>241</b>	<b>42.6</b>
<b>Reserves<sup>2,3</sup></b>								
Navy	2,258	8.9	668	2.6	2,583	9.4	758	2.8
Army	14,793	58.4	2,548	10.1	15,920	57.9	2,817	10.3
Air Force	4,013	15.8	1,046	4.1	4,285	15.6	1,119	4.1
<b>Total Reserves</b>	<b>21,064</b>	<b>83.2</b>	<b>4,262</b>	<b>16.8</b>	<b>22,788</b>	<b>82.9</b>	<b>4,694</b>	<b>17.1</b>
<b>APS<sup>2,4</sup></b>								
<b>Total APS</b>	<b>10,832</b>	<b>57.6</b>	<b>7,965</b>	<b>42.4</b>	<b>9,409</b>	<b>55.7</b>	<b>7,490</b>	<b>44.3</b>

**Notes:** Figures in this table show substantive headcount numbers. Percentage figures are calculated within each section, so that the subtotal for each section adds to 100 per cent. Percentages may not sum due to rounding.

1. Some 30 June 2018 figures have been adjusted from those reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.
2. Figures exclude employees who do not exclusively identify as either male or female.
3. Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).
4. Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees. The 30 June 2019 figures for the APS include 1,138 APS employees who are also counted as Reserve members.

## ADF Gap Year program

A total of 570 participants enlisted in the 2018 ADF Gap Year program (Navy, 100; Army, 330; Air Force, 140). A total of 593 participants have enlisted in the 2019 program (Navy, 125; Army, 300; Air Force, 167). As at 30 June 2019, 11 members from the 2018 program and 556 members from the 2019 program (a total of 567) were still participating.

Table 6.18: **ADF Gap Year (Service Option G) participants as at 30 June 2019**

	Navy			Army			Air Force			ADF			Total
	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	
2018 program													
Participants	45	55	–	216	114	–	71	69	–	332	238	–	570
Separated or inactive Reserves	20	25	–	59	18	–	11	14	–	90	57	–	147
Transferred to permanent ADF	19	29	–	119	58	–	55	51	–	193	138	–	331
Transferred to active Reserves	–	–	–	37	37	–	4	3	–	41	40	–	11
Still participating in 2018 program	6	1	–	1	1	–	1	1	–	8	3	–	11
2019 program													
Participants	50	75	–	212	88	–	78	89	1	340	252	1	593
Separated or inactive Reserves	1	1	–	12	6	–	3	4	–	16	11	–	27
Transferred to permanent ADF	2	1	–	1	–	–	3	1	–	6	2	–	8
Transferred to active Reserves	–	–	–	1	1	–	1	–	–	1	1	–	2
Still participating in 2019 program	47	73	–	198	81	–	72	84	1	317	238	1	556

## Reserve Service protection

The *Defence Legislation Amendment Bill 2018* sought to amend the *Defence Reserve Service (Protection) Act 2001* (DRSP Act) to move the complaint, investigation and mediation scheme from regulations to the DRSP Act, while simplifying and improving these processes.

The DRSP Act provides for the protection of ADF Reserve members in their civilian employment and education. The Act mitigates some of the employment and financial disadvantages that Reserve members may face when rendering Defence service, making it easier to undertake Defence service, and so enhancing Defence capability. Under the DRSP Act, employers and education providers are prohibited from discriminating against Reserve members or hindering them from rendering Defence service. A Reserve member rendering Defence service is entitled to be absent from their employment during that service, and must be permitted to resume work after their Defence service ends. Education providers are required to make reasonable adjustments to accommodate a Reserve member's Defence service. Under the DRSP Act, employers, education providers and others may be subject to criminal prosecution or civil penalties. An affected person may bring an action for compensation or an injunction in a court, or Defence may bring such an action on behalf of the affected person.

The amendments establish a requirement for the Chief of the Defence Force to prepare a report in relation to the administration and operation of the DRSP Act, for inclusion in the Defence Annual Report each year.

The *Defence Legislation Amendment Bill 2018* came into effect on 29 March 2019. On 15 April 2019, phone calls to the Employer Support and Service Protection section migrated to the 1800-DEFENCE call centre. This migration provides ADF Reservists and employers with extended access to advice (call centre hours are Monday to Friday 0700–2200, Saturday 0900–1700), and Defence, with accurate data collection on phone enquiries regarding issues related to the DRSP Act.

Between 15 April and 30 June 2019, 62 calls were received regarding enquiries about the DRSP Act. Sixteen calls were resolved at the time of contact through the provision of general information to do with protections and obligations provided by the DRSP Act. Forty-six enquiries were referred to Employer Support and Service Protection staff for specific advice; 10 of these enquiries were resolved within two business days and the remainder within eight business days.

During Financial Year 2018–19 there has been a greater emphasis placed on education and awareness presentations to ADF Reserve members and employers of Reservists. This has significantly reduced the number of enquiries made to Defence. These presentations have targeted recurring issues, in an effort to ensure that ADF Reservists and their employers are able to have more informed discussions about Defence service and the impacts on the business.

## ADF Cadets

Throughout 2018–19 Defence continued to deliver and administer several youth development and engagement activities. Foremost among these is the Australian Defence Force Cadets (ADF Cadets) program.

ADF Cadets is a personal development program for young people, supported by the ADF in cooperation with the community. The program benefits the nation by developing the capacity of young Australians to contribute to society. It fosters an interest in ADF careers and develops ongoing support for Defence.

ADF Cadets comprises three Cadet organisations aligned to and administered by the respective Services, Navy, Army and Air Force; and ADF Cadets Headquarters, which is tasked with the development and governance of common elements of the three organisations' programs.

Approximately 25,700 Cadets are currently enrolled in the three Cadet programs; 4,500 officers and instructors of Cadets and 'approved helpers' supervise and support the young people in the programs; and there are 564 ADF Cadets units across all states and territories.

## 2018–19 highlights

The One Cadet reform program was initiated in October 2016. The program aims to standardise the governance and administration of common elements of the three ADF Cadets organisations' programs, with an emphasis on youth safety, training coordination, communications and enterprise support.

Throughout 2018–19, Defence continued to standardise common elements of the three Cadet programs, including the transition of all three ADF Cadets organisations onto the same information technology platform. This work is continuing.

A number of combined ADF Cadets activities took place during 2018–19 One Cadet Reform program. Sixteen cadets from Australian Navy Cadets, Australian Army Cadets and Australian Air Force Cadets represented Australia at the commemorations for the 100th anniversary of the Battle of Amiens and the last 100 days of World War I. They were joined by youths from Canada, France, the United Kingdom and the United States of America during the period 6–9 August 2018.

The Cadets attended a service at Amiens Cathedral on 8 August 2018, and visited the Somme 1916 battlefields. These activities enabled the Cadets to interact with young people from other nations, forming a multinational group for a mix of classroom and 'hands-on' learning activities.

On 10 November 2018, the British High Commission in Canberra hosted a commemorative gala dinner to mark the 100 year anniversary of the Armistice that concluded the Great War. Representatives from Australian Army Cadets and Australian Air Force Cadets attended what was a fitting tribute to the fallen.

## Australian Navy Cadets

Throughout 2018–19 the Australian Navy Cadets Directorate progressed a range of program-specific initiatives. This included a revision of Australian Navy Cadet Instructor training packages; ongoing replacements for watercraft including new power boats and sail craft; improvements to facilities; and increased participation in major facilities redevelopments.

The Royal Australian Navy continues to provide support for annual and weekend camps, sailing regattas and national shooting competitions. The Navy Cadets Directorate is also working closely with Navy Fleet Support Units to yield mutual benefits in watercraft maintenance and repairs.

Several Australian Navy Cadets maritime training centres are being established across Australia, consistent with the Australian Navy Cadet Strategy to 2021. The maritime training centres will be where Navy assets and qualified Australian Navy Cadets instructors focus their efforts to maximise cadet throughput and maritime training outcomes. There has been an increase in the numbers of cadets who have been given sea-time in MV *Sycamore*, a vessel contracted for Navy training. By continuing to broaden our maritime outlook, Australian Navy Cadets Directorate has engaged the Australian Maritime College and Navy Shipbuilding College to identify opportunities to increase cadet exposure to the maritime industry and associated vocations. There have been many new opportunities and avenues for cadets to interact with the Navy, which includes overnight sea-rides, ship visits and supporting ceremonial events.

## Australian Army Cadets

In 2018–19 the Australian Army Cadets continued its transformation program along the themes of ‘grow, professionalise and modernise’. The Australian Army Cadets is a key part of the Army’s community engagement program. Transformation entered its second phase focusing on future development of adult leader courses and longitudinal studies into Cadets joining Defence. This financial year saw minimal growth in adult volunteer numbers (from 1,148 to 1,165) and good growth in cadet numbers (from 16,434 to 17,130). Growth also included an increased percentage of female cadets (from 21 per cent to 22 per cent) and Indigenous cadets (from 2 per cent to 3 per cent).

## Australian Air Force Cadets

During 2018–19 the Royal Australian Air Force successfully introduced into service two of eight modern training aircraft to replace ageing leased aircraft, thereby significantly enhancing the aviation capability within the Australian Air Force Cadets. This allows cadets increased opportunities to undertake a range of aviation activities and experiences, including the opportunity to obtain civil pilot qualifications. A new strategic plan, 2023 Enterprise Campaign Plan, was introduced, with a key element of the plan being to establish a single National Headquarters. The structure brings together Air Force staff and elements of the Cadet Executive Management Team into one virtual headquarters-level organisation to administer the Australian Air Force Cadets while reducing process duplication, decision time and operating costs.

## Recruitment activities

As identified in the *Defence Strategic Workforce Plan 2016–2026*, Defence must grow and reshape the workforce to meet new capability requirements, particularly in areas such as intelligence, cyber, engineering and specialist skills to enable the national shipbuilding enterprise.

Targeted recruitment and retention efforts are ongoing in relation to a number of engineering, science, health, naval (such as submariners) and intelligence related occupations.

The following recruitment-related activities have been progressed in 2018–19:

- Strategies for recruitment of Army women and a plan for recruiting into the science, technology, engineering and mathematics roles have been released and are being implemented.

- Additional marketing material was launched to market aimed to capitalise on the success of the existing Army brand campaign and overcome some perceived barriers to people, especially women and mothers, when contemplating an Army career.
- A submariner competition was conducted in February 2019 to encourage potential candidates to consider a career as a submariner in the Navy. Winners were invited to HMAS *Stirling* to board a submarine and experience life as a submariner.
- The Female Initial Training Preparation (FIT Prep) program, previously the Army Preconditioning Program, was refined to better prepare women for commencement and successful completion of initial military training.
- Tours of Navy ships and establishments were conducted, including Navy-oriented information sessions to familiarise potential applicants with Navy opportunities.
- Flexibility in the Navy intake timing process was introduced to adjust for late notice recruiting opportunities (known as recoup opportunities).
- Defence began partnering with the Department of Industry, Innovation and Science, through Questacon, for the delivery of the 'Engineering is Elementary' program in 2019–20, which is delivered through teachers and is designed to encourage all children—including those from under-represented groups—to see the values inherent in STEM and to envision themselves as potential engineers.
- Defence has continued to implement the APS Recruiting Strategy with the introduction of an innovative fast-tracking selection approach that includes online selection tools.
- A dedicated Naval Construction APS graduate entry stream has been introduced.
- Customer Recruitment Account Managers have been introduced to support faster APS recruitment for critical positions.
- Online mechanisms, including an APS Candidate Portal, a temporary employment register and a Naval Construction website, have been further developed.
- The science, technology, engineering and mathematics cadetship program has been expanded and now includes 35 APS cadets within the Defence Science and Technology Group.

As a result of these activities, ADF recruitment to the permanent workforce increased to 5717 in 2018–19, compared to 5237 enlistments in 2017–18. This was 91.6 per cent of the 2018–19 target of 6226. Recruitment to the Reserves was 1614 in 2018–19, being 84.8 per cent of the target of 1903. In 2017–18, ADF permanent force enlistments was 93.6 per cent of the target of 5,593, and for the Reserve force was 84.0 per cent of the full-year target of 2,345.

## Defence Graduate Program

The Defence Graduate Program continues to deliver a vital contribution to addressing Defence workforce challenges, attracting an ever increasing number of applications in 2018–19. Graduates are recruited across 14 career streams, including engineering, science, policy, intelligence and corporate pathways. In 2018–19, 215 graduates entered the program, representing 15 per cent of the total ongoing APS workforce recruited to Defence. Approximately 30 per cent of those graduates were recruited to STEM-specific career pathways within Defence, which remains a key priority for the portfolio.

Defence continues to build the STEM workforce within the Defence Science and Technology Pathway and successfully recruited 25 graduates in 2018–19, with a target of 30 in 2019–20. In addition the Maritime Engineering and Naval Construction Pathway was introduced into the program in 2018–19. The pathway aims to address the demand for a talent pipeline into the Naval Shipbuilding domain within Defence. Beginning to address this challenge was successfully achieved, with 28 engineering graduates participating in the Naval Construction Pathway in 2018–19.

## Remuneration and benefits

Defence remuneration is a key component of the Defence employment package. It attracts people to join Defence, encourages them to develop personally and professionally and ensures they choose to remain in Defence. The employment offer provides for fair and competitive remuneration, consistent with the parameters laid down by the Government.

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

## Australian Defence Force members

The independent Defence Force Remuneration Tribunal, established under section 58G of the *Defence Act 1903*, is responsible for setting salary and salary-related allowances for ADF members.

The 2017–2020 Australian Defence Force Workplace Remuneration Arrangement is a key component of the ADF remuneration framework. It is part of the ADF remuneration initiative aimed at attracting and retaining military personnel. The arrangement forms a significant part of ADF members' total employment package.

The arrangement increases salary and salary-related allowances in return for enhanced Defence capability. Other conditions of service are determined by the Minister for Defence under section 58B of the Defence Act. The current arrangement came into effect on 2 November 2017. Table 6.19 details salary ranges for permanent ADF members as at 30 June 2019.

**Table 6.19: Permanent Australian Defence Force salary ranges as at 30 June 2019**

Rank	Salary range (\$)	
	Minimum	Maximum
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	\$405,780	\$480,994
Major General (E) <sup>2</sup>	\$240,307	\$293,053
Brigadier (E) <sup>2, 3</sup>	\$197,157	\$267,988
Colonel (E) <sup>2, 3, 5</sup>	\$150,728	\$255,843
Lieutenant Colonel (E) <sup>2, 4</sup>	\$128,194	\$243,452
Major (E) <sup>2, 4</sup>	\$89,800	\$219,308
Captain (E) <sup>2, 4</sup>	\$70,334	\$208,159
Lieutenant (E) <sup>5</sup>	\$58,467	\$122,567
2nd Lieutenant (E) <sup>5</sup>	\$54,626	\$114,411
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	\$79,645	\$122,581
Warrant Officer Class 2 (E)	\$73,356	\$113,583
Staff Sergeant (E)	\$70,896	\$109,575
Sergeant (E)	\$63,389	\$104,792
Corporal (E)	\$54,776	\$95,824
Lance Corporal (E)	\$50,387	\$89,065
Private Proficient (E)	\$49,346	\$88,024
Private (E)	\$48,325	\$87,008

**Notes:**

1. 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.

## Australian Public Service employees

Non-Senior Executive Service Australian Public Service (APS) employees have their terms and conditions of employment set out in an Enterprise Agreement made under the *Fair Work Act 2009*. The agreement is developed through consultation with employees and their representatives and is negotiated consistent with legislation and the Government's bargaining policy.

Table 6.20 details Defence APS salary rates as at 30 June 2019. The majority of Defence employees receive salaries within the standard ranges. However, the Enterprise Agreement allows for remuneration and other benefits to be varied so that Defence can develop, attract and retain selected employees with the necessary skills and knowledge to deliver capability. Table 6.21 shows the number of Employment Arrangements for SES and non-SES employees.

**Table 6.20: Australian Public Service salary ranges as at 30 June 2019**

Classification	Minimum	Maximum	Individual arrangements <sup>1</sup>
<b>Senior Executive Service salary arrangements</b>			
SES Band 3	\$247,687	\$295,107	\$540,600
SES Band 2 <sup>2</sup>	\$199,189	\$248,879	\$326,400
SES Band 1 <sup>3</sup>	\$164,152	\$210,047	\$237,462
<b>Non-Senior Executive Service salary arrangements<sup>4</sup></b>			
	Minimum	Maximum	Special pay points
Executive Level 2	\$118,376	\$142,087	\$190,230 <sup>5</sup>
Executive Level 1	\$101,955	\$115,005	\$142,087 <sup>6</sup>
APS Level 6	\$80,669	\$92,150	\$94,930 <sup>7</sup>
APS Level 5	\$73,636	\$78,873	\$79,841 <sup>8</sup>
APS Level 4	\$67,100	\$73,256	–
APS Level 3	\$59,237	\$65,270	–
APS Level 2	\$52,004	\$58,463	\$59,065 <sup>9</sup>
APS Level 1	\$45,952	\$51,583	–

**Notes:**

1. Maximum salary paid under an individual remuneration arrangement shown.
2. Includes rates for Chief of Division Grade 2 and Medical Officer Class 6.
3. Includes rate for Chief of Division Grade 1 and Medical Officer Class 5.
4. Salary ranges provided under the *Defence Enterprise Agreement 2017–2020*.
5. Maximum rate for Executive Level 2.1, Executive Level 2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
6. Maximum rate for Public Affairs and Legal specialist structures and Medical Officer Class 1 and 2.
7. Maximum rate for Public Affairs Grade 2 retained pay point.
8. Maximum rate for Senior Technical Officer Grade 1 retained pay point.
9. Maximum rate for Technical Assistant Grade 2 retained pay point.

**Table 6.21: Employment Arrangements of SES and Non-SES employees**

Arrangement title	SES	Non-SES	Total
Enterprise Agreement	–	16,762	16,762
Section 24(1) Public Service Act Determination	140	–	140
<b>Total</b>	<b>140</b>	<b>16,762</b>	<b>16,902</b>

## APS benefits

All Defence APS employees enjoy a range of non-salary-related benefits. These include generous leave entitlements and access to flexible working arrangements such as flex time, part-time work and teleworking. Defence invests heavily in training and development of our staff and has a number of formal and informal schemes to recognise exemplary performance and achievements.

## Senior Leadership Group

During the reporting period ended 30 June 2019, Defence had 26 executives who meet the definition of key management personnel (KMP). Their names and the length of term as KMP are summarised below:

**Table 6.22: Key management personnel, 2018–19**

Name	Position	Term as KMP
Mr Greg Moriarty	Secretary of Defence	Full-year
ACM Mark Binskin (Ret)	Chief of the Defence Force	Part-year—Ceased 6/07/2018
GEN Angus Campbell	Chief of the Defence Force	Part-year—Appointed CDF 7/07/2018 Ceased Chief of Army 2/07/2018
VADM Raymond Griggs, RAN (Ret)	Vice Chief of the Defence Force	Part-year—Ceased 6/07/2018
VADM David Johnston, RAN	Vice Chief of the Defence Force	Part-year—Appointed 7/07/2018
Ms Rebecca Skinner	Associate Secretary	Full-year
VADM Timothy Barrett, RAN (Ret)	Chief of Navy	Part-year—Ceased 6/07/2018
VADM Michael Noonan, RAN	Chief of Navy	Part-year—Appointed 7/07/2018
LTGEN Richard Burr	Chief of Army	Part-year—Appointed 3/07/2018
AIRMSHL Gavin Davies	Chief of Air Force	Full-year
Mr Steven Groves	Chief Finance Officer	Full-year
Mr Stephen Pearson	Chief Information Officer	Full-year
Mr Peter Tesch	Deputy Secretary Strategic Policy & Intelligence	Part-year—Appointed 18/04/2019
Mr Thomas Hamilton	Deputy Secretary Strategic Policy & Intelligence	Part-year—13/08/2018 to 31/05/2019
Mr Scott Dewar	Deputy Secretary Strategic Policy & Intelligence	Part-year—Ceased 10/08/2018
AIRMSHL Melvin Hupfeld	Chief Joint Operations	Part-year—Ceased 19/06/2019
LTGEN Gregory Bilton	Chief Joint Operations	Part-year—Appointed 28/06/2019
Ms Justine Greig	Deputy Secretary Defence People	Full-year
AIRMSHL Warren McDonald	Chief of Joint Capabilities	Full-year
Mr Steven Grzeskowiak	Deputy Secretary Estate & Infrastructure	Full-year
Prof Tanya Monro	Chief Defence Scientist	Part-year—Appointed 12/03/2019
Dr Todd Mansell	Chief Defence Scientist	Part-year—6/11/2018 to 27/03/2019
Dr Alexander Zelinsky	Chief Defence Scientist	Part-year—Ceased 16/11/2018
Mr Anthony Fraser	Deputy Secretary Capability Acquisition & Sustainment	Part-year—Appointed 5/11/2018
Mr Kim Gillis	Deputy Secretary Capability Acquisition & Sustainment	Part-year—Ceased 07/09/2018
Mr Stephen Johnson	Deputy Secretary National Naval Shipbuilding	Part-year—Ceased 31/05/2019



Table 6.23: **Key management personnel remuneration, 2018–19**

	\$
Short-term benefits:	
Base salary <sup>1</sup>	8,148,228
Bonus	31,274
Other benefits and allowances	133,464
<b>Total short-term benefits</b>	<b>8,312,966</b>
Superannuation	1,639,908
<b>Total post-employment benefits</b>	<b>1,639,908</b>
Other long-term benefits	
Long service leave	144,356
<b>Total other long-term benefits</b>	<b>144,356</b>
Termination benefits	–
<b>Total key management personnel remuneration</b>	<b>10,097,230</b>

**Note:**

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Defence, Minister for Defence Industry, Minister for Veterans and Defence Personnel and Assistant Defence Minister. The remuneration and other benefits for these Ministers are not paid by the Department of Defence.

## Australian Defence Force

All ADF senior officers (excluding statutory/public office holders) are remunerated under the 2017–2020 Australian Defence Force Workplace Remuneration Arrangement. Other non-pay-related conditions of service are determined by the Minister for Defence under section 58B of the *Defence Act 1903*.

## Statutory officers

Statutory office holders, including the Secretary and the Chief of the Defence Force, are remunerated under determinations decided by the independent Remuneration Tribunal under the *Remuneration Tribunal Act 1973*.

## Australian Public Service

Senior Executive Service terms and conditions of employment are set by a single determination made under section 24(1) of the *Public Service Act 1999*. The determination is supplemented on an individual basis by a common law agreement covering remuneration.



Australian Army soldier  
Lance Corporal Georgia  
Beard at Victoria  
Barracks, Sydney,  
during the Forces  
Command Soldier of the  
Year activity for 2018.



Midshipman Matthew Jennings, Officer Cadet Katie Hacker and Officer Cadet Lily Lancaster in the state-of-the-art cyber facility at UNSW Canberra at the Australian Defence Force Academy.

IMAGE DIGITALLY ALTERED: Screens were blank at time of photograph

## Learning for the future—revolutionising Defence education and training

**A future-ready ADF depends on well-educated officers, sailors, soldiers and airmen and airwomen, with well-educated APS colleagues working alongside them. Education and training are critical to the intellectual development of our people. Defence's approach to this has transformed from our heritage model of residential and episodic education and training to a continuous, accessible and adaptive approach to learning.**

Leading this transformation is the Australian Defence College, with its four-pillared strategy of curriculum evolution, organisational reform, infrastructure development, and academic integration and outreach across the national security community. In 2019, as part of this effort, the Australian War College was opened to deliver a unified approach to professional military education, leaving the ADF Training Centre to focus on individual training.

Complementing the organisational reform is the implementation of more flexible online learning. An important part of this has been the expansion of the Australian Defence Electronic Learning Environment to over 60,000 subscribers, providing about two-thirds of Defence people with online learning opportunities. A new curated self-learning platform, Forge, provides a vehicle for self-paced learning, encouraging ADF and Defence APS members to own their journey to professional mastery.

The Australian War College ADF Transition and Civil Recognition Project, which began in 2019, is ensuring that ADF members' formal training is appropriately recognised with civil qualifications as they move into civilian roles. The project team has helped hundreds of transitioning members to better understand their value to civilian employers.

In a rapidly changing geopolitical and technological environment, this approach to education and training is integral to ensuring that Defence has a well-educated, well-trained workforce that is prepared for what we know and can adapt to the unknown.

## Performance pay

Non-Senior Executive Service APS employees move through their salary range subject to fully effective or better performance. Employees at the top of the range receive a 1 per cent lump sum bonus or a minimum payment of \$725.00, whichever is the greater. This bonus is considered a form of performance pay.

Senior Executive Service employees may have their salary increased on the outcome of their annual performance appraisal. A Senior Executive Service employee may also be paid a bonus at the discretion of the Secretary as a reward for exceptional performance.

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

**Table 6.24: APS employee performance bonus payments 2018–19**

Classification	Number of employees	Aggregated amount	Average amount
Trainee	12	\$8,700.00	\$725.00
APS Level 1	43	\$30,600.00	\$712.00
APS Level 2	550	\$387,726.00	\$705.00
APS Level 3	1,149	\$798,766.00	\$695.00
APS Level 4	1,174	\$812,756.00	\$692.00
APS Level 5	2,000	\$1,519,586.00	\$759.00
APS Level 6	3,429	\$3,059,579.00	\$889.00
Executive Level 1	2,598	\$2,915,074.00	\$1,122.00
Executive Level 2	1,135	\$1,626,955.00	\$1,433.00
<b>TOTAL</b>	<b>12,100</b>	<b>\$11,159,738.00</b>	<b>\$922.00</b>

### Notes:

1. Performance cycle is 1 September – 31 August.
2. There were no performance payments made to Senior Executive Service employees.
3. Averages for the APS1–APS4 classifications reflect amounts below the minimum bonus payment. This occurs for part-time employees and those employees within 1 per cent of the top of the salary range who receive both performance progression and a partial lump sum payment.

## Support services

Defence provides a range of support for ADF members, their families and Defence APS employees, such as crisis and bereavement support, assistance to families managing the opportunities and challenges associated with military life, supporting members and their families when the member transitions from military to civilian life, and a number of health and wellbeing initiatives. These support services are discussed further in this section.

Defence continues to work closely with the Department of Veterans' Affairs to deliver the best possible health and wellbeing outcomes for current and former members of the ADF and their families. These outcomes have been delivered through the Transition Transformation Program.

## ADF members and their families

Defence provides a broad range of programs and services that assist Defence families make the most of the challenges and opportunities provided by the military way of life. This includes information and advice, intervention and counselling, referrals to specialised community services, and assistance and support in crisis situations. Specific support available to families includes:

- Support in adjusting to illness and injury
- Counselling and support for difficult personal or family issues
- Information about and referral to community services, for example parenting support, family counselling services and relationship counselling

- Information on benefits, entitlements and practice assistance, for example Centrelink payments, disabled parking permits, transport services for disabled individuals and financial counselling services
- Counselling and practical assistance in emergency or crisis situations, for example concerns about an individual's welfare and family safety
- Coaching, practical guidance and support to assist when planning to leave Defence to move back into civilian life.

In 2018–19 Defence expanded eligibility for the Partner Employment Assistance Program. The Partner Employment Assistance Program provides funding towards employment-related initiatives aimed at contributing to ADF partner employability in their new posting. Employment-related initiatives include professional employment services and mandatory fees for professional re-registration required under legislation. Professional employment services can include résumé development, interview coaching, assistance with identifying transferrable skills, employment options or job placement advice, development of an online employment profile, selection criteria coaching, and interview preparation and presentation.

Defence delivered training and education programs to raise awareness and provide guidance on responding to allegations of family and domestic violence. In 2019, a targeted training program was developed for commanders and managers to respond to allegations of family and domestic violence.

Defence also provides childcare support services through the Defence Childcare Program, comprising 16 long day-care and three out of school hours centres and the Individual Case Management Service. Since its launch, the Individual Case Management Service has assisted over 686 Defence families to review their childcare requirements and source a childcare centre appropriate to their needs.

The Defence School Mentor Program provides funding to minimise the impact of mobility on education and build schools' capability to support Defence students, particularly during transitions into and out of the school and during parental absences. In 2018–19, a total of 242 schools and approximately 13,400 Defence children were provided with support under the program.

The Family Support Funding Program provides grants to community organisations to assist them to deliver support and services of value to Defence families and the community they live in. In 2018–19, 51 not-for-profit community organisations received grant funds under the program.

The Community Support Coordinator Program funds Defence community groups to employ a community support coordinator to coordinate the delivery of services and support of value to Defence families in their local community. In 2018–19, 27 paid Defence community support coordinators were supported through the program.

## Health and wellbeing of ADF personnel and veterans

Defence continues to deliver services to support the health and wellbeing of ADF personnel and veterans. The services are planned and delivered as a collaborative effort between Joint Health Command, Defence People Group, Navy, Army, Air Force and the Department of Veterans' Affairs.

### Health services

In 2018–19, the Services continued to maintain health capabilities, primarily to support their exercises and operations.

The Services also contributed to the delivery of health services by providing uniformed health staff for:

- Garrison Health, which delivers and manages health care for ADF personnel within Australia and on non-operational postings overseas
- Combat Health Support, which delivers health care for ADF personnel on military operations.

## Mental health

Defence has long recognised that the mental health and wellbeing of its workforce is critical to Defence capability. We are committed to providing mental health services and support to all ADF members and APS employees, and are focused on making Defence people 'Fit to Fight, Fit to Work, Fit for Life'.

## Mental health screening

As of 1 April 2019, the Periodic Mental Health Screen has been implemented in all garrison health centres. The screen enhances Defence's ability to maintain a fit and resilient workforce through early identification and intervention for individuals with mental health concerns.

## Project RESTORE

Project RESTORE is a clinical trial of a treatment for post-traumatic stress disorder known as Prolonged Exposure. The trial is being run to determine whether an intensive delivery of Prolonged Exposure therapy will deliver outcomes comparable to the Prolonged Exposure treatment protocol.

Defence has partnered with the Department of Veterans' Affairs, Open Arms—Veterans and Families Counselling, and Phoenix Australia to run the clinical trial. The trial will cease accepting participants at the end of 2019 and deliver a final evaluation on outcomes by the end of 2020.

It is hoped that the trial will lead to improved access to, and availability of, effective evidence-based care for post-traumatic stress disorder for both current and former ADF members.

## Transition from Australian Defence Force

Defence has a comprehensive employment package consisting of housing, medical, remuneration, superannuation and professional development opportunities that support our people to provide military service for Australia. When Defence members transition from undertaking military service to civilian life, this can bring significant change and uncertainty for a person and their family.

The goal of Defence's transition support is to ensure that the ADF member and their family are well prepared for civilian life, such as adjustment of social customs, community connection, having civilian health care in place, having considered financial implications of transition and, where appropriate, being able to secure and maintain civilian employment or meaningful engagement.

In 2018–19, Defence adopted a needs-based model of transition support, which offers transitioning members and their families access to targeted services and support. This support continues to be provided for 12 months after transition.

In 2018–19 Defence has delivered:

- greater support for families, especially those where the partner transitions medically, through the expansion of the Partner Employment Assistance Program
- launch of the Personalised Career and Employment Program to provide intensive support and employment pathways to early leavers, who are least likely to secure employment without additional support
- access to the two-day Job Search Preparation program to all serving ADF members at any time in their career
- the Transition for Employment program to offer tailored assistance to gain civilian employment to ADF members with complex medical conditions
- a skills recognition program that translates the training and skills that members have obtained to support preparation for seeking employment
- national rollout of 30 one-day ADF Member and Family Transition Seminars, which include a dedicated area to inform members about support for medically transitioning personnel

- ongoing communication with former ADF members for 24 months after leaving via follow-up phone calls and surveys. Information collected via the surveys is used to assess the effectiveness of transition programs, capture trends and inform future initiatives.

To assist ADF members and their families' transition to civilian life, Defence is working collaboratively with the Department of Veterans' Affairs to ensure the case management of those who require additional support.

## Work health and safety

Defence continued to make the health and safety of its people a key priority in 2018–19.

### Defence Work Health and Safety Strategy

The Defence Work Health and Safety Strategy 2017–22 sets the direction for Defence to achieve our safety vision. It focuses on embedding an inclusive, proactive and mindful safety culture in support of the health, wellness and safety priority in *Pathway to Change: Evolving Defence Culture 2017–22*.

The strategy and supporting implementation plan continue to embed work health and safety into our thinking and behaviour as well as in all Defence business and management systems. The initiatives included:

- **Senior Officer Safety Responsibilities**—Defence implemented the Officer Due Diligence Framework, setting out due diligence obligation for Defence senior leaders and those personnel who are designated as officers. The framework sets out the accountability Defence Senior Leaders have for the safety culture across the breadth of the organisation.
- **Work Health and Safety Expected Behaviours**—Defence developed its Work Health and Safety Expected Behaviours called 'Walk, Talk, Act'. Walk, Talk, Act outlines what is required of all Defence workers and provides practical examples of how senior leaders, directors/managers, team leaders and workers can demonstrate positive safety behaviours.
- **Defence Work Health and Safety Scorecard**—The Defence Work Health and Safety Scorecard has been developed to enable the identification of trends and areas of concern across Defence. This has improved awareness of work health and safety issues at the highest levels and enabled Defence to focus efforts to mitigate identified work health and safety trends. The scorecard is presented monthly to the Secretary, the Chief of the Defence Force, and the broader Senior Leadership Group.

### Mental Health and Wellbeing Strategy

The mental health and wellbeing of the workforce is critical to overall Defence capability. The *Defence Mental Health and Wellbeing Strategy 2018–2023* incorporates the latest mental health research and reflects outcomes from various reviews and inquiries into the mental health of serving and former ADF members, ensuring they are 'Fit to Fight, Fit to Work, Fit for Life'.

In 2018–19, Defence and the Department of Veterans' Affairs jointly funded the Transition and Wellbeing Research Program, which is the most comprehensive study ever undertaken in Australia of the impact of military service on the mental, physical and social health of serving and former ADF members and their families.

While Defence has had programs and policies in place previously, this is the first time the mental health and wellbeing actions and priorities have been brought into one coordinated plan. While there are differences in the types of initiatives and programs available to the ADF and APS workforces, there is a common understanding of the need to ensure a mentally healthy and resilient workforce.

The strategy has six key strategic objectives:

- Leadership and shared responsibility
- A thriving culture and healthy workplace
- Responding to the risks of military service
- Person-driven care and recovery

- Building the evidence
- Continually improving.

The strategic objectives are primarily focused on decreasing stigma, improving the knowledge and skills of all employees and improving the support services available for those who need them. The release of the strategy has seen the availability of a number of new mental health initiatives, such as:

- the Defence NewAccess Program, which provides a stepped care approach for the provision of support for those experiencing a mental health concern. Defence NewAccess is a tailored version of Beyond Blue's NewAccess Program. Both ADF and APS personnel can access the Defence-only service. NewAccess is provided in addition to the Defence Employee Assistance Program and will enable Defence to give staff access to programs that cater for mental health issues of varying levels of complexity
- the Mental Health Speakers Series, which assists in raising awareness and decreasing the stigma associated with mental health concerns
- mental health training for all levels of the organisation, including all employees, managers and the Senior Leadership Group, which is designed to raise awareness of mental health within the workplace and provide self-care strategies to individuals.

## Employee Assistance Program

The Employee Assistance Program assists Defence employees who are experiencing difficulties of a personal or work-related nature. It offers a confidential work-based intervention program designed to enhance emotional, mental and general psychological wellbeing. The program provides short-term preventative and proactive interventions for issues that may and do adversely affect performance and wellbeing. The program aims for early detection, identification and resolution of work and personal issues.

The program is available to all APS employees (ongoing and non-ongoing), ADF Reservists, ADF Cadets and officers and instructors of ADF Cadets. These services also extend to managers, supervisors and immediate family of eligible members within Defence.

The services include:

- education and training group awareness sessions that target common health and wellbeing topics that aim to promote enhanced wellbeing in a work and personal environment
- critical incident debriefing and trauma counselling
- pre-deployment and post deployment assessment and support for APS employees.

The 2018–19 annual utilisation for the Employee Assistance Program by eligible Defence members (Australian Public Service, Reservists and Cadets) was 4.4 per cent. This is 2.5 percentage points lower than the public administration / government benchmark of 6.9 per cent.

## Emerging hazards

Work Health and Safety undertakes biannual environmental scans in order to identify emerging hazards that may have an impact on the health and safety of Defence workers. Through the dedicated identification and evaluation of emerging hazards, Defence can proactively develop strategies to control the hazards, allowing the safe and beneficial use of these new technologies. The Emerging Hazards Capability consists of occupational health subject-matter experts within Work Health and Safety Branch and consultation with Defence Science and Technology Group, academia, areas of government and industry as appropriate. To date the capability has reviewed and published guidance information on 3D printing and nanomaterials. A presentation on emerging hazards was delivered to the Defence occupational health and hygiene conference in April 2019.

# Comcare

Defence continues to maintain a strong relationship and work collaboratively with Comcare. The biannual Defence–Comcare liaison forum and Comcare representation on the Defence Work Health and Safety Committee ensure sharing of information and a better understanding of the priorities of Comcare as a regulator.

In 2018–19, Comcare undertook 172 investigations across Defence, based on known high-risk areas, and issued nine notices.

Defence actively investigates safety incidents. In 2018–19 investigations focused on contact with a chemical or substance, followed by falls from a height and contact with electricity. Defence used these investigations to develop and refine associated hazard reduction programs and improve work health and safety performance.

In addition to partnering with Comcare on investigations, Defence is currently working closely with Comcare on a number of initiatives. These include:

- the APS Medical Care Pilot, which Defence participated in with Comcare from 6 May to 5 November 2019. The pilot offers early medical services for Defence APS employees within Australia with a new or emerging injury, through Injurynet’s registered nurse triage system
- Beyond Blue’s NewAccess program, which Defence is currently working with Comcare on evaluating. The intent of the evaluation is to measure the effectiveness of the NewAccess Program, with focus given to return to work outcomes and total cost of incapacity payments.

Table 6.25: Number of Comcare work health and safety notices, 2016–17 to 2018–19

Type of notice	2016–17	2017–18	2018–19
Improvement notice <sup>1</sup>	3	2	6
Prohibition notice <sup>2</sup>	1	1	3
Non-disturbance notice <sup>3</sup>	–	2	–

**Notes:**

1. Improvement notices are based on incidents and occurrences that contravene work health and safety legislation.
2. Prohibition notices are issued to remove an immediate threat to the health and safety of workers.
3. Non-disturbance notices are issued for a specific period of time to remove a threat to the health or safety of personnel.

## Work health and safety audits

In 2018–19, Work Health and Safety Branch conducted 37 work health and safety audits across Defence. This comprised 20 safety management systems audits, and 17 compliance audits in the risk areas of hazardous chemicals, electrical, and the joint special licence for the operation of high-risk plant.



## Notifiable incidents

The number of notifiable work health and safety incidents declined in 2018–19, as shown in Table 6.26.

Table 6.26: Number of work health and safety incidents and involved persons, 2016–17 to 2018–19

	2016–17		2017–18		2018–19	
	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>	Number of incidents <sup>2</sup>	Number of people involved in an incident <sup>3</sup>
Fatality <sup>1</sup>	8	8	3	3	4	4
Serious injury or illness <sup>1</sup>	226	234	240	242	201	203
Dangerous incident <sup>1</sup>	204	364	251	407	210	306
<b>Subtotal</b>	<b>438</b>	<b>606</b>	<b>494</b>	<b>652</b>	<b>415</b>	<b>513</b>
Minor injury	9,743	9,826	9,359	9,472	8,901	9,152
Near miss	873	4,314	908	3,778	866	5,414
Exposure	1,114	1,361	1,256	1,904	1,490	2,304
<b>Subtotal</b>	<b>11,730</b>	<b>15,501</b>	<b>11,523</b>	<b>15,154</b>	<b>11,257</b>	<b>16,870</b>
<b>Total</b>	<b>12,168</b>	<b>16,107</b>	<b>12,017</b>	<b>15,806</b>	<b>11,672</b>	<b>17,383</b>

**Notes:** Incidents are reported from the date of occurrence. Figures in Table 6.26 can vary from previous Defence annual reports, as reports can be made for incidents that occurred in previous years and severity statuses can be updated. Data is at 4 July 2019. The Australian Signals Directorate became a separate statutory body on 1 July 2018; therefore their data has been included for financial years 2016–17 and 2017–18, and excluded for financial year 2018–19.

1. Fatalities, serious injuries or illnesses, and dangerous incidents are notifiable to Comcare. Incidents of these severities that occur while on a Defence declared operation are not notifiable to Comcare and have not been included.
2. The 'Number of incidents' columns show the number of incidents occurring in that financial year. A single incident can include multiple individuals.
3. The 'Number of people involved in an incident' columns show the number of people involved in the incident. One incident may result in multiple injuries or none.

## Honours and awards

Reward and recognition, acknowledging positive behaviour and celebrating achievement, are key components in creating a strong performance culture. Defence formally recognises the service and achievements of ADF members, veterans and Defence APS employees through the timely issue of honours, decorations, service medals and awards.

In 2019, 208 ADF members were awarded honours or decorations in the Australia Day and Queen's Birthday Honours lists, in recognition of their distinguished service on operations, as well as significant dedication, outstanding application of skill or meritorious service.

In 2018–19 Defence issued 17,438 operational medals and long service awards to current ADF members and 11,621 service medals were issued to veterans and their families in recognition of service in conflicts since World War 1. Defence recognised 567 APS employees for their commitment to service and awarded Secretary's Awards for Long Service.

Defence has commenced a review to modernise and improve the legal instruments for Defence honours and awards to ensure they are fit for purpose and better suited to Defence needs. In 2018–19, two instrument amendments were approved by the Australian Government, which expand medal eligibility criteria and provide new recognition for military service. The review is investigating a further 117 amendment proposals, including the introduction of two new ribbons to existing medals, and is expected to be completed by June 2020.

# Defence diversity

## Women

Defence efforts across the year focused on evolving workplace practices to ensure greater representation of women in both the APS and the ADF. The key focus for improving our gender balance is to ensure we are building Defence's capability and our operational effectiveness.

Efforts remained on increasing the representation of women in leadership roles; mentoring, networking and capability development; access to flexible work arrangements; targeted recruitment to increase the number of women applying for positions; and developing the career talent pipeline.

Defence has continued its focus on providing board readiness training, board shadowing, networking events and one-on-one mentoring, which saw an increase in the representation of both APS and ADF women on Defence boards from 47.6 per cent in 2017–18 to a current representation of 48 per cent.

### Women in the Australian Defence Force

As at 30 June 2019, the participation rate of women in the permanent ADF reached 18.6 per cent—an increase from 17.9 per cent as at 30 June 2019. In the same period, the number of women serving in the ADF increased by 406, with six more women in senior officer positions.

Service-specific initiatives to provide mentoring, sponsorship and leadership development opportunities for women include:

- the Women's Integrated Networking Group, which is a facilitated program designed to provide professional development and encourage networking between Air Force women of all rank levels and employment skills
- the Navy Strategic Workforce Plan, which embraces Australia's diverse, socially progressive and aging population in order to achieve required transformational culture change and meet Navy's future workforce needs. Actions under the plan included sponsorship of The Future Through Collaboration women in engineering mentor/mentee program and sponsorship of the Australian Institute of Company Directors Board Ready program for senior (O6) Navy women
- the Australian Army initiatives to build a workforce that reflects the diverse society that it serves. In recent years it has focused on building the representation of women and Indigenous Australians.

### Women in the Australian Public Service

As at 30 June 2019, the participation rate of women in the Defence APS reached 44.3 per cent—an increase from 42.4 per cent as at 30 June 2018. In this period, the proportion of women in Executive Level positions increased from 9.6 per cent to 9.9 per cent.

Defence has implemented a number of gender equality initiatives, including participating in a cross-agency science, technology, engineering and mathematics working group to create mentoring opportunities for women in science, technology, engineering and mathematics roles and build stronger relationships in their fields of expertise.

## Indigenous participation and engagement

Defence has strengthened the capability and diversity of our workforce by increasing Indigenous representation and supporting Indigenous employees' career development and progression.

Defence Indigenous representation among ongoing APS employees decreased from 418 on 1 July 2018 to 389 on 1 July 2019, which included 14 Indigenous employees who transferred out of Defence with the Australian Signals Directorate. The number of Indigenous permanent ADF members increased from 1,604 on 1 July 2018 to 1,723 on 1 July 2019 (see Table 6.27).

**Table 6.27: Indigenous participation**

	1 July 2018 <sup>1</sup>		1 July 2019	
	Number	% of total	Number	% of total
<b>Navy</b>				
Permanent	447	3.3	471	3.3
Reserves <sup>1</sup>	34	1.2	41	1.2
<b>Army</b>				
Permanent	922	3.1	964	3.3
Reserves <sup>1</sup>	442	2.5	540	2.9
<b>Air Force</b>				
Permanent	235	1.6	288	2.0
Reserves <sup>1</sup>	56	1.1	58	1.1
<b>Total ADF</b>				
Permanent	1,604	2.8	1,723	3.0
Reserves <sup>1</sup>	532	2.1	639	2.3
<b>Total APS<sup>2</sup></b>	<b>418</b>	<b>2.2</b>	<b>389</b>	<b>2.3</b>

**Notes:** Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates.

1. Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).
2. Figures include paid, unpaid, full-time, part-time, ongoing and non-ongoing employees.

Defence has a number of initiatives to attract Indigenous Australians to a career in Defence, including indirect attraction through community engagement activities, work experience opportunities and partnering with Indigenous organisations that focus on improving future outcomes for Indigenous youth. In 2018–19 the Defence Work Experience Program hosted 338 Indigenous students across Australia, including the RAAF Indigenous Youth Program and Army's flagship Indigenous program, Exercise First Look.

Defence provides a range of pathway programs for Indigenous Australians seeking a career in the ADF including:

- the Navy and Army Indigenous Development Programs, which provide language, literacy, and numeracy training; military skills; physical fitness; vocational education and training, cultural appreciation; leadership and character development. These six-month programs are conducted in Cairns (QLD), Darwin (NT) and Kapooka (NSW). During 2018–19:
  - 23 people participated in the Navy Indigenous Development Program
  - 73 people participated in the Army Indigenous Development Program
- Air Force Indigenous Recruitment Pathway, which provides a range of flexible recruitment pathways including education and mentoring programs supported by TAFE courses, tertiary bridging initiatives and undergraduate study programs. During 2018–19, 35 people participated in the flexible recruitment pathways and 20 people have since enlisted. These programs have a follow-on recruitment effect as participants return to their communities and promote Defence
- the Indigenous ADF Pre-Recruit Program, which is aimed at Indigenous Australians who meet the general entry recruiting standards for medical, education and aptitude but need to develop their confidence,

resilience and/or physical fitness to enable them to succeed during recruitment and initial training. This six-week program is conducted at Kapooka (NSW), and Wagga Wagga (NSW). Participation in the Pre-Recruit Program for 2018–19 was:

- 11 people for Air Force
- 24 people for Army.

Defence continues to recruit Indigenous APS employees through direct entry and Affirmative Measures—Indigenous programs, including through an Indigenous bulk recruitment round resulting in over 60 employment opportunities identified for Indigenous Australians at the APS 5, APS 6 and Executive Level 1 levels around the country.

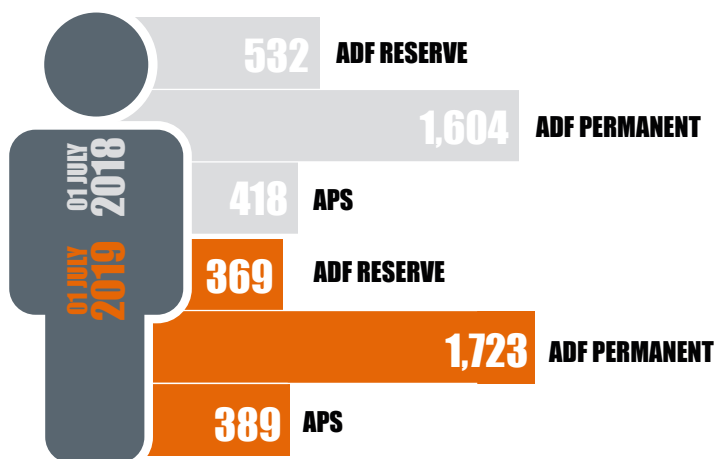
Defence continues to engage with Indigenous communities, with Air Force developing a Return to Community initiative to encourage and support Indigenous members to return to their community for a period of time, to use their ADF skills and experience. Army has continued the Army Aboriginal Community Assistance Program, a joint initiative with the Department of the Prime Minister and Cabinet aimed to improve environmental health and living conditions in remote Indigenous communities through the delivery of housing, infrastructure and essential services.

Defence provides opportunities to Indigenous businesses and, as the Commonwealth’s largest procurer, is well positioned to take a leading role in supporting Indigenous enterprise. In May 2019 Defence was announced as Supply Nation’s ‘Government Member of the Year’ in recognition of its significant achievements in supporting Indigenous business.

Defence will launch its fourth Defence Reconciliation Action Plan (D-RAP 2019–22) in August of 2019.

The D-RAP Working Group, consisting of Indigenous and non-Indigenous members, develops the key deliverables within the D-RAP and ensures that Service and Group level strategies, initiatives and programs are aligned to the D-RAP agenda.

Figure 6.1: Indigenous participation



Royal Australian Navy  
Able Seaman Boatswains  
Mate Jorde Lenoy speaks  
about his experiences  
within the Navy during a  
Reconciliation Week event  
held at HMAS Albatross.

## Closing the Gap and increasing Indigenous representation in Defence

Defence continues to lead the national effort to progress reconciliation and the Australian Government's *Closing the Gap* strategy. This is reflected in the new *Defence Reconciliation Action Plan 2019–2022*, which provides a roadmap for continuing to fulfil our reconciliation objectives. It is the Department's fourth plan, which places us in the top 10 per cent of Reconciliation Action Plan partners.

Defence's Indigenous reconciliation, inclusion, employment and procurement strategies increase our capability and have a direct impact on employment and socio-economic outcomes for Aboriginal and Torres Strait Islander peoples.

The new Reconciliation Action Plan focuses on:

- improving Indigenous employment and socio-economic outcomes by enhancing our Indigenous career development, training and employment pathways
- improving Indigenous socio-economic outcomes through deliberate Indigenous procurement strategies
- increasing organisational cultural competence, which improves our engagement with Indigenous communities and promotes Defence as an employer of choice.

Defence is making significant progress in increasing Indigenous representation across the total ADF and APS workforce. We are fostering genuine, meaningful relationships with Aboriginal

and Torres Strait Islander peoples and offering a range of career pathway programs for Indigenous Australians.

Aboriginal and Torres Strait Islander people currently represent 2.3 per cent of the Defence APS workforce and 2.9 per cent of the ADF. To increase Indigenous representation, Defence has set targets of 3 per cent by 2022 for its APS staff and 5 per cent by 2025 for the ADF. Our new Reconciliation Action Plan sets out strategies to meet these targets.

Defence employs specialised Indigenous recruiters to promote the roles, training and career pathways on offer in the ADF and to mentor Indigenous candidates and engage with community leaders. The work of these recruiters was recently recognised by the Australian Human Resources Institute, which awarded an ADF Indigenous specialised recruiter with its 2018 Diversity Champion award.

Defence's Indigenous Procurement Strategy articulates our commitment and pathway to meeting the outcomes of the Commonwealth Indigenous Procurement Policy. Since the policy's implementation in July 2015, Defence has awarded over \$1 billion in contract value to Indigenous-owned businesses. Supply Nation, the peak industry body for Aboriginal and Torres Strait Islander owned companies, recognised Defence as the Government Member of the Year in 2017 and 2019. This award is for the government agency that has demonstrated the most exceptional commitment, engagement and leadership in supplier diversity and driven growth in the Indigenous business sector.

## People from culturally and linguistically diverse backgrounds

In 2018–19, specific initiatives relating to cultural and linguistic diversity included:

- the introduction of the Special Broadcasting Service (SBS) Cultural Competence Course. The course is a multi-faceted program that includes a range of multimedia online clips and additional resources designed to effectively train a large number of employees around cultural awareness. The course is available to all Defence members on Campus and Campus Anywhere
- Defence's Cultural and Linguistic Diversity Champions, who continued to raise the profile of this important diversity focus.

In the 2018 Defence Graduate Program, of the 311 candidates recruited, 139 graduates indicated they either spoke or wrote a second language (other than English). Languages included French, Spanish, German, Russian, Chinese, Mandarin and Cantonese. For 2019, of the 240 candidates recruited, 89 graduates indicated they either spoke or wrote a second language (other than English). Languages included Hindi, Filipino, French, Indonesian, Vietnamese, Russian and German.

## Lesbian, gay, bisexual, transgender and intersex people

Defence capability is reliant on Defence's capacity to attract and retain the best possible talent regardless of gender, race, religion, disability or sexual orientation. Defence is committed to maintaining a safe and inclusive workforce where lesbian, gay, bisexual, transgender and intersex members can openly contribute across aspects of Defence capability.

In 2018–19 Defence supported an endorsed lesbian, gay, bisexual, transgender and intersex (LGBTI) trainer program and conducted gender diversity awareness sessions in various locations across Australia.

Defence also participated in the annual Australian Workplace Equality Index, which is the national benchmark for LGBTI workplace inclusion in Australia, receiving an overall score of Participation.

## People with disability

Defence provides a workplace that is accessible, inspires people to succeed and builds meaningful and sustainable employment opportunities for people with disability. Defence actively supports people with disability to maximise their potential and participate as equal employees in the Defence environment. Defence's client-centric approach to supporting people with disability and their managers includes:

- workplace adjustments and assistive technology to eliminate workplace barriers
- the introduction of the Australian Public Service Commission Disability Awareness training course specifically designed to build confidence in staff who supervise people with disability
- a dedicated Accessibility Hub which provides employees with disability, ill health or injury and their managers with information on creating a flexible and inclusive work environment.

In 2018–19, Defence invested in creating and sustaining valued employment programs and direct employment pathways for people living with disability. This included:

- the Inclusive Employment Program, which provided 20 people with intellectual disability permanent employment at the APS 1 and 2 levels
- the Defence Administrative Assistance Program, which supported employment of approximately 80 people with a disability, in nine Defence locations across Australia, through partnership with Australian Disability Enterprises
- Defence support for the Dandelion Program, run in partnership with DXC Technology Australia, employing people with autism spectrum condition.

## Disability reporting mechanisms

Defence's disability reporting mechanisms remain consistent with 2017–18 and includes both anonymous survey-based data capture and self-identified human resources reporting.

Official data shows the percentage of Defence APS employees who have self-identified as having a disability remains consistent with last year, at 3.5 per cent, with the proportion of the APS with a disability or one chronic illness (reported through the last census) at around 20 per cent.

Defence is committed to building capability through inclusion, as articulated in Pathway to Change 2017–22, and continues its focus on removing barriers for people with disability or chronic illness includes strategies to address stigma in the workplace, which should increase the willingness of individuals to share information regarding their disability.

Additional information is available at [www.defence.gov.au/defencecensus](http://www.defence.gov.au/defencecensus).

## Complaint handling and resolution

Defence personnel have the right to complain if they are aggrieved by matters relating to their employment. ADF members (permanent and Reserve) may apply for redress of grievance under the *Defence Regulation 2016*. APS employees may seek a review of actions under the *Public Service Act 1999*.

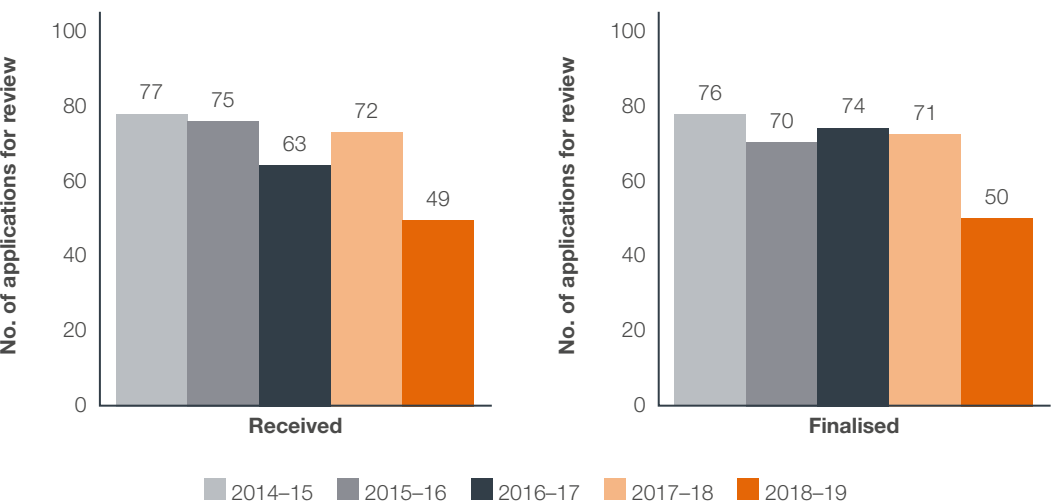
### APS review of actions

Section 33 of the *Public Service Act 1999* establishes a review of actions scheme and allows non-Senior Executive Service APS employees to seek review where they have a complaint about an action or a decision relating to their employment.

In 2018–19 Defence received 49 applications for review of actions, which is a considerable decrease from the previous year (Figure 6.2). The following subjects continued to feature in the applications for review:

- performance management, assessment and reporting
- management of unacceptable behaviour complaints by line management
- recruitment activities
- access to leave or other employment conditions.

Figure 6.2: APS review of actions applications, 2014–15 to 2018–19



# Unacceptable behaviour

Pathway to Change: Evolving Defence Culture 2017–22 reinforces that all Defence personnel are accountable for creating a more positive and inclusive culture. Defence’s cultural change initiatives are focused on encouraging individuals to report unacceptable behaviour and seek support services, ensuring they feel safe to do so.

Defence personnel are encouraged to report any incident of unacceptable behaviour they experience or witness in the workplace. Guidance and support is available to ensure that complaints are managed and resolved appropriately. Defence encourages the use of alternative dispute resolution, and the majority of complaints continue to be resolved at the lowest appropriate level.

All Defence personnel are required to undertake annual Workplace Behaviour training, which includes information about expected behaviours and guidance on making and managing complaints.

In 2018–2019 Defence:

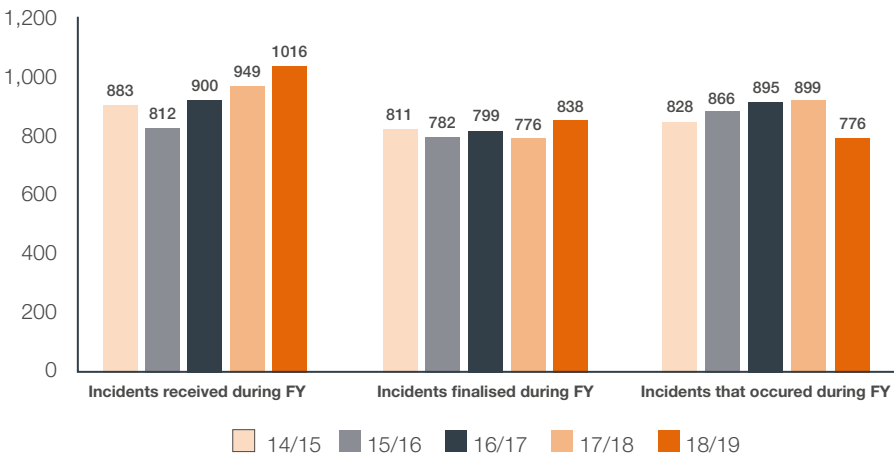
- issued a revised policy Required Behaviours in Defence to provide greater clarity for all personnel with respect to the behaviours that are expected and those that will not be tolerated
- made the unacceptable behaviour incident reporting tools more accessible on both the intranet and the internet, encouraging personnel to report incidents of unacceptable behaviour
- finalised an internal review of complaint management identifying further improvements to unacceptable behaviour policy, training and governance to be made during financial year 2019–20
- improved the data analytics associated with reports of unacceptable behaviour.

Defence policy requires managers to report complaints of unacceptable behaviour in a central database. Defence’s review of complaint management identified that the majority of complaints of unacceptable behaviour have been recorded in the central database, and initiatives are underway to close the gap. In previous Defence annual reports the data has only been provided from the Complaints Management, Tracking and Reporting System (ComTrack). Defence has now consolidated all reports included in ComTrack, the Army Incident Management System (known as AIMS) and the Defence Policing and Security Management System (known as DPSMS). Duplicate entries have been removed.

Data from the previous five financial years shows that the number of complaints being reported is increasing. The number of incidents actually occurring in the financial year has started to reduce.

Of the total of 1,016 complaints reported during 2018–19, 776 occurred during the financial year, with 240 incidents that were reported occurring in previous financial years. This suggests personnel are more willing to report unacceptable behaviour than in previous years.

Figure 6.3: Unacceptable behaviour complaints reported as received, finalised and having occurred, 2014–15 to 2018–19





The growing confidence of personnel in calling out and reporting unacceptable behaviour is reflected in the perceptions of the Defence workforce captured through the Defence Enterprise attitudinal surveys.

The YourSay Organisational Climate Survey indicates that the majority of Defence personnel perceive that:

- incidents of unacceptable behaviour are being managed well
- Defence has a culture that supports individuals who report unacceptable behaviour.

Note that data is only available for this measure from 2017 and 2018, as the question was not asked before 2017.

Figure 6.4: Incidents of unacceptable behaviour are managed well in my workplace

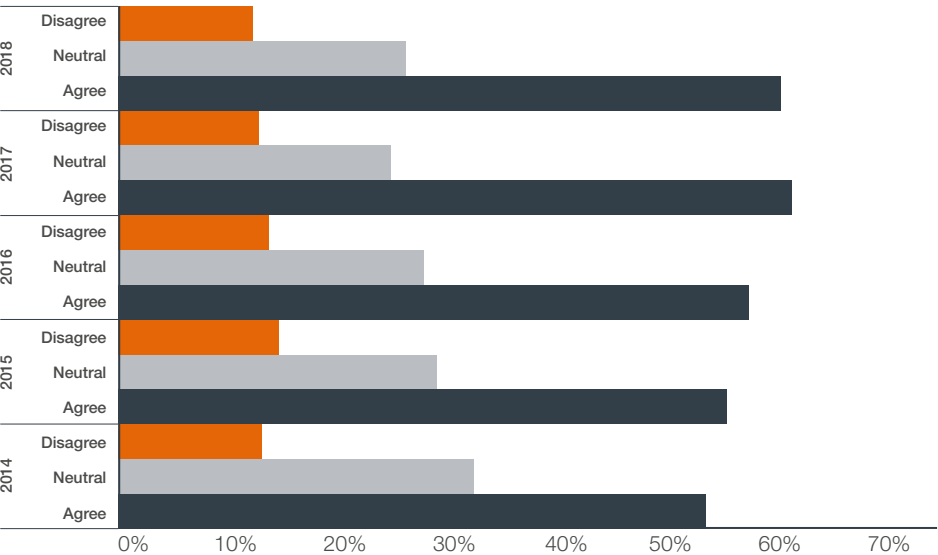
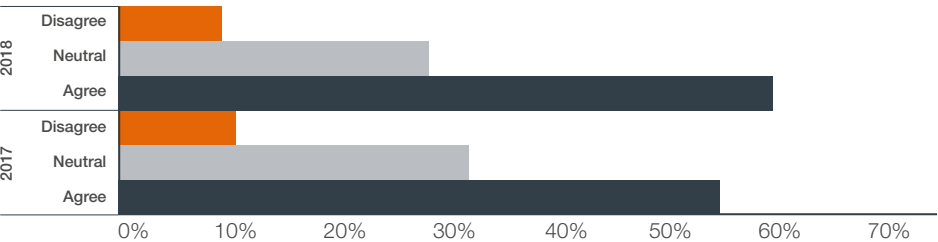


Figure 6.5: Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour



# Sexual misconduct response

Defence provides opportunities for reporting and/or disclosing sexual misconduct. Reporting is a description or a formal account that triggers further investigation and inquiry by Joint Military Police Unit (JMPU) or state/territory police. Disclosure is an opportunity for an impacted person to reveal an account for support or advice from the Sexual Misconduct Prevention and Response Office.

## Reported sexual assault in the ADF

There is a difference between the common understanding of sexual offences in the community, as reflected in the Model Criminal Code, and those used by organisations like the state and territory police. Australian state and territory police use the Australian and New Zealand Offence Classification (ANZSOC) definitions from the Australian Bureau of Statistics. Defence adopted ANZSOC in 2018 for statistical reporting on sexual assaults in Defence to ensure consistency with other Government agencies.

Defence’s reports between 2012–13 and 2016–17 were calculated using the Model Criminal Code. The Model Criminal Code classifies non-penetrative sexual offences as indecent acts. By comparison, the 2017–18 and 2018–19 reports use the broader ANZSOC definition of sexual assault, which includes penetrative and non-penetrative sexual offences.

Table 6.28: Reported Defence sexual assault data per year

Model Criminal Code					ANZSOC	ANZSOC
2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
60	96	98	84	87	170	166

The figure of 166 sexual assaults reported to JMPU for 2018–19 (as at 4 July 2019) comprises:

- 79 aggravated sexual assaults (penetrative acts, or threat of penetrative acts, committed without consent with aggravating circumstances)
- 87 non-aggravated sexual assaults.

Figures using the Model Criminal Code standard and the ANZSOC standard cannot be directly compared, although both include non-consensual penetrative sexual offences. On a broad basis, only 79 aggravated sexual assaults reported to Defence in 2018–19, and 103 reports for 2017–18, can be compared with previous years’ reporting.

The 2018–19 figure of 79 aggravated sexual assaults is within the consistent range of reporting using the Model Criminal Code over the previous five years.

Importantly, the sexual assault figures are drawn from a live policing database and reflect JMPU’s understanding of matters as at 4 July 2019. As initial reports are investigated and/or finalised, this figure may change.

The 166 aggravated and non-aggravated sexual assault complaints made to JMPU comprise the following points (some with multiple entries):

- 75 cases were reported allegations where the member did not wish to make a statement of complaint or did not want the matter investigated by JMPU or state/territory police
- 52 cases were investigated by state/territory police and remain within their jurisdiction
- 36 cases were reported matters of a historical nature (meaning the incident occurred at least one year prior to reporting)
- 16 cases involved an alleged perpetrator who was either unknown to be a Defence member or known not to be a Defence member
- nine cases were reported matters involving Cadets and/or volunteers associated with Cadets, and consequently not Defence members
- 27 cases are closed as unable to be substantiated, where there is insufficient evidence and/or no perpetrator able to be identified.

Approximately 45 per cent of reported allegations of sexual assault made to JMPU were made by members who did not wish to make a statement of complaint or did not want the matter investigated by JMPU or state/territory police. Respecting the wishes of the victim is consistent with policing principles of maintaining a victim-centric approach but it can inhibit Defence's ability to substantiate or conclude matters.

## Sexual misconduct prevention and response

Defence's Sexual Misconduct Prevention and Response Office provides confidential support and case management services to Defence personnel directly affected by sexual misconduct, debriefing services for personnel exposed to difficult material at work, assistance with incident management to promote personnel wellbeing, and educational programs and resources.

The Sexual Misconduct Prevention and Response Office team developed and delivered primary prevention educational packages and support to create a workplace climate that upholds Defence and Service values. Key deliverables in 2018–19 were:

- Refreshed education material focused on consent including technology use, bystander intervention, ethical decision-making in relationships, options for impacted personnel, and removing barriers to reporting in 2018–19
- Updated policy to reflect the victim-focused approach and how to respond to incidents to ensure the wellbeing of people is supported
- Face-to-face briefings delivered to Reserve units and smaller bases; and the network of Defence members able to provide briefings to their peers in location extended
- Sexual misconduct general awareness course adapted for online delivery to enable training to be undertaken any time
- Increased online access in remote locations, for all personnel unable to attend face-to-face briefings.

Sexual misconduct prevention and response training attendance is monitored with a three-year proficiency. As at 1 July 2019 approximately 41,993 Defence personnel held the Sexual Misconduct Prevention and Response proficiency. In the ADF 55 per cent of the permanent force holds the proficiency.

The Sexual Misconduct Prevention and Response Office provides a 24/7 telephone response service for those seeking aid. The office assisted 400 clients in 2018–19. It provided case management to 108 clients subjected to sexual offences, sexual harassment, sex-based discrimination and other unacceptable behaviours in Defence. Assistance with system navigation and service coordination, resources and referrals, and education for individuals and their families is also provided. These interventions assist wellbeing, build resilience, and facilitate developing self-management strategies and skills. The demand for case management services decreased from 473 in 2017–18 to 400 in 2018–19.

The Sexual Misconduct Prevention and Response Office assists commanders, managers, colleagues, and friends to improve responses to disclosures and reports. Commanders and managers received assistance on applying Defence's policy requirements in a victim-centric manner. Colleagues and friends received advice on aiding a person who had disclosed being subjected to sexual misconduct. The uptake for one-on-one assistance with sexual misconduct incident management and disclosures rose slightly from 255 in 2017–18 to 265 in 2018–19 (see Table 6.29).

Table 6.29: **Sexual Misconduct Prevention and Response Office new incident management advice clients, 2013–14 to 2018–19**

Financial year	Number of SeMPRO advice clients
2013–14	70
2014–15	147
2015–16	131
2016–17	223
2017–18	253
2018–19	265
<b>TOTAL</b>	<b>1,089</b>

**Note:** The data in the table is client data collected during service provision and is subject to change as clients reveal additional information. The figure previously printed for the number of advice clients in 2017–18 was 255.

In 2018–19 the Sexual Misconduct Prevention and Response Office provided confidential debriefing to 27 clients. Debriefing services are designed to prevent psychological injuries arising from workplace exposure to trauma.

Defence continues to drive best practice through sexual misconduct prevention, incident management, and response.



## ASSET MANAGEMENT

No. 37 Squadron Aircraft Technician Leading  
Aircraftman Paul Connolly makes fine adjustments  
inside a C-130J Hercules in the Middle East Region.

# Asset management

Defence manages \$105.9 billion of total assets. This includes approximately:

- \$66.6 billion of specialist military equipment
- \$27.2 billion of plant, land, buildings, infrastructure
- \$7.2 billion of inventory
- \$0.5 billion of heritage and cultural assets
- \$4.4 billion of other items, including cash, receivables, prepayments and intangibles.

Defence Groups and Services are accountable for the underlying business transactions and records that substantiate the reported financial balances of assets under their control.

Defence undertakes accounting processes to enable the accurate and timely reporting of asset balances and ensure that they are consistent with the requirements for financial statement reporting defined in the Australian Accounting Standards.

## Defence Single Information Environment

Defence is supported by one of the largest and most complex information and communications technology (ICT) undertakings in the nation, operated by the Chief Information Officer Group (CIOG). As well as provisioning and supporting over 100,000 Defence employees' corporate ICT requirements, CIOG delivers mission-critical systems and services to enable the Australian Defence Force's warfighting capabilities globally.

With an annual spend of \$1.7 billion, CIOG leads the integrated design, cost-effective delivery and sustained operation of Defence's Single Information Environment (SIE). The SIE encompasses Defence's information, computing and communications infrastructure, along with the management systems and people to deliver that infrastructure. It includes Defence's information assets, computing networks, business applications and the data that they generate and carry, as well as the communication standards and spectrum required for Battlespace networks. The infrastructure CIOG provides is essential and integral to core Defence functions such as intelligence, surveillance, reconnaissance, communications, information warfare, command and management. This includes the dispersed, fixed, deployable and mobile networks that underpin Australian Defence Force (ADF) operations.

CIOG is dedicated to providing a dependable, secure and integrated ICT environment and is investing in delivering the future of Defence ICT. Investment in new and emerging technology will ensure we maintain our technological edge, with faster and contemporary ICT systems. This will ensure that the right information is available to Defence decision-makers at the right time. Investment in Defence's ICT will guarantee the ADF is able to respond quickly to emerging threats and enable Defence business processes to become more efficient and effective.

In 2018–19 CIOG undertook a number of successful projects. One of note is Project Jackstay. Project Jackstay, jointly funded with Navy, supported the delivery of modernised information and operating systems across the Navy fleet. Many of the Navy's older systems were incompatible, so a completely new operating system and local access network was required to ensure that all of the Navy fleet could continue to successfully conduct operations at sea.

Project Jackstay's aim was to rapidly solve the operating system and equipment issues by designing, building and deploying a modern operating system using Windows 10 on a new and fully supported ICT system. The new system is considered to be the most advanced and secure Windows 10 deployed PROTECTED integrated network in Defence. It provides faster operation, modernised communications and collaboration and an array of new infrastructure software, resulting in modernised and simplified systems.

Project Jackstay was a stand-out success for CIOG this year. It reduced cost of maintenance, improved time to respond for application support, and improved the productivity of ships' staff. But, most importantly, it demonstrated how different areas of Defence can work together with industry to deliver complex ICT change projects. This project will be a model for future reforms and sets the benchmark for collaboration and agility.

During the last 12 months, Navy and CIOG have achieved outstanding results in delivering contemporary information environments to our warships. The activity undertaken over the last 12 months has demonstrated that positive outcomes can be achieved in accelerated time frames when required through a common vision, a common goal, and common purpose.

## Purchasing

Defence undertakes its procurement in accordance with the Commonwealth Procurement Rules and the associated Procurement Connected Policies and Defence-specific procurement policies. These and other mandatory procurement requirements are expanded, explained and operationalised through the Defence Procurement Policy Manual. To assist Defence officials to comply, Defence also provides procurement guidance, fact sheets, tools and templates that guide, inform and ensure proper consideration and good governance of Defence procurements.

In accordance with the Commonwealth Procurement Rules, Defence publishes the Defence Annual Procurement Plan on AusTender ([www.tenders.gov.au](http://www.tenders.gov.au)). The Defence Annual Procurement Plan gives industry notice of proposed Defence procurements and enables industry to prepare for the competitive tendering phase. Defence also publishes all open tenders on AusTender.

## Procurement initiatives to support small business

Defence supports small business participation in the Commonwealth Government procurement market. Small business participation statistics are available on the Department of Finance's website.

Non-corporate Commonwealth entities' payment terms reflect the Resource Management Guide No 417—Supplier On-Time or Pay Interest Policy. To comply with the policy, Defence reduced the default payment terms for contracts valued at \$1 million (GST inclusive) or less from 30 days to 20 days to ensure that small businesses are paid and recognise the importance of doing so. The results of the survey of government payments to small business are available on the Treasury's website.

To ensure supply chain integrity of Commonwealth procurement contracts, the Black Economy Procurement Connected Policy seeks to prevent illegal supplier practices that allow some suppliers to gain an advantage over the majority of suppliers that meet their regulatory tax obligations. To comply with the policy, Defence has implemented a mandatory procurement policy and included provisions in Defence contracting templates that require Defence officials to exclude tenderers that have not submitted a satisfactory and valid Statement of Tax Record for contracts over \$4 million (GST inclusive). This policy promotes compliant, ethical and competitive procurement processes and assists small businesses to participate in the full range of Defence procurement activities.

## Indigenous procurement policy

Defence remains committed to stimulating Indigenous economic development and growing the Indigenous business sector.

Since the introduction of the Commonwealth Indigenous Procurement Policy, Defence has consistently exceeded annual portfolio targets set by the Department of the Prime Minister and Cabinet. In 2018–19 the Defence target remained at 3 per cent of eligible domestic contracts, equalling 618 contracts for the Defence portfolio.

Defence's performance against the portfolio's annual targets is published on the Department of the Prime Minister and Cabinet Indigenous Procurement website, listed in Appendix D.

Defence's commitment and pathway to meeting the outcomes of the Commonwealth Indigenous Procurement Policy is articulated in Defence's Indigenous Procurement Strategy. Through strong leadership, raised awareness and clear communication, Defence is well positioned to deliver on supplier diversity and Indigenous engagement outcomes across our procurement environment.



Royal Australian Navy sailors from Fleet Support Unit—North work alongside Thales contractors on patrol boat HMAS *Maitland* at HMAS Coonawarra, Darwin, on 21 January 2018.



## Defence industry engagement supports small business and innovation

**Defence helps industry and academia develop innovative technologies to respond to new security challenges. We collaborate with small business and with universities and support local industry around Australia.**

The groundbreaking technologies of the future will come not only from large multinational corporations and national research organisations, but, increasingly, from Australian small business. Innovative Australian companies are making advances in important fields like space and cyber that will be central to maintaining Australia's technological edge in defence. However, self-funding the development of game-changing technologies can be challenging for small business—which is where the Defence Innovation Hub comes in.

The Hub is working closely with businesses across the country to help turn their good ideas into advanced capabilities. Defence is seeking to build an investment portfolio of \$640 million by 2025–26 and has already invested around \$130 million in innovation contracts. Around 85 per cent of these are with small businesses.

In 2018–19 the Hub signed 32 innovation contracts worth more than \$70.2 million through its open solicitation process. In September 2018, five contracts with a combined value of \$5 million were awarded through targeted solicitation at Army Innovation Day.

With Defence's assistance, local businesses are developing technologies to counter cyber threats, create unmanned platforms, improve the accuracy and range of military weapons, and build radars that can detect threats more accurately, to name just a few examples. As these Australian innovations mature through the Hub, Defence will seek to build them into Australia's capability edge.

Across Australia, Defence's Local Industry Capability Plans aim to maximise opportunities for local businesses to be involved in major Defence infrastructure projects, through early engagement to supply goods and services.

Prime construction contractors assess the capacity and capability of local markets, including how they will engage with local industry in preparing their tender and how they will maximise opportunities for local companies to compete.



An example is the HMAS *Cerberus* redevelopment project in Victoria, worth \$465.6 million, to remediate and upgrade facilities and engineering infrastructure to improve training facilities and base support services. This project will have strong economic benefits for the region, with opportunities for the construction industry until 2025. So far, local industry has been awarded 47 contracts worth approximately \$194 million.

Cooperation with Australia's allies and regional partners is an important element of building Defence's scientific and technological capability. Our international engagement is critical for conducting world-class research. In 2018–19 the Next Generation Technologies Fund invested \$44 million in new projects, bringing the total commitment to over \$150 million. Projects included new research networks in quantum technologies and integrated intelligence, and a state-based university research network in Western Australia. The single largest investment was \$12 million for the new Smart Satellite Cooperative Research Centre, a \$245 million industry-driven initiative that aims to build world-class space systems in Australia.

Defence Science and Technology partners with universities and industry to co-host the Emerging Disruptive Technology Assessment Symposium series. In 2018–19 these seminars explored the expansive fields of biotechnology and space technology from multiple perspectives to understand better their application to and implications for national security.

The US Department of Defense Multi-University Research Initiative selected three Australian universities to work with seven United States counterparts to develop a quantum computing 'noise-cancelling' system. This initiative awards grants to Australian universities to strengthen their research capacity, skills and global networks in research topics of priority to Defence's future capabilities.

For the first time, the Small Business Innovation Research for Defence program partnered with the UK's Defence and Security Accelerator to seek research proposals for developing advanced armour protection materials. This will lead to more opportunity for Australia's small to medium enterprises to undertake research projects that have potential for Defence application.

# Capital investment

Defence has continued to deliver the ambitious \$200 billion recapitalisation of Australia's defence capability originally outlined in the 2016 Defence White Paper and associated Integrated Investment Program (IIP). Through 2018–19 the Government approved a total of \$12.4 billion of capital and sustainment investment across major equipment, facilities, infrastructure, information and communications technology, and science and technology. Permanent participation in the Investment Committee by the Department of the Prime Minister and Cabinet and the Department of Finance has strengthened Defence's capability submissions to Government.

## Capability investment

The 2016 Defence White Paper set out the Government's vision to enhance Australia's defence capability, deepen our international security partnerships and collaborate with defence industry and science and technology research partners in support of our nation's security. The IIP is dynamic: since the 2016 Defence White Paper it has continued to respond to changing priorities and threats, while balancing capability, strategy and resources. The IIP contains all elements of the Government's defence investment, including new weapons, platforms, systems and enabling equipment; facilities and infrastructure; workforce; information and communications technology; and science and technology.

Since the launch of the 2016 Defence White Paper, the Government has approved a number of capability investments across the major equipment, facilities and infrastructure, information and communications technology and science and technology elements to deliver the Government's capability requirements.

During 2018–19, the Government approved 115 capability-related submissions. It gave 14 'First Pass' approvals, 20 'Second Pass' approvals and 81 'Other Pass' approvals. Of the 81 'Other Pass' approvals, 23 were granted for submissions that provided advice to Government on current and future capability; and 58 projects were approved for early access to IIP funding. This early funding is used to complete critical capability development work and risk reduction activities ahead of seeking First and/or Second Pass approval from Government.

Significant government announcements in 2018–19 include the following:

- Maritime and anti-submarine warfare stream:
  - Approval of the Attack Class Submarine Program's Strategic Partnering Agreement and the signing of the Design Contract, worth \$605 million, with Naval Group. The formalisation of the Strategic Partnering Agreement represents the contractual basis for the Attack Class Submarine Program, and the Design Contract with Naval Group enables design work to progress through to 2021. The Strategic Partnering Agreement and Design Contract with Naval Group are part of a \$50 billion investment which will see 12 regionally superior submarines designed and built in Australia for the Navy.
  - Second Pass approval for the acquisition of the second MQ-4 Triton, valued at approximately \$350 million. This approval is for the second aircraft of a planned fleet of six aircraft that Australia is acquiring through a cooperative program with the United States Navy. The aircraft will be based at RAAF Base Edinburgh in South Australia.
- Intelligence, surveillance, reconnaissance and electronic warfare, and space and cyber stream:
  - First Pass approval for Fleet Information Modernisation (FIE). This project, valued at approximately \$600 million, supports the rollout of contemporary computer systems to the fleet over the next decade. FIE will strengthen the Navy's computer networks, ensuring the Navy continues to meet the challenges of modern warfare.
  - Second Pass approval for selected Intelligence, Surveillance and Reconnaissance (ISR) data and applications integration activities, valued at approximately \$500 million in acquisition and sustainment. The first tranche will acquire an ISR search and discovery capability, deliver an ISR development and support centre, and sustain the ISR integration capability.
- Land combat and amphibious warfare stream:
  - The Government has not made any public announcements on approvals for this stream in 2018–19. However, the Government is continuing to deliver the capability Defence needs to meet its strategic objectives.

- Air and sea lift stream:
  - Second Pass approval for Additional Chinook Facilities. The new facilities, valued at approximately \$33 million, will be built at RAAF Base Townsville to accommodate the additional Chinooks being purchased under a separate project. The project includes helicopter shelters, logistics support infrastructure, working accommodation and helicopter tarmac spaces.
- Strike and air combat stream:
  - Second Pass approval for the Short Range Ground Based Air Defence Capability. The project, valued at approximately \$2.5 billion, will acquire and sustain a new short-range ground-based air defence capability and will contribute to the protection of our service men and women from modern airborne threats.
- Key enablers stream:
  - Second Pass approval for Navy Training Pipeline Simulation Requirements. The project, valued at approximately \$80 million, will acquire and sustain a new bridge simulation trainer at HMAS *Stirling* in Western Australia; and a new command team trainer and upgrades to other simulators at HMAS *Watson* in Sydney.
  - Second Pass approval for Defence Science and Technology Group High Performance Computing Centre. The project, valued at approximately \$68 million, will construct and sustain a High Performance Computing Centre at the Defence Science and Technology site in Edinburgh, South Australia.
  - Approval for the third tranche of the Defence Innovation Hub. As part of Tranche 3, the Australian Army has partnered with the Defence Innovation Hub in awarding an Army Innovation Day contract, valued at more than \$1.0 million, to SYPAQ Systems Pty Ltd to develop and demonstrate a next-generation battlefield logistics small unmanned aerial system, called the Precision Payload Delivery System, for use by Australian soldiers.

In 2018–19, four major capital facilities and infrastructure projects, valued at a total of \$239 million, were referred to the Parliamentary Standing Committee on Public Works. The committee conducted public hearings on seven major capital facilities and infrastructure projects, valued at \$525 million (three of the seven projects, valued at \$286 million, were referred in late 2017–18). Six of the seven projects achieved parliamentary approval in 2018–19, at a total value of \$306 million. The committee's recommendation for the seventh project—the Point Wilson Waterside Infrastructure Remediation facilities project, valued at \$219 million—is pending.

Also in 2018–19, four medium works capital facilities and infrastructure projects, valued at a total of \$31 million, were notified to the committee and subsequently approved. Further information on the Parliamentary Standing Committee on Public Works can be found at Chapter 5—'Governance and external scrutiny'.

## Projects of Concern

The Projects of Concern regime is a proven process for managing the remediation of underperforming projects. This is done by implementing an agreed plan to resolve significant commercial, technical, cost and/or schedule difficulties and increasing senior management and ministerial oversight.

Table 7.1 provides a list of Projects of Concern as at 30 June 2019. One change was made since the 2018–19 reporting period—the removal of the Australian Defence Satellite Communications Capability Terrestrial Enhancement (JNT02008H3F), which was remediated in August 2018.

**Table 7.1: Projects of Concern as at 30 June 2019**

Project	Project number and phase	Date added
Multi-Role Helicopter (MRH-90)	AIR 9000 Phases 2, 4 and 6	November 2011
Deployable Defence Air Traffic Management and Control System	AIR 5431 Phase 1	August 2017

Defence will continue to actively manage the remaining Projects of Concern in 2019–20 as agreed with Government.

Members of the Tuvalu Police Force stand to at the rising of their national flag for the first time on their newly acquired Guardian-class Patrol Boat.



## National Naval Shipbuilding Plan 2018–19

**The National Naval Shipbuilding Plan, which at \$90 billion represents the largest single capital investment in Australia's history, not only ensures that the ADF has the capability it needs but also ensures that we secure jobs in shipbuilding and advanced manufacturing. It has created innovative state-of-the art shipyards geared towards developing sovereign capability.**

The shipbuilding plan is well underway. The first two Arafura-Class Offshore Patrol Vessels are under construction at Osborne, with the keel of the first laid in May 2019. The Osborne yard will also be ready to start building the new Attack-Class submarines in 2023. The new Cimtec construction facility at Henderson will be completed in early 2020, ready to start building the third and subsequent Arafura-Class Offshore Patrol Vessels in Western Australia

from 2020. The new frigate construction yard, also being built in Osborne, will be ready to commence Hunter-Class prototyping in 2020 and construction of the first vessel in 2022.

These new naval shipbuilding facilities at Osborne and Henderson will be the most modern and advanced ship and submarine construction facilities in the world. Designs for the Hunter-Class and Attack-Class are progressing very well, and will deliver the world's most advanced frigates and submarines to the Royal Australian Navy.

The shipbuilding plan is not limited to vessels for Australia's needs. Three Guardian-Class Patrol Boats were gifted to Tonga, Tuvalu and Papua New Guinea in 2018 and 2019, helping our Pacific neighbours build their resilience and enforce their sovereignty. In total, 21 Guardian-Class Patrol Boats will be gifted to Timor-Leste, Papua New Guinea and other Pacific nations.



## ENVIRONMENTAL PERFORMANCE

# 8

The Royal Australian Air Force  
Balloon conducting an early morning  
flight over Lake Burley Griffin, ACT.

# Defence Environmental Policy and Strategy 2016–2036

The Defence Environmental Policy outlines five strategic aims:

- Defence will deliver a sustainable estate across Defence maritime, land and aerospace areas, activities and operations.
- Defence will understand and manage its environmental impacts.
- Defence will minimise future pollution risks and manage existing contamination risks.
- Defence will improve the efficiency of its resource consumption and strengthen resource security.
- Defence will recognise and manage the Defence estate heritage values.

## Land and water management

Throughout 2018–19, Defence implemented a number of improvement initiatives in the areas of water quality monitoring, bushfire mitigation and enhancing sustainability performance. Independent reviews were conducted on approaches to water quality monitoring and bushfire mitigation activities. Implementation of the recommendations of these reviews will result in greater consistency in application of policy and improved management of water and land.

Defence has developed memoranda of understanding with most state and territory bushfire management authorities to strengthen cooperative arrangements between the agencies and ensure better preparedness for bushfire events affecting Defence properties. Defence continues to update and develop bushfire management plans in accordance with policy requirements.

Defence continues to engage Australian Wildlife Conservancy to undertake land management at Yampi Sound Training Area in the West Kimberley region of WA. Australian Wildlife Conservancy's management activities include monitoring for threatened species, mosaic burning to promote biodiversity, and engaging Traditional Owners in land management activities.

## Waste management

As the largest generator of waste in the Australian Government, Defence was a key stakeholder in the development of the Australian Government's National Waste Policy 2018. Defence has developed a waste minimisation and management policy that reflects the principles of the National Waste Policy, with a focus on a circular economy. Defence also participates in relevant product stewardship schemes.

The optimisation of Defence's waste management practices is an activity designed to increase resource recovery and reduce the amount of waste being sent to landfill. In 2018–19, Defence successfully completed its Waste Optimisation Program pilot, which resulted in an increase of 25 per cent of landfill diversion in the Shoalhaven region. Given this success, Defence is rolling out the Waste Optimisation Program at all its medium and large establishments over the next three years.

In 2018–19 Defence removed over 40,000 tonnes of waste from the Defence estate. By diverting 32 per cent of its waste away from Australian landfills, Defence avoided the release of 11,548 tonnes of carbon emissions into the atmosphere.

With Australia's recycling industry under pressure to broaden the domestic recycling market, Defence continues to work with industry to identify new opportunities to increase the use of recycled materials.

In addition to supporting the circular economy principles of the National Waste Policy 2018, Defence has adopted a number of specific waste management and policy objectives, including:

- minimising the amount of material being diverted to landfill
- reducing consumption of natural resources
- reducing waste management and disposal costs through waste streaming.



# Referrals under the Environment Protection and Biodiversity Conservation Act

Defence maintains an environmental assessment and approval program to meet the requirements of Commonwealth environmental legislation, including identifying and understanding potential adverse impacts of its activities.

Defence continues to conduct assessments under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) in order to determine whether a referral to the Minister for the Environment and Energy is required under the EPBC Act. In 2018–19 Defence did not refer any projects to the Minister for the Environment and Energy for assessment or approval.



## Supporting ADF families and their communities

**The military lifestyle can present challenges for ADF families. While relocation due to posting is an integral feature of Defence life, members and their families regularly have to move away from established support networks and familiar resources. ADF members' partners can also face difficulties finding employment.**

To support ADF families, Defence provides a range of services including employment assistance funding, connection with community support and resources, and resilience-building programs. Defence community centres and the community groups that operate out of them play a vital role in this support by providing a strong sense of belonging and a support network for families.

Defence maintains 25 community centres on or near military bases around the country to provide space for ADF families to meet, attend information sessions and participate in family activities. Defence also provides funding and governance support to a wide range of community groups that help ADF families, including the Defence Special Needs Support Group.

In February 2019 the local Defence community group supporting the families of RAAF Base Amberley moved into Minka Place, a new multipurpose community facility in the Ripley town centre. Along with regular gatherings of the Amberley community group, the community centre recently hosted KidSMART, a Defence Community Organisation resilience program for school-aged children of ADF families.

The Defence Community Organisation also supports ADF families posting into new locations through the Partner Employment Assistance Program. The program provides funding for initiatives aimed at contributing to the immediate employability of partners of ADF members who are relocated on ADF service or transitioning for medical reasons. Eligible partners can apply for funding to access employment-related initiatives such as interview coaching and personalised résumé development.

Defence will continue to prioritise initiatives that support ADF families and the communities they live in. Supporting Defence community centres and groups and helping partners find employment enables ADF families to form social networks and contributes to their resilience and wellbeing. Thriving families and strong support in the community contribute to ADF retention and, in turn, Defence capability.

# Environmental improvement initiatives and review

## Exercise TALISMAN SABRE 2019

Exercise TALISMAN SABRE is the largest combined military exercise undertaken by Australian and international armed forces. It is a biennial exercise and was conducted in July 2019.

In 2018–19 Defence undertook environmental planning in preparation for Exercise TALISMAN SABRE 2019. This included a comprehensive program of community consultation which formed part of a set of management activities to avoid or mitigate environmental impacts and respond to any concerns during conduct of the exercise.

## Remediation programs

Defence is undertaking ongoing contamination and explosive ordnance waste assessments and remediation across priority areas on the Defence estate, including the continuation of environmental remediation works at Maribyrnong in Victoria and remediation of explosive ordnance waste at multiple locations, including Evans Head Air Weapons Ranges in New South Wales.

## Heritage management on the Defence estate

Defence manages heritage values on the Defence estate consistent with the principles and requirements of Commonwealth heritage legislation, including identification and management of risks to heritage assets during planning, development and operation of Defence facilities. Defence continues to progress heritage assessments and development of heritage management plans in accordance with the Defence Estate Heritage Strategy and legislative requirements. This has included a refreshed approach aimed at consistency and heritage compliance across the Defence estate and engagement with Traditional Owners for the assessment and protection of Indigenous heritage values.

During 2018–19, Defence worked with Government agencies and community groups regarding the provision of statutory heritage protection post disposal by the Commonwealth, for a range of sites currently in the property disposal planning process, including Defence Site Maribyrnong and Bulimba Barracks in Brisbane.

## Pollution prevention program

Defence is progressing activities to address high-priority pollutants and polluting activities, including the ongoing use of firefighting foams. Defence is investigating possible fluorine-free replacement foams for use in firefighting vehicles and has developed a program of works to mitigate pollution issues associated with existing infrastructure.

## Biodiversity

In September 2018, Defence signed a memorandum of understanding with the Department of Infrastructure, Regional Development and Cities to contribute to the biodiversity offset requirements for the Western Sydney Airport project. The memorandum commits Defence to improving the condition of 900 hectares of Cumberland Plain Woodland at Defence Establishment Orchard Hills (located in Western Sydney) for a period of 20 years. Defence can continue to undertake activities within the offset area that do not impact on the achievement of conservation outcomes. At the end of the 20-year term Defence is required to maintain the improved environmental conditions.

## Ecologically sustainable development

In 2018–19, the ecologically sustainable development program delivered energy and water efficiency projects to improve the sustainability of the Defence estate and reduce whole-of-life costs. Projects included installation of rooftop solar photovoltaic, lighting upgrades and water-efficient fittings. The total net whole-of-life savings over the past five years of the program is estimated to be \$15 million.



Defence is improving its ability to monitor and report on energy and water consumption and waste disposal. The Resource Data Management System (RDMS) currently collates electricity, water and gas meter data as well as waste volumetric data. The RDMS assists in the identification of cost-saving opportunities through increased efficiency in electricity, gas and water use. In 2018–19 the RDMS identified over \$600,000 in potential energy and water savings.

The Smart Infrastructure Manual, originally released in 2015, has been revised and is now called the Smart Infrastructure Handbook. The new handbook defines ecologically sustainable development requirements and obligations for the planning, design and construction phases of infrastructure projects, including energy, water, waste, pollution prevention and smart procurement.

## Energy

In 2017–18<sup>1</sup> total energy consumption increased by 2.9 per cent compared with 2016–17. This increase can be largely attributed to an 11.7 per cent increase in stationary energy usage (electricity and gas), primarily due to the inclusion of Defence sites at Mulwala and Benalla in the calculation for the first time. Total transport energy usage remained consistent with the previous year, seeing a 0.3 per cent increase.

Defence has committed to a 10-year Defence renewable energy and energy security program to install large-scale renewable energy and energy storage systems across the Defence estate. The renewable energy and energy security program will provide an energy security alternative in conjunction with other measures, such as central emergency power stations and local generators.

## Water

Defence spent \$26 million (including GST) on water and \$13.7 million on sewage at Defence-owned facilities in 2017–18<sup>2</sup>. Defence has installed hundreds of water meters to monitor water use at major Defence facilities.

## Climate adaptation

Defence continues to assess climate risks to the Defence estate and plan appropriate adaptation responses.

## Defence fuel supply chain reform and initiatives

During 2018–19, the process of mitigating work health and safety and environmental risks within the Defence Fuel Network has continued. Defence has stabilised the Fuel Network and closed all of the 140 highest risks known to exist. A further 729 of the remaining risk actions have been reduced so far as is reasonably practicable, and any priority risks identified through normal business will be targeted as part of the Defence Fuel Transformation Program Tranche 1, which received Government approval in June 2018.

The Defence Fuel Transformation Program focuses on the continued reduction of network risk, improvements in supply chain performance and the reduction of the total cost of ownership. This is achieved through a combination of risk reduction activities, increased industry collaboration and the optimisation of the Fuel Network. The program will be delivered in a series of tranches, Tranche 1 having commenced in July 2018. The value of the program is \$1.16 billion, and it is due to be completed by 2045–46.

To reduce accidents and incidents, several sites now have outsourced Operating Agent functions (the Operating Agent is the senior person who knows, understands and operates a Defence Fuel Installation on a day-to-day basis and has direct-line supervision of staff in the Defence Fuel Installation). Eight fuel installations in poor material condition and/or no longer required were decommissioned. To underpin the transformation of the network, the

### Notes:

1. Figures for energy consumption are calculated and cross-checked using billing data. This data is unavailable for 2018–19 at the time of print. In line with previous years, updated figures will be provided to Government through Senate estimates in October 2019.
2. Figures for water consumption are calculated and cross-checked using billing data. This data is unavailable for 2018–19 at the time of print. In line with previous years, updated figures will be provided to Government through Senate estimates in October 2019.

rollout of the Defence Fuel Management System continues. Defence has developed a new fuel network training regime and has rolled out a number of associated courses. Improvements to fuel assets, equipment and control systems have commenced at 21 key sites to address non-compliance and to align with industry best practice. Construction is planned to start at the first site in September 2019.

## National PFAS Investigation and Management Program

In 2018–19, Defence continued to conduct the National Per- and Poly-fluoroalkyl Substances (PFAS) Investigation and Management Program. The program is investigating the nature and extent of contamination from the historical use of legacy firefighting foams containing PFAS; and implementing evidence-based remediation and ongoing management initiatives.

The program of detailed environmental investigations—conducted in and around 28 Defence properties—is undertaken by experienced environmental services providers in accordance with the National Environment Protection (Assessment of Site Contamination) Measure 1999 (NEPM).

The investigation process includes a Preliminary Site Investigation, a Detailed Site Investigation and, if required, a Human Health and/or Ecological Risk Assessment. This information forms the basis for a site-specific PFAS Management Area Plan (PMAP). The PMAP supports a targeted, efficient, effective and proportionate response, underpinned by accepted available science, to avoid or mitigate the relevant risk/s at each site. Defence has also formalised an Ongoing Monitoring Program (OMP) to continue the routine monitoring of surface water, groundwater and sediment to identify any variations in contamination levels and support future remediation actions should they be required.

Defence provides up-to-date and detailed information to affected local communities and businesses, state and territory governments, local councils and other interested stakeholders. In 2018–19 Defence conducted 33 community engagements.

Defence also continues to provide alternative water to eligible residents neighbouring investigation sites, and implement interim measures for the management and remediation of contaminated water and soil. Interim measures include actions such as the installation of water treatment plants, excavation of soil source areas and the clearance of sediment in drains. Defence also continues to explore emerging PFAS research and technology development and validation opportunities, engaging with national and international industry and research organisations.



Silvershield is the latest variant of vehicle mounted force protection systems provided to the Afghan National Defence and Security Force under the Australian Defence sponsored Redwing Program.

## Silvershield

**Defence and industry have successfully collaborated to deliver life-saving capability to Afghani defence personnel. In 2018 the Afghanistan National Defense and Security Forces received the first consignment of Silvershield units designed to protect personnel from improvised explosive devices (IEDs). Over 16,000 Silvershield systems have now been delivered to Afghanistan for training and initial rollout.**

The Australian-made Silvershield can protect vehicles from radio and mobile phone-triggered IEDs. It is the latest force protection system developed under the award-winning Redwing Program, and is an example of continuous innovation.

Like the Redwing Greygum and Greengum devices, Silvershield was designed by Defence Science and Technology (DST), sponsored by the Joint Counter Improvised Threat Task Force and manufactured by Queensland-based company L3Harris Microe.

Since 2015 Australian industry and DST have produced and exported over 200,000 individual and vehicle mounted Redwing systems to Afghanistan.

The Redwing program has been recognised as a leading example of innovation and industry collaboration, generating Australian exports worth more than \$102 million.

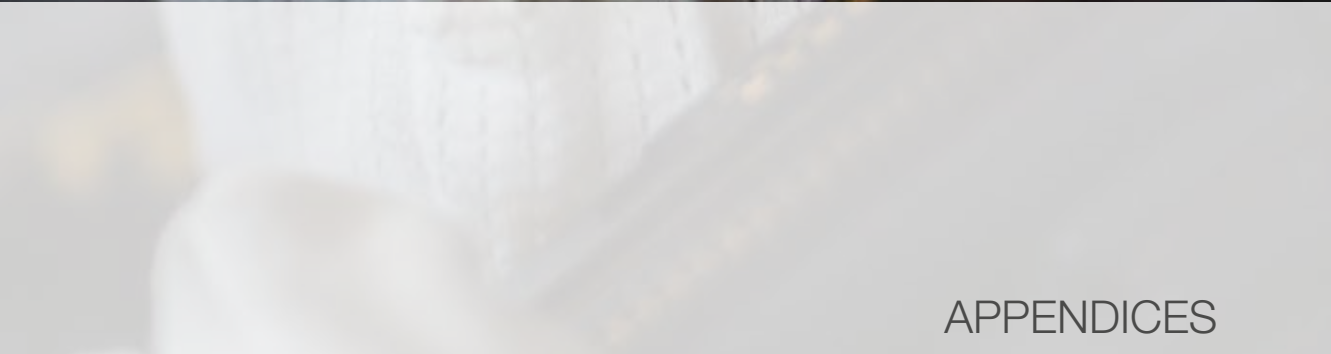
In 2016 it won the inaugural Public Sector Innovation Award from the Institute of Public Sector Administration Australia, and in 2017 it was awarded the Clunies Ross Knowledge Commercialisation Award, which is presented annually by the Australian Academy of Technological Sciences and Engineering.

The Redwing program demonstrates successful collaboration between Defence, industry and academia, and Silvershield is proof of Australian industry's ability to meet the challenge of high-volume and time-critical manufacturing.

Royal Australian Navy guided-missile frigate HMAS *Melbourne* launches an SM2 missile while holding formation with Republic of Korea Navy guided-missile destroyer ROKS Wang Geon and Japanese Maritime Self Defense Force destroyer JS Ariake during a live-fire demonstration as part of Pacific Vanguard.







## APPENDICES

Leading Seaman Marine Technician  
Maxwell Anthony relays damage control  
reports during a training exercise aboard  
HMAS *Leeuwin* in the Bay of Bengal.

# Appendix A: Financial statements



Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence

#### Opinion

In my opinion, the financial statements of the Department of Defence (Defence) for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Defence as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of Defence, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- 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;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Defence in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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**Key audit matter****Valuation of specialist military equipment**

*Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'*

Defence's specialist military equipment balance was \$66.6 billion at 30 June 2019. Specialist military equipment includes platform assets in use and under construction and spare parts for these assets.

The valuation of specialist military equipment was considered a key audit matter due to:

- the significance of the balance to Defence's financial statements;
- the high degree of judgement applied by management to measure specialist military equipment at fair value due to the highly specialised nature of these assets; and
- the subjectivity in the valuation assessment due to the difficulty in obtaining the replacement costs of assets with a similar capability in the absence of an active market, the selection and application of appropriate indices, the determination and assessment of appropriate useful lives, and the identification of indicators of impairment.

**How the audit addressed the matter**

I addressed the valuation of specialist military equipment through:

- assessing whether the selection of the method for determining fair value was appropriate for each class of specialist military equipment;
- assessing the competency and objectivity of Defence's valuation subject matter experts;
- testing the completeness and accuracy of data used in the year-end valuation process;
- assessing whether the useful lives applied to specialist military equipment (for the calculation of depreciation) were consistent with other available information such as expected withdrawal dates for these assets;
- testing the accuracy of a sample of cost attribution models and approvals of cost allocations related to specialist military equipment under construction;
- assessing whether the assumptions and judgements used by Defence to determine the impairment of specialist military equipment is consistent with other available information such as changes to planned capability and unscheduled repairs and maintenance; and
- inspecting a sample of specialist military equipment assets for indicators of impairment.

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**Key audit matter****Valuation of general assets**

*Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'*

Defence's general assets balance was \$28.6 billion at 30 June 2019. General assets include land and buildings, infrastructure, plant and equipment, heritage, cultural and intangible assets.

I considered this area a key audit matter due to:

- the high degree of management judgement required in respect of classifying project costs as capital or expense and the selection of valuation methods to measure fair value; and
- the subjectivity in determining appropriate useful lives and the assessment of the financial impact of indicators of impairment.

**How the audit addressed the matter**

I addressed the valuation of general assets by:

- assessing the appropriateness of the methodology and the reasonableness of the assumptions applied to determine fair value;
  - testing the completeness and accuracy of data used in the year-end estimation process;
  - assessing whether the useful lives applied to the various asset classes (for the calculation of depreciation) were consistent with Defence's planned usage of these assets;
  - testing a sample of costs allocated to general assets under construction to assess the appropriateness of capitalisation in accordance with the Australian Accounting Standards; and
  - assessing the reasonableness and appropriateness of judgements used by Defence when assessing the financial impact of indicators of impairment.
-

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**Key audit matter****Existence and completeness of inventories**

Refer to Note 3.2B 'Inventories'

Defence had a balance of \$7.2 billion in inventories as at 30 June 2019 which include general stores inventories, fuel and explosive ordnance.

The existence and completeness of inventories was considered a key audit matter due to the variety and number of inventory items which are managed differently across a large number of geographically dispersed locations.

**How the audit addressed the matter**

I addressed the existence and completeness of inventories through:

- observation and re-performance of Defence's stocktaking activities at a selection of locations;
- testing the effectiveness of key controls that apply to system components, processes and data within the logistics and financial management information systems; and
- substantiation of a sample of transactions processed through Defence's logistics information systems by agreeing quantities purchased to invoices, warehouse delivery dockets and stock taking records.

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**Key audit matter****Valuation of employee provisions**

Refer to Note 4.4A 'Employee provisions'

Defence's administered employee provisions balance was \$182.0 billion at 30 June 2019. Defence administers four defined benefit plans that entitle Australian Defence Force members to retirement and death benefits based on past service.

I focused on this area due to the complexity of the calculation and the significant judgements applied in the selection of key long-term assumptions including the discount rate, salary growth rate, pension indexation rate, pension take-up rate and invalidity retirements. In addition, the Australian Accounting Standards include detailed requirements for the presentation and disclosure of defined benefit plans.

**How the audit addressed the matter**

I addressed the valuation of employee provisions by conducting the following procedures:

- assessing the design and effectiveness of key controls over membership data used for the valuation of the defined benefit provision;
- evaluating the reasonableness of the review performed by management's expert to confirm the integrity of the data used for estimating the defined benefit provision;
- evaluating the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the defined benefit;
- assessing the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and
- evaluating the appropriateness of the disclosure of the significant assumptions applied, including sensitivity analysis.

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**Accountable Authority's responsibility for the financial statements**

As the Accountable Authority of Defence, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of Defence to continue as a going concern, taking into account whether Defence's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.



### Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Defence's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Defence's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Defence to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra  
23 September 2019

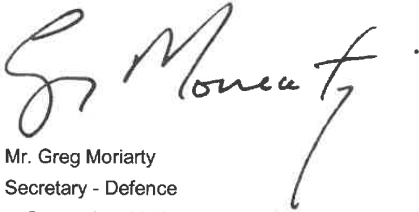
## Department of Defence

### STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2019 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. Greg Moriarty  
Secretary - Defence

 20 September 2019

Signed



Mr. Steven Groves  
Chief Finance Officer - Defence

 20 September 2019

## **Department of Defence**

### **Financial Statements**

*For the period ended 30 June 2019*

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**Department of Defence**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2019

		2019	2018	Original Budget <sup>1</sup>
		\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
	<b>Notes</b>			
<b>EXPENSES</b>				
Employee benefits	1.1A	11,921,994	11,978,885	11,856,503
Suppliers expenses	1.1B	14,033,327	13,313,582	14,263,652
Grants	1.1C	149,376	129,805	124,519
Depreciation and amortisation	3.2A	6,063,549	5,935,531	6,241,933
Finance costs	1.1D	111,272	115,225	164,619
Impairment loss allowance on financial instruments	1.1E	5,079	2,328	-
Write-down and impairment of assets	1.1F	860,259	904,394	601,874
Net foreign exchange losses	1.1G	36,665	11,946	-
Losses from asset sales		39,754	44,073	3,467
Other expenses	1.1H	241,200	403,999	15,284
<b>Total expenses</b>		<b>33,462,475</b>	<b>32,839,768</b>	<b>33,271,851</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Provision of goods and rendering of services	1.2A	539,654	454,941	550,827
Rental income	1.2B	6,544	3,698	-
Other revenue	1.2C	24,561	57,245	44,959
<b>Total own-source revenue</b>		<b>570,759</b>	<b>515,884</b>	<b>595,786</b>
<b>Gains</b>				
Reversals of previous asset write-downs and impairment	1.2D	368,665	82,605	199,798
Other gains	1.2E	355,276	53,596	5,061
<b>Total gains</b>		<b>723,941</b>	<b>136,201</b>	<b>204,859</b>
<b>Total own-source income</b>		<b>1,294,700</b>	<b>652,085</b>	<b>800,645</b>
<b>Net cost of services</b>		<b>32,167,775</b>	<b>32,187,683</b>	<b>32,471,206</b>
Revenue from Government	1.2F	32,525,834	33,040,823	32,471,206
<b>Surplus attributable to the Australian Government</b>		<b>358,059</b>	<b>853,140</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserves	3.2A	1,150,214	1,477,554	-
<b>Total other comprehensive income</b>		<b>1,150,214</b>	<b>1,477,554</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>		<b>1,508,273</b>	<b>2,330,694</b>	<b>-</b>

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

**Department of Defence**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2019

		2019 \$'000	2018 \$'000	Original Budget <sup>1</sup> \$'000
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	76,179	72,241	88,823
Trade and other receivables	3.1B	849,635	1,141,067	978,089
<b>Total financial assets</b>		<b>925,814</b>	<b>1,213,308</b>	<b>1,066,911</b>
<b>Non-financial assets</b>				
Land and buildings	3.2A	19,454,331	18,902,425	18,826,404
Specialist military equipment	3.2A	66,559,643	62,018,182	62,051,664
Infrastructure	3.2A	6,342,088	6,042,584	6,570,577
Plant and equipment	3.2A	1,393,661	2,143,543	2,068,969
Heritage and cultural assets	3.2A	473,307	484,982	548,610
Intangibles	3.2A	890,442	741,599	1,246,483
Inventories	3.2B	7,178,986	6,928,710	6,023,049
Prepayments	3.2C	2,497,354	1,566,150	1,925,439
<b>Total non-financial assets</b>		<b>104,789,812</b>	<b>98,828,175</b>	<b>99,261,195</b>
Assets held for sale	3.2D	151,376	47,436	62,437
<b>Total assets</b>	8.4A	<b>105,867,002</b>	<b>100,088,919</b>	<b>100,390,543</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers payables	3.3A	2,511,261	2,138,678	2,627,130
Employee payables	3.3B	87,122	73,580	54,550
Other payables	3.3C	359,627	244,926	301,558
<b>Total payables</b>		<b>2,958,010</b>	<b>2,457,184</b>	<b>2,983,238</b>
<b>Interest bearing liabilities</b>				
Finance leases	3.4A	1,485,329	1,529,424	1,463,473
<b>Total interest bearing liabilities</b>		<b>1,485,329</b>	<b>1,529,424</b>	<b>1,463,473</b>
<b>Provisions</b>				
Employee provisions	3.5A	3,041,254	2,869,016	2,806,979
Restoration, decontamination and decommissioning	3.5B	1,303,571	1,197,914	1,281,316
Other provisions	3.5C	432,341	312,565	51,694
<b>Total provisions</b>		<b>4,777,166</b>	<b>4,379,495</b>	<b>4,139,989</b>
<b>Total liabilities</b>	8.4A	<b>9,220,505</b>	<b>8,366,103</b>	<b>8,586,700</b>
<b>NET ASSETS</b>		<b>96,646,497</b>	<b>91,722,816</b>	<b>91,803,843</b>
<b>EQUITY</b>				
Contributed equity		31,781,123	28,450,361	31,573,822
Reserves		27,877,969	26,727,755	24,622,018
Retained surpluses		36,987,405	36,544,700	35,608,003
<b>TOTAL EQUITY</b>		<b>96,646,497</b>	<b>91,722,816</b>	<b>91,803,843</b>

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

**Department of Defence**  
**STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2019

		2019 \$'000	2018 \$'000	Original Budget <sup>1</sup> \$'000
	<b>Notes</b>			
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		<b>28,450,361</b>	26,519,722	28,514,321
<b>Transactions with owners</b>				
<i>Distribution to owners</i>				
Returns of capital - lapsed Appropriations (Operating)	5.1B	<b>(18,493)</b>	-	-
Returns of capital - lapsed Appropriations (Equity)	5.1B	<b>(407,411)</b>	-	-
Returns of capital - other		-	-	(942)
Restructuring	8.3A	<b>(202,208)</b>	-	-
Transfers from/(to) other entities		<b>(4,608)</b>	(64,880)	-
<i>Contribution by owners</i>				
Equity injection - Appropriations (current year)	5.1A	<b>3,343,482</b>	1,995,519	3,060,443
Equity injection - Appropriations (prior year)	5.1A	<b>620,000</b>	-	-
<b>Total transactions with owners</b>		<b>3,330,762</b>	1,930,639	3,059,501
<b>Closing balance as at 30 June</b>		<b>31,781,123</b>	28,450,361	31,573,822
<b>RETAINED EARNINGS</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		<b>36,544,700</b>	35,608,003	35,608,003
Adjustment for errors		<b>84,646</b>	83,557	-
<b>Adjusted opening balance</b>		<b>36,629,346</b>	35,691,560	35,608,003
<b>Comprehensive income</b>				
Surplus for the period		<b>358,059</b>	853,140	-
<b>Total comprehensive income</b>		<b>358,059</b>	853,140	-
<b>Closing balance as at 30 June</b>		<b>36,987,405</b>	36,544,700	35,608,003
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		<b>26,727,755</b>	25,250,201	24,943,518
<b>Comprehensive income</b>				
Other comprehensive income/(loss)	3.2A	<b>1,150,214</b>	1,477,554	(321,500)
<b>Total comprehensive income/(loss)</b>		<b>1,150,214</b>	1,477,554	(321,500)
<b>Closing balance as at 30 June</b>		<b>27,877,969</b>	26,727,755	24,622,018

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.



## Department of Defence

### STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 June 2019

	2019	2018	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>Notes</b>			
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	91,722,816	87,377,926	89,065,842
Adjustment for errors	84,646	83,557	-
<b>Adjusted opening balance</b>	<b>91,807,462</b>	<b>87,461,483</b>	<b>89,065,842</b>
<b>Comprehensive income</b>			
Surplus for the period	358,059	853,140	-
Other comprehensive income/(loss)	1,150,214	1,477,554	(321,500)
<b>Total comprehensive income/(loss)</b>	<b>1,508,273</b>	<b>2,330,694</b>	<b>(321,500)</b>
<b>Transactions with owners</b>			
<i>Distribution to owners</i>			
Returns of capital - lapsed Appropriations (Operating)	(18,493)	-	-
Returns of capital - lapsed Appropriations (Equity)	(407,411)	-	-
Returns of capital - other	-	-	(942)
Restructuring	(202,208)	-	-
Transfers from/(to) other entities	(4,608)	(64,880)	-
<i>Contribution by owners</i>			
Equity injection - Appropriation (current year)	3,343,482	1,995,519	3,060,443
Equity injection - Appropriation (prior year)	620,000	-	-
<b>Total transactions with owners</b>	<b>3,330,762</b>	<b>1,930,639</b>	<b>3,059,501</b>
<b>Closing balance as at 30 June</b>	<b>96,646,497</b>	<b>91,722,816</b>	<b>91,803,843</b>

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

#### Accounting Policy

##### (a) Equity Injections

Amounts appropriated which are designated as 'equity injections' (less any formal reductions) are recognised directly in contributed equity in that year.

##### (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 *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) requires that distributions to owners be debited to contributed equity unless it is a dividend. Repayments and reductions of equity appropriations are recognised as a reduction of contributed equity.

**Department of Defence**  
**CASH FLOW STATEMENT**

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original Budget <sup>1</sup> \$'000
<b>Notes</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations (current year)	32,407,283	32,930,464	32,471,206
Section 74 receipts from OPA <sup>2</sup>	935,219	392,391	-
Goods and services (including cost recovery)	642,419	423,471	550,721
Interest received	11,856	7,068	-
GST received	1,855,282	1,871,015	1,877,377
Cash received from OPA	-	46,856	-
Other	66,418	129,575	44,961
<b>Total cash received</b>	<b>35,918,477</b>	<b>35,800,840</b>	<b>34,944,265</b>
<b>Cash used</b>			
Employees	(11,687,174)	(11,917,601)	(11,775,594)
Suppliers	(12,281,051)	(12,476,937)	(12,296,039)
GST paid	(1,897,105)	(1,814,841)	(1,877,377)
Grants	(147,888)	(137,706)	(124,519)
Section 74 receipts transferred to OPA <sup>2</sup>	(935,219)	(448,565)	-
Cash returned to OPA	(14,914)	-	(942)
Other	(71,554)	(56,744)	(15,284)
<b>Total cash used</b>	<b>(27,034,905)</b>	<b>(26,852,394)</b>	<b>(26,089,754)</b>
<b>Net cash from operating activities</b>	<b>8,883,572</b>	<b>8,948,446</b>	<b>8,854,511</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land and buildings	16,965	21,894	77,925
Proceeds from sales of specialist military equipment	28,269	7,871	7,549
Proceeds from sales of plant and equipment	22,849	29,598	19,422
Other	2,748	704	-
<b>Total cash received</b>	<b>70,831</b>	<b>60,067</b>	<b>104,896</b>
<b>Cash used</b>			
Purchase of land and buildings	(1,001,210)	(1,360,483)	(1,196,717)
Purchase of specialist military equipment	(8,999,149)	(6,860,235)	(7,732,907)
Purchase of infrastructure	(665,593)	(572,594)	(620,492)
Purchase of plant and equipment	(263,498)	(392,552)	(188,938)
Purchase of heritage and cultural assets	(200)	(44)	-
Purchase of intangibles	(84,230)	(37,865)	(457,859)
Purchase of inventory	(1,693,173)	(1,642,557)	(1,657,535)
Selling costs on sale of assets	(16,139)	(7,528)	(19,690)
Finance costs	(100,045)	(100,603)	(99,264)
<b>Total cash used</b>	<b>(12,823,237)</b>	<b>(10,974,461)</b>	<b>(11,973,402)</b>
<b>Net cash used by investing activities</b>	<b>(12,752,406)</b>	<b>(10,914,394)</b>	<b>(11,868,506)</b>

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Section 74 receipts transferred to and drawn down from the OPA reflect receipts retained by Defence under Section 74 of the *Public Governance Performance and Accountability Act 2013*. These predominantly relate to goods and services receipts (including cost recovery), proceeds from sales of assets, claims for damages or other compensation and cash received in relation to procurement arrangements.

**Department of Defence**  
**CASH FLOW STATEMENT (continued)**

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original Budget <sup>1</sup> \$'000
	<b>Notes</b>		
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity (current year)	3,343,482	1,995,519	3,060,443
Contributed equity (prior year)	620,000	-	-
<b>Total cash received</b>	<b>3,963,482</b>	<b>1,995,519</b>	<b>3,060,443</b>
<b>Cash used</b>			
Repayments of debt (including finance lease principal)	(93,333)	(39,257)	(46,447)
<b>Total cash used</b>	<b>(93,333)</b>	<b>(39,257)</b>	<b>(46,447)</b>
<b>Net cash from financing activities</b>	<b>3,870,149</b>	<b>1,956,262</b>	<b>3,013,996</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,315</b>	<b>(9,686)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	72,241	88,823	88,823
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	2,623	(6,896)	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>76,179</b>	<b>72,241</b>	<b>88,823</b>

3.1A

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

## Department of Defence

### BUDGET VARIANCE COMMENTARY

*For the period ended 30 June 2019*

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The following provides an explanation of variances between the original budget as presented in the 2018-19 Portfolio Budget Statements (PBS) and 2018-19 final actual result. The budget is not audited. The budget figures as published in the PBS have been restated to align with the presentation and classification adopted in the financial statements.

Explanations are provided for major budget variances only. Variances are treated as major when it is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and for analysis of the Department's performance.

The nature and timing of the Commonwealth's budget process can also contribute to the variances of an organisation. For the Department's variance analysis, the major budget impacts include:

- Estimated actual outcomes were published in the 2018-19 PBS before the closing 2017-18 and opening 2018-19 Statement of Financial Position was known;
- The original budget as presented in the 2018-19 PBS is amended by Government throughout the year. The Department's budget for 2018-19 was updated as part of the 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO), 2018-19 Portfolio Additional Estimates Statements (PAES) and again as part of the 2019-20 PBS process where estimated actuals for 2018-19 are presented as comparatives for the 2019-20 budget figures;
- A number of significant items within the Department's Statement of Comprehensive Income are subject to factors outside the Department's control and do not necessarily follow historical trends. These items include write-down and impairment of assets, other expenses, reversals of previous asset write-downs and impairment, other revenue and other gains; and
- While restructuring to establish the Australian Signals Directorate (ASD) as a separate agency from Defence was factored into the original budget, the actual net impact was not known at the time. Refer to note 8.3 for further information.

The variance commentary below will make mention of these factors where applicable.

#### **Departmental Statement of Comprehensive Income**

##### **Departmental expenses**

The total variance between departmental expenses and the original budget is an increase of \$191 million (or 1%). The major variances to Budget are outlined below:

- Write-down and impairment of assets which were \$258 million (or 43%) higher than the original budget, primarily due to higher impairment expenses recorded for explosive ordnance inventory than was anticipated in the original budget.
- Other expenses which were \$226 million higher than the Original Budget due to revisions in estimates for restoration, decontamination, decommissioning and other provisions recorded in 2018-19. These provisions are re-estimated based on the most recent information that is available at the end of the reporting period. Due to the nature of these provisions other expenses do not follow historic trends and are expected to vary from Budget.
- Losses from asset sales which were \$36 million higher than the Original Budget due to additional sales of specialist military equipment that were not anticipated in the Original Budget.
- Depreciation and amortisation expenses which were \$178 million (or 3%) lower than the Original Budget primarily due to the re-estimation of asset useful lives in 2018-19 that was not factored into the Original Budget and the timing of asset roll-outs as compared to expectations within the Original Budget.
- Finance costs which were \$53 million (or 32%) lower than the Original Budget, due to lower borrowing costs associated with the unwinding of provisions than was anticipated in the Original Budget. This is largely as a result of lower interest rates at 30 June 2019 than was anticipated in the Budget.

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2019

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### Departmental income

The total variance between departmental income and the Original Budget is an increase of \$494 million (or 62%).

Increases in income can be largely attributed to:

- Reversals of previous asset write-downs and impairment which were \$169 million (or 85%) higher than the Original Budget primarily due to pricing adjustments which resulted in an increase in the value of inventory in 2018-19. Due to the nature of these adjustments, historic trends are not useful in predicting actuals and actuals are expected to vary from budget.
- Other gains which were \$350 million higher than the Original Budget. This variance is predominantly due to:
  - Revisions in estimates for restoration, decontamination, decommissioning and other provisions recorded in 2018-19 (\$174 million). Decreases, primarily in relation to asbestos removal provisions across various Defence sites have been recognised through other gains in the current period. Due to the nature of these provisions, other gains do not follow historic trends and are expected to vary from budget.
  - Recognition of other gains for assets received by Defence in relation to the Australia Singapore Military Training Initiative (ASMTI) agreement (\$176 million). Funding for these assets is received from Singapore to pay for training facilities in Australia to which they will have access for part of each year over the life of the agreement.

### Other comprehensive income

The total variance between other comprehensive income and the Original Budget is an increase of \$1,150 million, driven by the revaluation of assets, predominantly Specialist Military Equipment (\$1,146 million). Due to the uncertainty of the movement in the market for these assets, these amounts are not budgeted.

### Departmental Statement of Financial Position

#### Departmental assets

The total variance between departmental assets and the Original Budget is an increase of \$5,476 million (or 5%), due to non-financial assets (including assets held for sale) which were \$5,618 million (or 6%) higher than budget. Increases in non-financial assets can be largely attributed to:

- Differences in the opening actuals balance in July 2018 and the Original Budget set in May 2018 of \$2,582 million across all non financial assets.
- Revaluation increases recorded through other comprehensive income of \$1,150 million which are not budgeted.
- Increases in non-financial assets as a result of Government decisions to increase investment in military capabilities. This impacts property, plant and equipment in addition to inventory (which supports military capabilities) and prepayments (which are primarily capital in nature).

#### Departmental liabilities

The total variance between departmental liabilities and the Original Budget is an increase of \$634 million (or 7%).

Increases in liabilities can be largely attributed to:

- Employee provisions which were \$234 million (or 8%) higher than Original Budget, primarily attributable to decreases in bond rates over the 2018-19 financial period, which were not factored into the Original Budget (2018-19: 1.32%, budget: 2.63%). Bond rates are used to discount employee provisions to present value and subsequently, decreases in bond rates result in an increase in the provision.
- Other provisions which were \$381 million higher than original budget. Of this amount, \$261 million relates to the difference in the opening actuals balance compared to the Original Budget.

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2019

### Departmental equity

The total variance between departmental equity and the Original Budget is an increase of \$4,843 million (or 5%). Of this amount, \$2,657 million relates to the difference in the opening actuals balance in July 2018 compared to the Original Budget set in May 2018. The remaining increases in equity can be largely attributed to:

- Adjustments for errors of \$85 million which are not budgeted. These errors were identified in 2018-19, but relate to prior periods and as a result are an adjustment to equity rather than in the Statement of Comprehensive Income.
- Surplus for the period which was \$358 million higher than Original Budget.
- Other comprehensive income which was \$1,472 million higher than Original Budget.
- Equity injection which was \$903 million higher than original budget. As part of budget amendments made throughout the financial period, additional funding of \$283 million was provided to the Department as part of the 2018-19 Portfolio Additional Estimates Statements and an additional \$620 million was provided as part of the 2019-20 Portfolio Budget Statement process.

These increases have been partially offset by decreases in equity largely attributable to:

- Returns of capital of \$426 million which were not budgeted. In the current period, 2015-16 Appropriation Act 2 and Act 3 were repealed, resulting in the reduction of amounts previously recorded as appropriations receivable. This was not anticipated in the Original Budget.
- Restructuring of \$202 million which was not budgeted, as net assets transferred to ASD were not known at the time the Original Budget was prepared.

### Departmental Cash Flow Statement

#### Departmental net cash from operating activities

The total variance between departmental net cash from operating activities and the Original Budget is an increase of \$29 million. This is driven by cash received from operating activities which is \$974 million (or 3%) higher than Original Budget, offset by cash used in operating activities which is \$945 million (or 4%) higher than Original Budget. The differences in both categories primarily relate to section 74 receipts from OPA (\$935 million) and section 74 receipts transferred to OPA (\$935 million), which were not budgeted. These amounts reflect receipts retained by Defence under Section 74 of the *Public Governance Performance and Accountability Act 2013* that are transferred to the OPA and then drawn down as Appropriations when required. The Original Budget netted these amounts out.

#### Departmental net cash used by investing activities

The total variance between departmental net cash used by investing activities and the Original Budget is an increase in cash used of \$884 million (or 7%).

This increase relates to budget amendments made throughout the financial period, where additional capital funding of \$283 million was provided to the Department as part of the 2018-19 Portfolio Additional Estimates Statements and an additional \$620 million was provided as part of the 2019-20 Portfolio Budget Statements process. This additional capital funding was primarily used for additional purchases of specialist military equipment in 2018-19.

#### Departmental net cash from financing activities

The total variance between departmental net cash from financing activities and the Original Budget is an increase of \$856 million (or 28%). As part of budget amendments made throughout the financial period, additional funding of \$283 million was provided to the Department as part of the 2018-19 Portfolio Additional Estimates Statements and an additional \$620 million was provided as part of the 2019-20 Portfolio Budget Statement process.

Department of Defence

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

For the period ended 30 June 2019

Original

Budget<sup>1</sup>

		2019 \$'000	2018 \$'000	\$'000
<b>NET COST OF SERVICES</b>				
	<b>Notes</b>			
<b>EXPENSES</b>				
Employee benefits	2.1A	8,408,602	6,958,360	6,665,361
Subsidies	2.1B	120,325	108,178	116,411
Impairment loss allowance on financial instruments	2.1C	2	44	-
<b>Total expenses</b>		<b>8,528,929</b>	<b>7,066,582</b>	<b>6,781,772</b>
<b>LESS:</b>				
<b>INCOME</b>				
<b>Revenue</b>				
<b>Non taxation revenue</b>				
Fees and fines	2.2A	16,968	15,305	16,237
Interest	2.2B	24,506	25,866	25,908
Dividends	2.2C	24,545	26,555	55,494
Military superannuation contributions	2.2D	1,388,079	1,444,915	1,165,712
Other revenue	2.2E	56,897	50,678	48,292
Foreign exchange gains	2.2F	300	176	-
<b>Total non-taxation revenue</b>		<b>1,511,295</b>	<b>1,563,495</b>	<b>1,311,643</b>
<b>Total revenue</b>		<b>1,511,295</b>	<b>1,563,495</b>	<b>1,311,643</b>
<b>Net cost of services</b>		<b>7,017,634</b>	<b>5,503,087</b>	<b>5,470,129</b>
<b>Deficit attributable to the Australian Government</b>		<b>(7,017,634)</b>	<b>(5,503,087)</b>	<b>(5,470,129)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		91,171	135,181	-
Actuarial (losses)/gains on defined benefits plans		(46,023,300)	(18,902,900)	26,354,615
<b>Total other comprehensive (loss)/income</b>		<b>(45,932,129)</b>	<b>(18,767,719)</b>	<b>26,354,615</b>
<b>Total comprehensive (loss)/income</b>		<b>(52,949,763)</b>	<b>(24,270,806)</b>	<b>20,884,486</b>

The above statement should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.



**Department of Defence**  
**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

as at 30 June 2019

		2019 \$'000	2018 \$'000	Original Budget <sup>1</sup> \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.1A	114,576	109,972	-
Trade and other receivables	4.1B	547,912	554,218	565,840
Equity accounted investments	4.1C	2,889,025	2,797,854	2,623,489
<b>Total financial assets</b>		<b>3,551,513</b>	<b>3,462,044</b>	<b>3,189,329</b>
<b>Non-financial assets</b>				
Prepayments	4.2A	249,655	238,962	328,610
<b>Total non-financial assets</b>		<b>249,655</b>	<b>238,962</b>	<b>328,610</b>
<b>TOTAL ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>3,801,168</b>	<b>3,701,006</b>	<b>3,517,939</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Other payables	4.3A	121,628	118,941	6,427
<b>Total payables</b>		<b>121,628</b>	<b>118,941</b>	<b>6,427</b>
<b>Provisions</b>				
Employee provisions	4.4A	182,018,200	130,294,201	89,219,871
<b>Total provisions</b>		<b>182,018,200</b>	<b>130,294,201</b>	<b>89,219,871</b>
<b>TOTAL LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>		<b>182,139,828</b>	<b>130,413,142</b>	<b>89,226,298</b>
<b>NET LIABILITIES</b>		<b>(178,338,660)</b>	<b>(126,712,136)</b>	<b>(85,708,359)</b>

The above schedule should be read in conjunction with the accompanying notes

<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 2018-19 Portfolio Budget Statements). The budget is not audited.

**Department of Defence**  
**ADMINISTERED RECONCILIATION SCHEDULE**

as at 30 June 2019

		2019 \$'000	2018 \$'000
	<b>Notes</b>		
<b>Opening assets less liabilities as at 1 July</b>		<b>(126,712,136)</b>	<b>(103,503,218)</b>
<b>Net (cost of)/contribution by services</b>			
Income		1,511,295	1,563,495
Expenses			
Payments to entities other than corporate Commonwealth entities		<b>(8,528,929)</b>	<b>(7,066,582)</b>
<b>Other comprehensive income:</b>			
Revaluations taken to/(from) reserves:			
– Defence Housing Australia (DHA)		85,578	150,286
– Small portfolio entities		5,593	(15,105)
Actuarial gains/(losses)		<b>(46,023,300)</b>	<b>(18,902,900)</b>
<b>Transfers (to)/from Australian Government:</b>			
Appropriation transfers from Official Public Account:			
Special appropriations (limited)			
Payments to entities other than corporate Commonwealth entities	5.1C	337	441
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	5.1C	2,784,304	2,563,613
Transfers to Official Public Account		<b>(1,660,197)</b>	<b>(1,702,609)</b>
Funded benefit payments to the members, not drawn down from Special Appropriations		198,795	200,443
<b>Closing assets less liabilities as at 30 June</b>		<b><u>(178,338,660)</u></b>	<b><u>(126,712,136)</u></b>

The above schedule should be read in conjunction with the accompanying notes

**Accounting Policy**

*Cash Transfers to and from the Official Public Account*

Revenue collected by Defence for use by the 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 Government. These transfers to and from the OPA are adjustments to the administered cash held by Defence on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

**Department of Defence**  
**ADMINISTERED CASH FLOW STATEMENT**

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
	<b>Notes</b>	
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Fees	18,867	15,129
Interest	24,506	32,314
Superannuation contributions	1,530,626	1,564,035
Other	59,643	51,546
<b>Total cash received</b>	<b>1,633,642</b>	<b>1,663,024</b>
<b>Cash used</b>		
Subsidies	(122,236)	(105,660)
Employees	(2,662,350)	(2,456,651)
Section 77 payments	(55)	(1,743)
<b>Total cash used</b>	<b>(2,784,641)</b>	<b>(2,564,054)</b>
<b>Net cash used by operating activities</b>	<b>(1,150,999)</b>	<b>(901,030)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Dividends	26,555	39,585
<b>Total cash received</b>	<b>26,555</b>	<b>39,585</b>
<b>Net cash flows investing activities</b>	<b>26,555</b>	<b>39,585</b>
<b>Net decrease in cash held</b>	<b>(1,124,444)</b>	<b>(861,445)</b>
<b>Cash from the Official Public Account for:</b>		
Appropriations	2,784,641	2,564,054
Special Accounts	275,321	69,845
<b>Total cash from the Official Public Account</b>	<b>3,059,962</b>	<b>2,633,899</b>
<b>Cash to the Official Public Account for:</b>		
Appropriations	(1,660,197)	(1,702,609)
Special Accounts	(270,717)	(49,202)
<b>Total cash to the Official Public Account</b>	<b>(1,930,914)</b>	<b>(1,751,811)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>114,576</b>	<b>109,972</b>
	4.1A	

The above statement should be read in conjunction with the accompanying notes

**Department of Defence**  
**BUDGET VARIANCE COMMENTARY**  
*For the period ended 30 June 2019*

**Administered Schedule of Comprehensive Income**

**Administered expenses**

The total variance from the Original Budget is an increase of \$1,747 million (or 26%). This is largely attributed to an increase in service costs of \$1,993 million (or 86%). Service costs relate to the cost of accruing superannuation benefits for serving members, lower interest rates compared to rates assumed in the budget result in higher contribution rates which increase the service costs.

**Administered income**

The total variance between administered income and the Original Budget of \$200 million (or 15%) is due to changes in the membership profile of the superannuation schemes over the course of the financial period that were not factored into the Original Budget. This is impacted by a number of factors including service length, contribution rates and member commencement date.

**Administered other comprehensive income**

The total variance between administered other comprehensive income and the Original Budget is a decrease of \$72,287 million (or 274%), primarily due to actuarial losses on defined benefit plans which is \$72,378 million lower than Original Budget. The Original Budget was developed using a discount rate of 6%, based on information available as at the time of preparation, and demographic assumptions from the 2017 Long Term Cost Report (LTCR). However the 2018-19 balance is based on short-term discount rates (between 1.4% and 1.9%), and membership data as at 30 June 2019.

**Administered Schedule of Assets and Liabilities**

**Administered assets**

The total variance between administered assets and the original budget is an increase of \$283 million (or 8%). The major variances are:

- Cash and cash equivalents which was \$115 million higher than Original Budget. This balance relates to Special Accounts held by Defence which were recognised in the schedule of assets and liabilities for the first time as at 30 June 2018.
- Equity accounted investments which were \$266 million (or 10%) higher than the Original Budget. The variance is due to differences in the revaluation of investments accounted for using the equity method compared to the Original Budget. Variances are expected given the uncertainty of the movement in the fair value of these assets.
- Prepayments which were \$79 million (or 24%) lower than Original Budget. This balance relates to retention benefits paid to eligible Military Superannuation and Benefits Scheme members who have completed at least 15 years of continuous eligible service. The movement compared to budget is largely due to fewer members accessing the allowance, which was not anticipated in the Original Budget.

**Administered liabilities**

The total variance between administered liabilities and the Original Budget is an increase of \$92,914 million (or 104%). Increases in administered liabilities can be largely attributed to:

- Other payables which were \$115 million higher than Original Budget. This balance relates to Special Accounts held by Defence which were recognised in the schedule of assets and liabilities for the first time as at 30 June 2018.
- Employee provisions which were \$92,798 million (or 104%) higher than the Original Budget. Refer to budget commentary regarding administered other comprehensive income for further information.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### OVERVIEW

##### The Basis of Preparation

The financial statements including notes are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are general purpose financial statements.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements 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 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 are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

##### New Accounting Standards

All new accounting standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the entity's financial statements.

##### 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.

##### Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, 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.

##### Events After the Reporting Period

###### Departmental

There are no post balance date events with a material effect on the financial statements.

###### 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 2019

#### FINANCIAL PERFORMANCE

This section analyses the financial performance of Defence for the year ended 30 June 2019.

##### 1.1: Expenses

	2019	2018
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,343,518	1,443,808
Superannuation:		
Defined contribution plans	123,778	127,450
Defined benefit plans	135,691	152,991
Leave and other entitlements	228,043	190,356
Fringe benefits tax	6,705	25,206
Separation and redundancies	24,446	16,345
Other allowances	37,981	47,612
Health expenses	4,138	5,575
Other employee expenses	1,145	1,845
<b>Total APS employee benefits</b>	<b>1,905,445</b>	<b>2,011,188</b>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	5,155,545	5,045,629
Superannuation:		
Defined contribution plans	131,790	78,593
Defined benefit plans	1,568,355	1,633,757
Housing <sup>1</sup>	915,220	929,420
Leave and other entitlements	633,586	739,998
Fringe benefits tax	481,228	447,328
Overseas allowances	164,932	163,405
Separation and redundancies	13,970	13,573
Other allowances	356,662	352,585
Health expenses	476,369	432,233
Other employee expenses	118,892	131,176
<b>Total ADF employee benefits</b>	<b>10,016,549</b>	<b>9,967,697</b>
<b>Total employee benefits</b>	<b>11,921,994</b>	<b>11,978,885</b>

<sup>1</sup> Housing expenses include lease payments made to Defence Housing Australia (DHA) for the provision of housing for 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. Lease expenses are paid by Defence to DHA and recognised as part of ADF housing expenses.

For the current financial period, sublease expenses were \$534.1m (2017-18: \$563.5m).

##### Accounting Policy

Defence's workforce comprises APS (i.e. civilians) and 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.

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.



**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2019*

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**1.1A: Employee benefits (continued)**

*(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.

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*

Permanently appointed ADF employees of Defence are members of the Defence Force Retirement and Death Benefits Scheme (DFRDB), the Military Superannuation Benefits Scheme (MSBS) and Australian Defence Force Superannuation (ADF Super), which includes the ADF Cover.

DFRDB and 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.

ADF Super commenced on 1 July 2016. ADF Super is a defined contribution scheme. The members of ADF Super are entitled to an insurance cover for death and invalidity benefits under the provisions of the ADF Cover scheme, which is a defined benefit type plan.

The liability for superannuation recognised in the departmental statements as at 30 June represents outstanding contributions yet to be paid. The liabilities for DFRDB, MSBS, ADF Cover defined benefit is recognised and reported by the Department of Defence as an administered item.

*(e) Paid Parental Leave*

Defence provides 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.

**Accounting Judgements and Estimates**

As required by AASB 119 *Employee Benefits*, the estimate of future cash outflows takes into account estimated attrition, probability factors, future salary rates and ancillary costs. Liabilities for short-term employee benefits expected to be paid within 12 months of the end of reporting period are measured at the one year Commonwealth government bond rate of 1.04 per cent (2017-18: 1.91 per cent). Liabilities for long term employee benefits are discounted using the 10 year Commonwealth government bond rate of 1.32 per cent (2017-18: 2.63 per cent).



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>1.1B: Suppliers expenses</b>		
<b>Goods and services supplied or rendered</b>		
Inventory consumption	918,821	1,022,461
Sustainment (including repair and overhaul)	5,069,487	4,640,846
Garrison support and mess operations	327,574	337,927
Travel	268,488	245,653
Freight, storage and removal	503,329	487,553
Training	512,626	478,327
Communications and information technology	1,526,758	1,381,526
Professional services/technical advice	415,870	496,832
Estate upkeep	1,376,676	1,284,088
Research and development	289,067	269,109
Utilities	374,942	369,647
Purchase of minor assets	180,863	175,255
Other	1,949,242	1,819,568
<b>Total goods and services supplied or rendered</b>	<b>13,713,743</b>	<b>13,008,792</b>
<b>Goods and services supplied or rendered are made up of:</b>		
Goods supplied	1,789,711	1,580,576
Services rendered	11,924,032	11,428,216
<b>Total goods and services supplied or rendered</b>	<b>13,713,743</b>	<b>13,008,792</b>
<b>Other supplier expenses</b>		
Operating lease rentals	299,737	282,794
Workers compensation premiums	19,847	21,996
<b>Total other supplier expenses</b>	<b>319,584</b>	<b>304,790</b>
<b>Total supplier expenses</b>	<b>14,033,327</b>	<b>13,313,582</b>

#### Leasing commitments

The operating leases are non-cancellable and are described in the table below:

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 6 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 and equipment leases	Defence leases aircraft in support of scientific and military operations and in support of parliamentary services. Defence also leases a range of other items including vehicles, vessels, computer hardware, office and communications equipment to support its operating activities. General lease terms are between 1 and 15 years with options to extend on similar terms in some cases. Lease payments are subject to the terms and conditions of each lease with escalation clauses, where present, generally calculated on an indexation basis. There are no significant contingent rentals payable.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

	2019	2018
	\$'000	\$'000

**1.1B: Suppliers expenses (continued)**

**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:**

Within 1 year	1,326,320	1,216,067
Between 1 to 5 years	2,942,566	4,070,493
More than 5 years	2,198,600	1,869,108
<b>Total operating lease commitments</b>	<b>6,467,486</b>	<b>7,155,668</b>

**Accounting Policy**

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 free periods are recognised as an integral part of the total consideration agreed for the use of the leased asset.

**1.1C: Grants**

State and Territory Governments	4,400	650
Non-profit organisations	33,043	23,163
Overseas	111,933	105,992
<b>Total grants</b>	<b>149,376</b>	<b>129,805</b>

**Accounting Policy**

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.

**1.1D: Finance costs**

Finance leases	101,628	100,679
Unwinding of discount - restoration, decontamination and decommissioning	9,639	14,545
Bank interest	5	1
<b>Total finance costs</b>	<b>111,272</b>	<b>115,225</b>

**Accounting Policy**

All borrowing costs are expensed as incurred.

**1.1E: Impairment loss allowance on financial instruments**

Impairment on trade and other receivables	5,079	2,328
<b>Total impairment on financial instruments</b>	<b>5,079</b>	<b>2,328</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>1.1F: Write-down and impairment of assets</b>		
Write-down and impairment of property, plant and equipment	252,509	394,697
Write-down and impairment of intangible assets	1,957	7,574
Write-down and impairment of inventory	605,793	502,123
<b>Total write-down and impairment of assets</b>	<b>860,259</b>	<b>904,394</b>

#### Accounting Policy

The relevant account policy for write-down and impairment of assets is detailed in Note 3.2A Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles.

#### 1.1G: Foreign exchange

##### Foreign exchange gains

Non-speculative	41,371	52,186
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##### Foreign exchange losses

Non-speculative	(78,036)	(64,132)
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<b>Total net (loss)/gain foreign exchange</b>	<b>(36,665)</b>	<b>(11,946)</b>
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#### Accounting Policy

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 sheet 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.

#### 1.1H: Other expenses

Act of Grace payments (section 65)	1,235	253
Tactical Payment Scheme payments	9	6
Defective Administration Scheme payments	5,289	1,118
Restoration, decontamination and decommissioning costs	146,861	185,618
Other	87,806	217,004
<b>Total other expenses</b>	<b>241,200</b>	<b>403,999</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

**1.2: Own-Source Revenue and gains**

<b>Own-Source Revenue</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>1.2A: Provision of goods and rendering of services</b>		
<b>Provision of goods</b>		
Rations and quarters - cost recovery	62,738	67,446
Provision of fuel - cost recovery	17,150	42,032
Other (including sale of obsolete and surplus inventory)	29,411	22,143
<b>Total provision of goods</b>	<b>109,299</b>	<b>131,621</b>
<b>Rendering of services</b>		
Group rental scheme	205,277	206,826
Logistics support recovery	32,291	31,870
Other recoveries	42,399	39,407
Other governments/agencies	96,795	2,721
Other	53,593	42,496
<b>Total rendering of services</b>	<b>430,355</b>	<b>323,320</b>
<b>Total provision of goods and rendering of services</b>	<b>539,654</b>	<b>454,941</b>

**Accounting Policy**

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.

**1.2B: Rental income**

**Operating leases:**

Other	6,544	3,698
<b>Total rental income</b>	<b>6,544</b>	<b>3,698</b>
<b>Commitments for sublease rental income receivable are as follows:</b>		
One year or less	19,688	19,350
From one to five years	4,299	5,281
Over five years	6,690	5,029
<b>Total sublease rental income commitments</b>	<b>30,677</b>	<b>29,660</b>

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.

Defence receives income 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.

**Accounting Policy**

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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>1.2C: Other revenue</b>		
Excise refunds	563	-
Settlement of damages	589	27,487
Foreign military sales refunds	2,959	1,289
Other minor revenues	16,563	13,410
Resources received free of charge:		
Remuneration of auditors	3,800	3,800
Assets received free of charge	-	11,259
Other resources received free of charge	87	-
<b>Total other revenue</b>	<b>24,561</b>	<b>57,245</b>

#### Accounting Policy

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.

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. Fair value is assessed by asset class as described in 3.2A(f).

#### 1.2D: Reversals of previous asset write-downs and impairment

Land and buildings	11,196	1,615
Specialist military equipment	33,236	13,761
Infrastructure	360	1,221
Plant and equipment	14,308	17,416
Heritage and cultural assets	125	101
Software and intangibles	759	-
<b>Total property, plant and equipment and intangibles</b>	<b>59,984</b>	<b>34,114</b>
Receivables	2,976	1,036
Inventory	305,705	47,455
<b>Total reversal of previous asset write-downs and impairment</b>	<b>368,665</b>	<b>82,605</b>

#### 1.2E: Other gains

Reversal/write back of provisions	179,038	53,596
Other gains - ASMTI Contribution	176,238	-
<b>Total other gains</b>	<b>355,276</b>	<b>53,596</b>

#### Accounting Policy

Reversal/write back of provisions relate to the movements in provisions based on changes in estimates.

Other gains relate to the Australia Singapore Military Training Initiative (ASMTI) agreement. Under the agreement, the Republic of Singapore makes a contribution to Defence which will be used towards the cost of development of military training facilities. Once developed, these facilities will be used by the Defence forces of Australia and Singapore for the conduct of exercises and other training activities.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2019*

	2019 \$'000	2018 \$'000
<b>1.2F: Revenue from Government</b>		
Appropriations:		
Departmental appropriations	<u>32,525,834</u>	<u>33,040,823</u>
<b>Total revenue from Government</b>	<u><b>32,525,834</b></u>	<u><b>33,040,823</b></u>

**Accounting Policy**

Amounts appropriated for departmental appropriations 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 2019 are reflected as a receivable and are available to be drawn down to meet future obligations. Appropriations receivable are recognised at their nominal amounts.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses the activities that Defence does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

#### 2.1: Administered - Expenses

	2019 \$'000	2018 \$'000
<b>2.1A: Employee benefits</b>		
Superannuation:		
Defined benefit plans		
Net service cost	4,299,300	3,159,600
Net interest cost	4,017,600	3,710,100
Retention benefits	91,702	88,660
<b>Total employee benefits</b>	<b>8,408,602</b>	<b>6,958,360</b>
<b>2.1B: Subsidies</b>		
Related parties:		
Defence Home Owner Scheme	337	441
Defence Home Ownership Assistance Scheme	119,988	107,737
<b>Total subsidies</b>	<b>120,325</b>	<b>108,178</b>
<b>2.1C: Impairment loss allowance on financial instruments</b>		
Impairment on trade and other receivables 7.3B	2	44
<b>Total impairment on financial instruments</b>	<b>2</b>	<b>44</b>

#### 2.2: Administered - Income

##### Non-Taxation Revenue

##### 2.2A: Fees and fines

License fees	16,968	15,305
<b>Total fees and fines</b>	<b>16,968</b>	<b>15,305</b>

##### Accounting Policy

All administered revenues relate to activities performed by Defence on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed. 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.

##### 2.2B: Interest

Loans to Defence Housing Australia	24,506	25,866
<b>Total interest</b>	<b>24,506</b>	<b>25,866</b>

##### Accounting Policy

Interest revenue is recognised using the effective interest method.



# Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>2.2C: Dividends</b>		
Australian Government entities - Defence Housing Australia	24,545	26,555
<b>Total dividends</b>	<b>24,545</b>	<b>26,555</b>
<b>2.2D: Military superannuation contributions</b>		
Military superannuation contributions	1,388,079	1,444,915
<b>Total military superannuation contributions</b>	<b>1,388,079</b>	<b>1,444,915</b>
<b>2.2E: Other revenue</b>		
Competitive neutrality revenue - Defence Housing Australia	40,552	40,052
Other	16,345	10,626
<b>Total other revenue</b>	<b>56,897</b>	<b>50,678</b>
Competitive neutrality revenue relates to State Tax Equivalent payments made by Defence Housing Australia (DHA) under the Australian Government's Competitive Neutrality Policy. The amounts paid include payroll tax, land tax and stamp duty and have been calculated by DHA as being payable under the relevant Acts had they applied.		
<b>2.2F: Foreign exchange gains</b>		
Non-speculative	300	176
<b>Total foreign exchange gains</b>	<b>300</b>	<b>176</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### FINANCIAL POSITION

This section analyses Defence's assets used to conduct its operations and the operating liabilities incurred as a result.

#### 3.1: Financial Assets

	2019 \$'000	2018 \$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash on hand	4,408	3,791
Cash at bank - at call	71,771	68,450
<b>Total cash and cash equivalents</b>	<b>76,179</b>	<b>72,241</b>

#### Accounting Policy

Cash and cash equivalents includes notes and coins held, any deposits in bank accounts held at call with a bank, and cash held in special accounts. Cash is measured at its nominal amount. Cash and cash equivalents denominated in a foreign currency is converted at the exchange rate at the balance date.

#### 3.1B: Trade and other receivables

##### Goods and services receivables

Goods and services	48,047	54,219
<b>Total goods and services receivables</b>	<b>48,047</b>	<b>54,219</b>

##### Appropriations receivable

For existing programs	255,893	666,947
<b>Total appropriations receivable<sup>1</sup></b>	<b>255,893</b>	<b>666,947</b>

5.1A

##### Other receivables

GST receivable from the Australian Taxation Office	250,481	199,724
Accrued revenue	16,304	40,098
Other	289,613	188,846
<b>Total other receivables</b>	<b>556,398</b>	<b>428,668</b>
<b>Total trade and other receivables (gross)</b>	<b>860,338</b>	<b>1,149,834</b>

##### Less impairment allowance

Goods and services	(10,703)	(8,767)
<b>Total impairment allowance</b>	<b>(10,703)</b>	<b>(8,767)</b>
<b>Total trade and other receivables (net)<sup>2</sup></b>	<b>849,635</b>	<b>1,141,067</b>

Credit terms for goods and services were within 1-30 days (2017-18: 1-30 days).

<sup>1</sup> This balance is impacted by the sunseting of the Young Endeavour Youth Program Special Account - refer to Note 5.2 Special Accounts.

<sup>2</sup> This balance is impacted by the separation of the Australian Signals Directorate on 1 July 2018 - refer to Note 8.3A Restructuring.

#### Accounting Policy

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any loss allowance.

The receivables for goods and services are generally receivable within 30 days. The collectability is assessed periodically with allowances made for doubtful debts when there is evidence that Defence will not be able to collect the debt.

**3.1B: Trade and other receivables (continued)**

**Accounting Policy (continued)**

AASB 9 replaces the 'incurred loss' model previously used under AASB 139 with an 'expected credit loss' (ECL) model. This new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income.

Trade and other receivable assets at amortised cost are assessed for impairment at the end of each reporting period. The simplified approach has been adopted in measuring the impairment loss allowance at an amount equal to lifetime ECL.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**3.2: Non-Financial Assets**

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2018-2019)**

Item	Land <sup>1,3</sup>	Buildings <sup>1,3</sup>	Specialist Military Equipment	Infra-structure <sup>1,3</sup>	Plant and Equipment <sup>1,3</sup>	Heritage and Cultural Assets <sup>2,3</sup>	Computer Software - Purchased <sup>3</sup>	Computer Software - Internally Generated <sup>3</sup>	Other Intangibles Purchased	Other Intangibles Internally Generated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2018</b>											
Gross Book value	5,940,783	13,408,313	63,568,092	6,357,201	2,483,021	561,995	1,103,694	486,897	293,333	146,852	94,350,181
Accumulated depreciation/amortisation and impairment	-	(446,671)	(1,549,910)	(314,617)	(339,478)	(77,013)	(704,937)	(323,067)	(242,016)	(19,157)	(4,016,866)
<b>Net book value 1 July 2018</b>	<b>5,940,783</b>	<b>12,961,642</b>	<b>62,018,182</b>	<b>6,042,584</b>	<b>2,143,543</b>	<b>484,982</b>	<b>398,757</b>	<b>163,830</b>	<b>51,317</b>	<b>127,695</b>	<b>90,333,315</b>
<b>Additions:</b>											
By purchase	199,637	1,026,103	8,592,005	618,257	233,532	202	76,699	0	2,785	-	10,749,220
Internally developed	-	-	-	-	-	-	-	13,487	-	-	13,487
By finance lease	-	2,949	-	-	91	-	-	-	-	-	3,040
Adjustments to opening balance	-	(9,763)	153,343	(2,085)	(90,306)	-	-	-	-	-	51,189
Revaluations/impairments recognised in other comprehensive income <sup>4</sup>	(86,126)	189,438	1,146,346	54,983	(165,800)	11,373	-	-	-	-	1,150,214
Reclassification	(158)	14,631	(31,607)	(4,792)	(281,533)	72	(118,340)	419,148	-	2,579	-
Depreciation/amortisation expense	-	(630,641)	(4,620,342)	(360,705)	(212,693)	(23,203)	(51,787)	(106,303)	(37,781)	(20,094)	(6,063,549)
Revaluations/write-downs and impairment recognised in net cost of services <sup>4,5</sup>	(20,000)	(9,406)	(200,250)	(5,011)	(17,842)	-	(1,439)	-	(518)	-	(254,466)
<b>Other movements</b>											
Reversal of previous asset write-downs and impairment	-	11,196	33,236	360	14,308	125	5	751	3	-	59,984
Transfers in/(out)	-	(9,133)	(485,489)	-	-	-	-	-	-	-	(494,622)
Transfers (to)/from Assets Held for Sale	(116,098)	5,279	7,090	83	(336)	-	-	-	-	-	(103,982)
<b>Disposals:</b>											
From disposal of entities or operations (including restructuring)	-	(61)	-	(1,586)	(199,886)	(244)	(3,747)	(26,605)	-	-	(232,129)
Other disposals	(7,869)	(8,072)	(52,871)	-	(29,417)	-	-	-	-	-	(98,229)
<b>Net book value 30 June 2019</b>	<b>5,910,169</b>	<b>13,544,162</b>	<b>66,559,643</b>	<b>6,342,088</b>	<b>1,393,661</b>	<b>473,307</b>	<b>300,148</b>	<b>464,308</b>	<b>15,806</b>	<b>110,180</b>	<b>95,113,472</b>
<b>Net book value as at 30 June 2019 represented by:</b>											
Gross book value	5,910,169	14,151,620	69,230,267	6,694,762	1,662,469	501,204	1,033,978	814,062	292,802	149,431	100,440,764
Accumulated depreciation/amortisation and impairment	-	(607,458)	(2,670,624)	(352,674)	(268,808)	(27,897)	(733,830)	(349,754)	(276,996)	(39,251)	(5,327,292)
<b>Closing net book value at 30 June 2019</b>	<b>5,910,169</b>	<b>13,544,162</b>	<b>66,559,643</b>	<b>6,342,088</b>	<b>1,393,661</b>	<b>473,307</b>	<b>300,148</b>	<b>464,308</b>	<b>15,806</b>	<b>110,180</b>	<b>95,113,472</b>

<sup>1</sup> Land, buildings, infrastructure and plant and equipment under finance lease were subject to revaluation. The carrying amounts as at 30 June 2019 were \$65.0m, \$979.7m, \$99.2m and \$187.5m respectively, and are included in the valuation figures above.

<sup>2</sup> Where land, buildings, infrastructure and plant and equipment meet the definition of a heritage and cultural item, they have been disclosed in the heritage and cultural assets class.

<sup>3</sup> This balance is impacted by the separation of the Australian Signals Directorate on 1 July 2018 - refer to Note 8.3A.

<sup>4</sup> All revaluations were conducted in accordance with the revaluation policy stated at Note 3.2A(f).

<sup>5</sup> Indicators of impairment identified in the current period relate to assets deemed to be obsolete or no longer functioning as intended.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2017-2018)**

Item	Land <sup>1</sup>	Buildings <sup>1</sup>	Specialist Military Equipment	Infra-structure <sup>1</sup>	Plant and Equipment <sup>1</sup>	Heritage and Cultural Assets <sup>2</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 2017</b>											
Gross Book value	5,335,942	12,565,388	59,274,566	6,122,273	2,497,423	672,641	1,089,063	461,367	295,199	23,953	88,337,815
Accumulated depreciation/amortisation and impairment	-	(409,112)	(701,622)	(248,226)	(210,760)	(65,356)	(663,199)	(232,479)	(206,794)	(17,920)	(2,755,468)
<b>Net book value 1 July 2017</b>	<b>5,335,942</b>	<b>12,156,276</b>	<b>58,572,944</b>	<b>5,874,047</b>	<b>2,286,663</b>	<b>607,285</b>	<b>425,864</b>	<b>228,888</b>	<b>88,405</b>	<b>6,033</b>	<b>85,582,347</b>
<b>Additions:</b>											
By purchase	11,833	1,262,277	7,509,893	660,687	216,177	50	32,197	9,531	4,188	125,200	9,832,033
By finance lease	552	39,939	-	-	89,535	-	-	-	-	-	130,026
Adjustments to opening balance	-	(3,681)	105,633	(27,122)	1,258	297	-	-	-	-	76,385
Revaluations/impairments recognised in other comprehensive income	599,362	101,549	969,570	(24,137)	(75,934)	(92,856)	-	-	-	-	1,477,554
Reclassification	-	64,360	(8,400)	(65,078)	6,292	16	(13,939)	16,749	-	-	-
Depreciation/amortisation expense	-	(580,718)	(4,448,198)	(372,496)	(331,045)	(29,131)	(43,594)	(88,073)	(38,968)	(3,308)	(5,935,531)
Revaluations/write-downs and impairment recognised in net cost of services	-	(6,471)	(361,363)	(4,588)	(21,495)	(780)	(1,771)	(3,265)	(2,308)	(230)	(402,271)
<b>Other movements</b>											
Reversal of previous asset write-downs and impairment	37	1,578	13,761	1,221	17,416	101	-	-	-	-	34,114
Transfers in/(out)	-	(60,604)	(306,791)	-	-	-	-	-	-	-	(367,395)
Transfers (to)/from Assets Held for Sale	2,381	(6,005)	3,026	50	9	-	-	-	-	-	(539)
<b>Disposals:</b>											
Other disposals	(9,324)	(6,858)	(31,893)	-	(45,333)	-	-	-	-	-	(93,408)
<b>Net book value 30 June 2018</b>	<b>5,940,783</b>	<b>12,961,642</b>	<b>62,018,182</b>	<b>6,042,584</b>	<b>2,143,543</b>	<b>484,982</b>	<b>398,757</b>	<b>163,830</b>	<b>51,317</b>	<b>127,695</b>	<b>90,333,315</b>
<b>Net book value as at 30 June 2018 represented by:</b>											
Gross book value	5,940,783	13,408,313	63,568,092	6,357,201	2,483,021	561,995	1,103,694	486,897	293,333	146,852	94,350,181
Accumulated depreciation/amortisation and impairment	-	(446,671)	(1,549,910)	(314,617)	(339,478)	(77,013)	(704,937)	(323,067)	(242,016)	(19,157)	(4,016,866)
<b>Closing net book value at 30 June 2018</b>	<b>5,940,783</b>	<b>12,961,642</b>	<b>62,018,182</b>	<b>6,042,584</b>	<b>2,143,543</b>	<b>484,982</b>	<b>398,757</b>	<b>163,830</b>	<b>51,317</b>	<b>127,695</b>	<b>90,333,315</b>

<sup>1</sup> The carrying amount of land, buildings, infrastructure and plant and equipment under finance lease as at 30 June 2018 were \$70.4m, \$1,063.4m, \$109.1m and \$260.8m respectively.

<sup>2</sup> Where land, buildings, infrastructure and 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 2019*

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles**  
**(continued)**

	2019 \$'000	2018 \$'000
<b>Commitments payable relating to property, plant and equipment and intangibles</b>		
Land and buildings <sup>1</sup>	1,163,467	1,041,704
Specialist military equipment <sup>2</sup>	22,860,201	18,259,156
Infrastructure, plant and equipment <sup>3</sup>	377,857	1,262,827
Intangibles <sup>4</sup>	56,981	176,744
<b>Total capital commitments</b>	<b>24,458,506</b>	<b>20,740,431</b>

1. Outstanding contractual payments for buildings under construction.
2. Outstanding contractual payments for specialist military equipment under construction.
3. Infrastructure, plant and equipment capital commitments include outstanding contractual payments relating to the Major Capital Facilities (MCF) program.
4. Intangible commitments include contractual payments for software licence agreements.

**Accounting Policy**

*(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 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 a Defence 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.

*(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) include expenditure to date on major military capability and facilities projects. AUC projects are valued at current replacement cost and are reviewed annually for indicators of impairment. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation.

### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

#### Accounting Policy (continued)

##### (f) Subsequent valuations

All property, plant and equipment, including finance leases, is measured and disclosed at fair value, less any accumulated depreciation and accumulated impairment losses.

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.

Specialist military equipment is valued internally by the Department of Defence. Valuation techniques include reference to comparable assets, recently purchased assets, recent market data available, and indexation based on the country of manufacture. Valuation for land, buildings, infrastructure, other plant and equipment and heritage and cultural assets are performed by independent external valuers using inputs such as sales prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence.

Following initial recognition at cost, valuations for land, buildings, infrastructure and specialist military equipment are conducted every year; other plant and equipment are revalued annually on a sample basis and heritage and cultural assets are revalued over a five year period.

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.

##### (g) Depreciation

Property, plant and equipment items having limited useful lives are systematically depreciated over their estimated useful lives on a straight-line basis.

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 reviewed periodically and at least at each reporting date 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.

	2018-19	2017-18
Buildings	1 to 100 years	2 to 100 years
Infrastructure	3 to 99 years	3 to 99 years
Specialist military equipment	1 to 50 years	1 to 48 years
Other plant and equipment	2 to 76 years	2 to 75 years
Assets under finance lease	2 to 46 years	3 to 48 years
Heritage and cultural	10 to Indefinite	10 to Indefinite



**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**

**Accounting Policy (continued)**

**(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, are not subject to depreciation.

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>.

**(i) Intangible Assets**

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.

All intangibles are amortised on a straight-line basis over their anticipated useful lives. The useful lives of Defence software are 2 to 24 years (2017-18: 2 to 24 years) and the useful lives of Defence's other intangibles are 4 to 35 years (2017-18: 4 to 35 years). All intangible assets are assessed annually for indications of impairment.

All Defence intangible assets are currently stated at cost 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.

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)**

**Accounting Policy (continued)**

*(j) Acquisition of Assets*

Assets are initially recorded at cost on acquisition which 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.

*(k) 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.

*(l) Derecognition of Assets*

Assets are derecognised upon disposal or when no further economic benefits or capability are expected from their use or disposal.

**Significant Accounting Judgements and Estimates**

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, or the estimated cost of repair to bring the asset back to service, to determine any impairment loss.

With the exception of intangible assets, Defence's non-financial assets are measured at fair value using revaluation techniques that require significant judgements and estimates to be made.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	2019 \$'000	2018 \$'000
<b>3.2B: Inventories</b>		
Inventories - General	2,449,878	2,437,685
Inventories - Explosive ordnance	4,645,842	4,416,450
Inventories - Fuel	83,266	74,575
<b>Total inventories</b>	<b>7,178,986</b>	<b>6,928,710</b>

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.

**Accounting Policy**

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. The amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as an expense in the period.

**Significant Accounting Judgements and Estimates**

Significant estimates and assumptions made in relation to inventory include:

- For all identified obsolete inventories, it is assumed that the service potential is nil; and
- The recognised obsolete inventories are valued using the average of all relevant district weighted average costs rather than the actual cost of the holding.

**3.2C: Prepayments**

Capital prepayments	1,737,196	1,185,081
Non-capital prepayments	760,158	381,069
<b>Total prepayments<sup>1</sup></b>	<b>2,497,354</b>	<b>1,566,150</b>

<sup>1</sup> This balance is impacted by the separation of the Australian Signals Directorate on 1 July 2018 - refer to Note 8.3A.

**Accounting Policy**

Prepayments, excluding those paid to employees as retention benefit payments, are recognised if the value of the payment is \$50,000 or greater.

**3.2D: Assets held for sale**

Land	146,946	36,127
Specialist military equipment	3,928	11,018
Other infrastructure, plant and equipment	502	249
Inventories	-	42
<b>Total assets held for sale</b>	<b>151,376</b>	<b>47,436</b>

**Accounting Policy**

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.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

	2019	2018
	\$'000	\$'000

### 3.3: Payables

#### 3.3A: Suppliers payables

Trade creditors and accruals	2,510,645	2,137,396
Operating lease rentals	616	1,282
<b>Total suppliers payables</b>	<b>2,511,261</b>	<b>2,138,678</b>

Settlement is usually made within 30 days.

#### 3.3B: Employee payables

##### Australian Public Service (APS) employee payables

Salaries and wages	9,006	12,611
Superannuation	2,024	2,194

##### Australian Defence Force (ADF) employee payables

Salaries and wages	55,890	43,390
Superannuation	20,202	15,385

<b>Total employee payables</b>	<b>87,122</b>	<b>73,580</b>
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#### 3.3C: Other payables

Statutory payable	215,459	162,236
Other	144,168	82,690
<b>Total other payables</b>	<b>359,627</b>	<b>244,926</b>

### 3.4: Interest Bearing Liabilities

#### 3.4A: Finance leases

Finance leases	1,485,329	1,529,424
<b>Total finance leases</b>	<b>1,485,329</b>	<b>1,529,424</b>

##### Minimum lease payments expected to be settled

Within 1 year	44,475	52,669
Between 1 to 5 years	201,193	201,036
More than 5 years	1,239,661	1,275,719
<b>Total finance leases</b>	<b>1,485,329</b>	<b>1,529,424</b>

33 (2017-18: 33) finance leases exist in relation to properties and technology. The leases are non-cancellable and for fixed terms with an average remaining term of 18.07 years (2017-18: 18.76 years). The maximum number of years remaining is 24.58 years (2017-18: 25.58 years) relating to Single LEAP finance 2 leases (2017-18: Single LEAP finance 2 leases). The lease assets secure the lease liabilities. Interest rates applied averaged 6.08% (2017-18: 6.16%).

#### Accounting Policy

The relevant accounting policy for leases is detailed in Note 1.1B Suppliers Expenses.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

<b>3.5: Provisions</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

**3.5A: Employee provisions**

**Australian Public Service (APS) employee provisions**

Leave	<b>689,103</b>	694,399
<b>Total APS employee provisions</b>	<b>689,103</b>	694,399

**Australian Defence Force (ADF) employee provisions**

Leave	<b>2,347,109</b>	2,164,829
Other provisions	<b>5,042</b>	9,788
<b>Total ADF employee provisions</b>	<b>2,352,151</b>	2,174,617

<b>Total employee provisions<sup>1</sup></b>	<b>3,041,254</b>	2,869,016
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**Employee provisions are expected to be settled in:**

No more than 12 months	<b>889,141</b>	827,758
More than 12 months	<b>2,152,113</b>	2,041,258
<b>Total employee provisions</b>	<b>3,041,254</b>	2,869,016

<sup>1</sup> This balance is impacted by the separation of the Australian Signals Directorate on 1 July 2018 - refer to Note 8.3A.

**Accounting Policy**

The relevant accounting policy for employee provisions is detailed in Note 1.1A Employee Benefits.

**Significant Accounting Judgements and Estimates**

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.

**3.5B: Restoration, decontamination and decommissioning provisions**

Provisions for restoration and decommissioning	<b>668,107</b>	492,645
Provision for decontamination	<b>635,464</b>	705,269
<b>Total restoration, decontamination and decommissioning provisions</b>	<b>1,303,571</b>	1,197,914

**Accounting Policy**

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.

The entity currently has 151 (2017-18: 155) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. The entity has made a provision to reflect the present value of this obligation.

**Significant Accounting Judgments and Estimates**

Provisions for specialist military equipment decommissioning are based on Defence's estimates of future obligations relating to the underlying assets. Provisions for land decontamination and site restoration are supported by external valuer's opinions.

Refer to Note 3.5D for a reconciliation of this balance.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2019*

	2019	2018
	\$'000	\$'000
<b>3.5C: Other provisions</b>		
Other provisions	432,341	312,565
<b>Total other provisions</b>	<b>432,341</b>	<b>312,565</b>

Refer to Note 3.5D for a reconciliation of this balance.

**3.5D: Reconciliation of provision balances**  
**Movement in relation to 2019**

	Restoration and decommissioning provisions \$'000	Decontamination provisions \$'000	Other provisions \$'000
<b>Carrying amount 1 July 2018</b>	492,645	705,269	312,565
Additional provisions made	214,059	102,744	119,776
Amounts used	-	(46,414)	-
Amounts reversed	(42,237)	(132,134)	-
Unwinding of discount rate	3,640	5,999	-
Parameter changes	-	-	-
<b>Closing balance 30 June 2019</b>	<b>668,107</b>	<b>635,464</b>	<b>432,341</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses assets used to conduct operations and the operating liabilities incurred as a result of activities that Defence does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

#### 4.1: Administered - Financial Assets

	2019 \$'000	2018 \$'000
<b>4.1A: Cash and cash equivalents</b>		
Cash held in the OPA - Special Accounts	114,576	109,972
<b>Total cash and cash equivalents</b>	<b>114,576</b>	<b>109,972</b>

The closing balance of cash in special accounts does not include amounts held in trust of \$0.169m (2017-18: \$1.665m). See Note 5.2 Special Accounts and Note 8.1 Assets Held in Trust for more information.

#### 4.1B: Trade and other receivables

##### Goods and services:

In connection with - external parties	9,109	12,413
<b>Total goods and services receivable</b>	<b>9,109</b>	<b>12,413</b>

##### Other receivables:

Dividends	24,545	26,554
Loans receivable - Defence Housing Australia	509,580	509,580
Competitive neutrality - Defence Housing Australia	5,106	6,139
<b>Total other receivables</b>	<b>539,231</b>	<b>542,273</b>
<b>Total trade and other receivables (gross)</b>	<b>548,340</b>	<b>554,686</b>

##### Less impairment allowance:

Goods and services	(428)	(468)
<b>Total impairment allowance</b>	<b>(428)</b>	<b>(468)</b>
<b>Total trade and other receivables (net)</b>	<b>547,912</b>	<b>554,218</b>

Loans to Defence Housing Australia as at 30 June 2019 have remaining terms of up to 7 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 are fixed. Weighted average interest rate is 4.33%. Interest payments are due every quarter or when the loan matures.

Credit terms for goods and services were within 1-30 days (2017-18: 1-30 days).

#### Accounting Policy

##### Loans and 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.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>4.1C: Equity accounted investments</b>		
Other investments shares (or equity in) - Defence Housing Australia	2,809,339	2,723,761
Other investments - Small portfolio entities	79,686	74,093
<b>Total investments accounted for using the equity method</b>	<b>2,889,025</b>	<b>2,797,854</b>

#### Accounting policy

Defence reports the Australian Government's capital investment in Defence Housing Australia (DHA).

The investment is classified as 'fair value through other comprehensive income' and is measured at fair value using the net assets valuation approach in accordance with the Financial Reporting Rule (FRR). The investment was assessed for impairment at year end and no indicators of impairment were noted.

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's operational needs.

The following Commonwealth entities 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 Australian 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 oversight on the investment in these bodies on behalf of the beneficiaries.

These investments are classified as 'fair value through other comprehensive income' and are measured using the net assets valuation approach in accordance with the FRR.

## 4.2: Administered - Non-Financial Assets

#### 4.2A: Other non-financial assets

Prepayments - retention benefits	249,655	238,962
<b>Total other non-financial assets</b>	<b>249,655</b>	<b>238,962</b>

#### Accounting policy

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.

## 4.3: Administered - Payables

#### 4.3A: Other payables

Other payables	7,052	8,969
Special accounts liability	114,576	109,972
<b>Total other payables</b>	<b>121,628</b>	<b>118,941</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 4.4: Administered - Provisions

##### Overview of Schemes

Permanently appointed ADF employees of Defence are members of the Defence Forces Retirement Benefits Scheme (DFRB), the Defence Force Retirement and Death Benefits Scheme (DFRDB), the Military Superannuation and Benefits Scheme (MSBS) and the Australian Defence Force Superannuation (ADF Super). DFRB and DFRDB are fully unfunded defined benefit plans while MSBS is a partially funded plan. DFRB, DFRDB and MSBS are closed to new members. All new members of the ADF are now eligible to enter ADF Super which is a defined contribution plan fully funded by employer contributions of 16.4% of member's full earnings. The members of ADF Super are entitled to an insurance cover for death and invalidity benefits under the provisions of ADF Cover arrangement. ADF Cover is fully funded by the Australian Government and therefore treated as a defined benefit type plan.

MSBS member contributions are paid into the Military Super and Benefits Fund (MSB Fund) that is controlled by the Commonwealth Superannuation Corporation (CSC) and are therefore not reflected in the administered financial statements of Defence. The Australian Government, on behalf of the MSB Fund, makes funded benefit payments to members of the MSBS and is reimbursed by the MSB Fund for these payments. The funded components of MSBS are reported in the financial statements of this scheme, which form part of CSC's annual report.

Defence makes employer contributions for DFRB, DFRDB and MSBS based on an agreed employer contribution rate that is calculated through an actuarial assessment. The employer contributions assist the Government in meeting the cost of the superannuation entitlements under these defined benefit plans. Defence accounts for these employer contributions as contributions to defined contribution plans in accordance with AASB 119 in its departmental financial statements.

Defence, on behalf of the Australian Government, is responsible for administering the four defined benefit plans relating to DFRB, DFRDB, MSBS and ADF Cover. Defence recognises an administered liability for the present value of the Australian Government's expected future payments arising from the four defined benefit plans. These liabilities are based on an annual actuarial assessment performed by the Australian Government Actuary (AGA). Defence also has the responsibility to record the Australian Government's transactions in relation to the four defined benefit plans.

##### Accounting Policy and Measurement

In addition to the annual actuarial assessment, the AGA also completes a full review of the unfunded liabilities for the four defined benefit plans every three years and issues a Long Term Cost Report (LTCR). The demographic assumptions underlying the annual actuarial assessment are updated every three years as part of the LTCR. The economic assumptions underlying the actuarial assessment are updated annually. The most recent LTCR was issued for the 30 June 2017 financial year and forms the basis for the demographic assumptions applied in calculation of the net defined benefit liability (unfunded) for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2019.

Actuarial gains or losses arising from the annual actuarial assessment are recognised in Other Comprehensive Income in equity in the year in which they occur. Current and past service cost; and interest on the net defined benefit liability are recognised in the line item 'employee benefits expense' in the Administered Schedule of Comprehensive Income. The return on fair value of plan assets excluding the amount included in interest income is recognised in equity. The net defined benefit liability is calculated annually as the present value of future obligations less the fair value of plan assets. The net defined benefit liability recognised in the Administered Schedule of Assets and Liabilities under the line item 'employee provisions' represents the actual deficit or surplus in Defence's four defined benefit plans.

Amounts recognised in the Schedule of Assets and Liabilities	2019 \$'000	2018 \$'000
<b>4.4A: Employee provisions</b>		
Superannuation - DFRB	513,900	485,600
Superannuation - DFRDB	55,023,000	46,228,000
Superannuation - MSBS	125,745,000	83,344,000
Insurance cover - ADFC	736,300	236,601
<b>Total employee provisions</b>	<b>182,018,200</b>	<b>130,294,201</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	2,558,000	2,394,000
More than 12 months	179,460,200	127,900,201
<b>Total employee provisions</b>	<b>182,018,200</b>	<b>130,294,201</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**4.5: Administered - Defined Benefit Plans**

**Scheme Information**

**Funding Arrangements**

The funding arrangements for the various schemes and the ADF Cover arrangement are as follows:

Scheme	Funding
DFRB	Unfunded as employer contributions made to assist the Government in meeting the costs of the scheme are not held by the scheme, but paid directly into consolidated revenue. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions made into the scheme equalling the benefits paid out from the scheme. This is shown in the reconciliation of the net defined benefit liability and the reconciliation of the present value of the defined benefit obligation in the subsequent sections
DFRDB	Unfunded as employer contributions and member contributions made to assist the Government in meeting the costs of the scheme are not held by the scheme, but paid directly into consolidated revenue. DFRDB's members contribute 5.5 per cent of the highest incremental salary for rank plus service allowance, which is paid into consolidated revenue. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions made into the scheme equalling the benefits paid out from the scheme. This is shown within the reconciliation of the net defined benefit liability and the reconciliation of the present value of the defined benefit obligation in the subsequent sections. Employer contributions also include the 3 per cent productivity contributions. Member contributions paid are included within the service cost, rather than employer contributions.
MSBS	Partially funded as member contributions and some employer contributions are paid into the scheme, that is the MSB Fund, while the remaining employer contributions are paid directly into the consolidated revenue. Employer productivity contributions of 3 per cent of superannuation salary, member contributions of 5 per cent of superannuation salary, employee salary sacrifice contributions and Superannuation Guarantee top up payments are paid into the MSB Fund. The balance of superannuation benefits payable, after allowing for any funded part of the benefit, under the <i>Military Superannuation and Benefits Act 1991</i> , are paid from the consolidated revenue fund on an emerging (or pay as you go) basis. Refer to the reconciliation of the net defined benefit liability, the reconciliation of the present value of the defined benefit obligation and the reconciliation of the fair value of plan assets in subsequent sections.
ADF Cover	Unfunded. No employer contributions are made in relation to ADF Cover as this arrangement is only providing death and invalidity benefits as these arise for employees that are members of the ADF Super defined contribution plan. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions made into the scheme equalling the benefits paid out from the scheme. This is shown within the reconciliation of the net defined benefit liability and the reconciliation of the present value of the defined benefit obligation in the subsequent sections.



**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**4.5: Administered - Defined Benefit Plans (continued)**

**Benefits Paid**

The nature of the benefits provided under the schemes are as follows:

<b>Scheme</b>	<b>Benefits Paid</b>
DFRB	All remaining DFRB members are in receipt of indexed lifetime pensions.
DFRDB	Length of service is the primary factor that determines benefit entitlement. Members who retire from the Australian Defence Force after twenty years of effective service (or after fifteen years of service at retirement age for rank) are entitled to an indexed lifetime reversionary pension based on a percentage of their annual pay on retirement, some of which can be commuted to a lump sum. Members are entitled to a productivity benefit based on contributions of 3 per cent of pay increased with interest, which is paid as a lump sum in addition to the defined benefits. Most members are currently in receipt of a lifetime pension.
MSBS	Benefits payable comprise a lump sum of accumulated member contributions and an employer financed defined benefit. The employer financed defined benefit is calculated on the basis of the member's final average salary, length of contributory service and includes the 3 per cent of salary productivity component. Benefits arising from member's contributions are determined by the value of contributions and investment returns. The employer financed defined benefits payable may be taken as a lump sum or as an indexed lifetime reversionary pension or as a combination of lump sum and pension. MSBS also has an ancillary accumulation section which can accept other employer contributions and member contributions for the provision of fully funded accumulation lump sum benefits.
ADF Cover	ADF Cover provides death and invalidity benefits for ADF personnel covered by the ADF Super accumulation scheme. A lump sum payment is payable upon the death of a member whilst in service based on prospective future service to age sixty and salary at death. A surviving spouse can opt to receive a pension in lieu of the lump sum death benefit. On an invalidity exit, where the individual is assessed as qualifying for an invalidity pension, a lifetime pension based on prospective future service to age 60 is payable. In addition, a temporary top up pension payable to age sixty based on service to exit and salary at exit is provided.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**4.5: Administered - Defined Benefit Plans (continued)**

**Regulatory Framework**

The applicable regulatory framework for each scheme and arrangement is as follows:

<b>Scheme</b>	<b>Enabling Act</b>	<b>Period open for new members</b>	<b>Requirement</b>
DFRB	<i>Defence Forces Retirement Benefits Act 1948</i>	From July 1948 to 30 September 1972	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>
DFRDB	<i>Defence Force Retirement and Death Benefits Act 1973 and the Defence Force Act 1903</i>	From 1 October 1972 to 30 September 1991	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>
MSBS	<i>Military Superannuation and Benefits Act 1991</i>	From 1 October 1991 to 30 June 2016	Compliance with <i>Superannuation Industry (Supervision) Act 1993</i>
ADF Cover	<i>Australian Defence Force Cover Act 2015</i>	From 1 July 2016	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i>

**Governance of the defined benefit schemes**

CSC was established under the *Governance of Australian Government Superannuation Schemes Act 2011* and is responsible for:

- Providing administration services for each scheme;
- Management and investment of scheme assets;
- Compliance with superannuation taxation and other applicable laws; and
- Compliance with relevant legislation including the *Governance of Australian Government Superannuation Schemes Act 2011*.

CSC is supported by a custodian and other specialist providers. CSC is legally separate from Defence.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**4.5: Administered - Defined Benefit Plans (continued)**

**Risks**

The scheme specific risks, as detailed below, apply to all four schemes and arrangements, unless specified otherwise.

<b>Risk</b>	<b>Exposure</b>
Interest Rate Risk	The present value of the scheme liability (referred to as the defined benefit obligation) is calculated using a discount rate determined by reference to the government bond rate consistent with the term of the liability for each scheme. This rate has no regard to the actual return on any assets of the scheme. A decrease in the bond rate will increase the defined benefit obligation.
Longevity Risk	The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of scheme participants and their spouses both during and after their employment. An increase in the life expectancy of the scheme participants and their spouses will increase the defined benefit obligation.
Salary Risk	The present value of the defined benefit obligation is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the participants prior to retirement will increase the defined benefit obligation. This risk does not apply to the DFRB and has minimal application to the DFRDB and ADF Cover.
Pension Increase Risk	The present value of the defined benefit obligation is calculated by reference to the level of future pension indexation. For MSBS and ADF Cover pensioners, and DFRB and DFRDB pensioners under age 55, the pensions are linked to increases in the Consumer Price Index (CPI). For DFRB pensioners and DFRDB pensioners aged 55 or more, pension increases are calculated as the greater of CPI and Pensioner and Beneficiary Living Cost Index (PBLCI) and benchmarked against a Male Total Average Weekly Earnings (MTAWE) index.
Invalidity Exit Risk	An increase in invalidity exits will increase the defined benefit obligation for MSBS and ADF Cover schemes only. This risk is not relevant for the DFRB and has minimal application to the DFRDB. Benefits are in the form of an indexed pension payable for life and the benefit formula is based on service to retirement age and level of invalidity suffered by the member. A temporary top up pension to age 60 is also payable for ADF Cover members.
Pension Take-up Risk	This risk is relevant for the MSBS scheme only. For MSBS, retiring members and surviving spouses of members who die in service have the option to receive the employer benefit as a part or full pension, compared to the alternative lump sum. When an individual opts to receive a pension on retirement, the actuarial value of the pension is greater than the value of the lump sum benefit foregone. Higher pension take up rates increase the defined benefit obligation.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**4.5: Administered - Defined Benefit Plans (continued)**

**Assumptions**

The economic assumptions are significant factors affecting the estimate of the scheme liability. However, the relationship between these assumptions is significant. Changes of equal magnitude in the absolute levels of each of the rates can have a major effect on nominal cash flows but may have only a minor effect on the liability and service cost.

For the defined benefit obligation, assumptions have also been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the schemes. Assumptions have also been made for the ages of spouses and proportions married on death.

Membership data for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2017 was used to calculate liabilities in the 2017 LTCR. These liabilities were then projected forward to 30 June 2019, allowing for assumptions in accordance with the 2017 LTCR. The liabilities were then adjusted for aggregate experience over the year. In particular, actual experience relating to invalidity exits, pension increase rates, general salary increase rates, benefit payments, salaries per payroll data and the MSBS invested fund was incorporated.

The following sections identify and explain the amounts reported in these financial statements for DFRB, DFRDB, MSBS and ADF Cover. The principal actuarial assumptions underpinning each of the four schemes are also detailed, including an analysis of the sensitivity of changes in these assumptions, to the amounts reported in the financial statements.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 4.5: Administered - Defined Benefit Plans (continued)

The actuarial estimate of the net defined benefit liability for DFRB, DFRDB, MSBS, ADF Cover and in aggregate is presented below. The net defined benefit liability equals the present value of future defined benefit obligation less the fair value of defined benefit plan assets. The most recent actuarial estimates were calculated by the AGA as at 30 June 2019. 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.

The reconciliations included below show movements in the net defined benefit liability, the present value of the defined benefit obligation and the fair value of the defined benefit plan assets. The disclosures below are in line with requirements of AASB 119.

	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</b>					
Present value of funded obligations	-	-	10,263,000	-	10,263,000
Fair Value of plan assets	-	-	(10,263,000)	-	(10,263,000)
Present value of unfunded obligations	513,900	55,023,000	125,745,000	736,300	182,018,200
Unrecognised past service cost	-	-	-	-	-
<b>Net liability recorded in the Administered Schedule of Assets and Liabilities</b>	<b>513,900</b>	<b>55,023,000</b>	<b>125,745,000</b>	<b>736,300</b>	<b>182,018,200</b>
<b>Amounts recorded in the Administered Schedule of Assets and Liabilities:</b>					
Liabilities	513,900	55,023,000	136,008,000	736,300	192,281,200
Assets	-	-	(10,263,000)	-	(10,263,000)
<b>Net liability recorded in the Administered Schedule of Assets and Liabilities</b>	<b>513,900</b>	<b>55,023,000</b>	<b>125,745,000</b>	<b>736,300</b>	<b>182,018,200</b>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	114,000	3,881,000	304,300	4,299,300
Interest on obligation	12,600	1,364,000	2,921,000	12,000	4,309,600
Expected return on plan assets	-	-	(292,000)	-	(292,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
<b>Total expense recognised in net cost of services</b>	<b>12,600</b>	<b>1,478,000</b>	<b>6,510,000</b>	<b>316,300</b>	<b>8,316,900</b>
Actuarial losses/(gains) on liabilities recognised in Other Comprehensive Income	56,300	8,946,000	37,277,000	189,000	46,468,300
Expected return on plan assets	-	-	292,000	-	292,000
Actual return on plan assets (interest income)	-	-	(737,000)	-	(737,000)
Actuarial (gains)/losses on plan assets recognised in other comprehensive income	-	-	(445,000)	-	(445,000)
<b>Components recorded in Other Comprehensive Income</b>	<b>56,300</b>	<b>8,946,000</b>	<b>36,832,000</b>	<b>189,000</b>	<b>46,023,300</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**4.5: Administered - Defined Benefit Superannuation Plans (continued)**

	2019 \$'000 DFRB	2019 \$'000 DFRDB	2019 \$'000 MSBS	2019 \$'000 ADF Cover	2019 \$'000 Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	485,600	46,228,000	83,344,000	236,600	130,294,200
Current Service cost	-	114,000	3,881,000	304,300	4,299,300
Interest cost	12,600	1,364,000	2,921,000	12,000	4,309,600
Expected return on plan assets (interest income)	-	-	(292,000)	-	(292,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Total expense	12,600	1,478,000	6,510,000	316,300	8,316,900
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	(445,000)	-	(445,000)
Actuarial losses /(gains) in liabilities recognised in other comprehensive income, arising from:					
Changes in liability experience	(6,100)	(730,000)	134,000	(28,000)	(630,100)
Changes in financial assumptions	62,400	9,676,000	37,143,000	217,000	47,098,400
Changes in demographic assumptions*	-	-	-	-	-
Contributions	(40,600)	(1,629,000)	(941,000)	(5,600)	(2,616,200)
Past service cost	-	-	-	-	-
<b>Closing value of net defined benefit liability at 30 June</b>	<b>513,900</b>	<b>55,023,000</b>	<b>125,745,000</b>	<b>736,300</b>	<b>182,018,200</b>
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	485,600	46,228,000	92,659,000	236,600	139,609,200
Current Service cost	-	114,000	3,881,000	304,300	4,299,300
Interest cost	12,600	1,364,000	2,921,000	12,000	4,309,600
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Funded contributions by plan participants	-	-	273,000	-	273,000
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience	(6,100)	(730,000)	134,000	(28,000)	(630,100)
Changes in financial assumptions	62,400	9,676,000	37,143,000	217,000	47,098,400
Changes in demographic assumptions*	-	-	-	-	-
Benefits paid	(40,600)	(1,629,000)	(1,003,000)	(5,600)	(2,678,200)
Past service cost	-	-	-	-	-
<b>Closing present value of defined benefit obligation at 30 June</b>	<b>513,900</b>	<b>55,023,000</b>	<b>136,008,000</b>	<b>736,300</b>	<b>192,281,200</b>

\* The demographic assumptions used for the 30 June 2019 actuarial estimate are based on the 30 June 2017 LTCR.

## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

## 4.5: Administered - Defined Benefit Plans (continued)

	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the fair value of plan assets</b>					
Opening fair value at 1 July	-	-	9,315,000	-	9,315,000
Expected return on plan assets (interest income)	-	-	292,000	-	292,000
Experience actuarial gains/(losses) on plan assets recognised in other comprehensive income	-	-	445,000	-	445,000
Contributions	40,600	1,629,000	941,000	5,600	2,616,200
Funded contributions by plan participants	-	-	273,000	-	273,000
Benefits paid	(40,600)	(1,629,000)	(1,003,000)	(5,600)	(2,678,200)
<b>Closing fair value of plan assets at 30 June</b>	<u>-</u>	<u>-</u>	<u>10,263,000</u>	<u>-</u>	<u>10,263,000</u>
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	2,463,120	-	2,463,120
Overseas equities	-	-	2,463,120	-	2,463,120
Property and infrastructure	-	-	1,231,560	-	1,231,560
Private equity	-	-	718,410	-	718,410
Cash, debt instruments	-	-	1,642,080	-	1,642,080
Other liabilities	-	-	1,744,710	-	1,744,710
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>10,263,000</u>	<u>-</u>	<u>10,263,000</u>

The actual return on plan assets was \$751m (2017-18: \$689m). The fair value of scheme assets relates to investments in the CSC Pooled Superannuation Trust. These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</b>					
Present value of funded obligations	-	-	9,315,000	-	9,315,000
Fair Value of plan assets	-	-	(9,315,000)	-	(9,315,000)
Present value of unfunded obligations	485,600	46,228,000	83,344,000	236,601	130,294,201
Unrecognised past service cost	-	-	-	-	-
<b>Net liability recorded in the Administered Schedule of Assets and Liabilities</b>	<u>485,600</u>	<u>46,228,000</u>	<u>83,344,000</u>	<u>236,601</u>	<u>130,294,201</u>
<b>Amounts recorded in the Administered Schedule of Assets and Liabilities :</b>					
Liabilities	485,600	46,228,000	92,659,000	236,601	139,609,201
Assets	-	-	(9,315,000)	-	(9,315,000)
<b>Net liability recorded in the Administered Schedule of Assets and Liabilities</b>	<u>485,600</u>	<u>46,228,000</u>	<u>83,344,000</u>	<u>236,601</u>	<u>130,294,201</u>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**4.5: Administered - Defined Benefit Plans (continued)**

	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	122,000	2,971,000	66,600	3,159,600
Interest on obligation	13,300	1,437,000	2,553,000	1,800	4,005,100
Expected return on plan assets	-	-	(295,000)	-	(295,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
<b>Total expense recognised in net cost of services</b>	<b>13,300</b>	<b>1,559,000</b>	<b>5,229,000</b>	<b>68,400</b>	<b>6,869,700</b>
Actuarial losses/(gains) on liabilities recognised in Other Comprehensive Income	600	3,265,000	15,972,000	151,300	19,388,900
Expected return on plan assets	-	-	295,000	-	295,000
Actual return on plan assets (interest income)	-	-	(781,000)	-	(781,000)
Actuarial (gains)/losses on plan assets recognised in Other Comprehensive Income	-	-	(486,000)	-	(486,000)
<b>Components recorded in Other Comprehensive Income</b>	<b>600</b>	<b>3,265,000</b>	<b>15,486,000</b>	<b>151,300</b>	<b>18,902,900</b>
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	512,800	42,990,000	63,451,000	18,501	106,972,301
Current Service cost	-	122,000	2,971,000	66,600	3,159,600
Interest cost	13,300	1,437,000	2,553,000	1,800	4,005,100
Expected return on plan assets (interest income)	-	-	(295,000)	-	(295,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
<b>Total expense</b>	<b>13,300</b>	<b>1,559,000</b>	<b>5,229,000</b>	<b>68,400</b>	<b>6,869,700</b>
Actuarial losses/(gains) in plan assets recognised in other comprehensive income	-	-	(486,000)	-	(486,000)
Actuarial losses /(gains) in liabilities recognised in other comprehensive income, arising from:					
Changes in liability experience	(9,400)	(444,000)	2,247,000	38,300	1,831,900
Changes in financial assumptions	-	2,996,000	8,660,000	23,700	11,679,700
Changes in demographic assumptions*	10,000	713,000	5,065,000	89,300	5,877,300
Contributions	(41,100)	(1,586,000)	(822,000)	(1,600)	(2,450,700)
Past service cost	-	-	-	-	-
<b>Closing value of net defined benefit liability at 30 June</b>	<b>485,600</b>	<b>46,228,000</b>	<b>83,344,000</b>	<b>236,601</b>	<b>130,294,201</b>



## Department of Defence

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

## 4.5: Administered - Defined Benefit Plans (continued)

	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	512,800	42,990,000	71,747,000	18,501	115,268,301
Current Service cost	-	122,000	2,971,000	66,600	3,159,600
Interest cost	13,300	1,437,000	2,553,000	1,800	4,005,100
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Funded contributions by plan participants	-	-	278,000	-	278,000
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience*	(9,400)	(444,000)	2,247,000	38,300	1,831,900
Changes in financial assumptions	-	2,996,000	8,660,000	23,700	11,679,700
Changes in demographic assumptions*	10,000	713,000	5,065,000	89,300	5,877,300
Benefits paid	(41,100)	(1,586,000)	(862,000)	(1,600)	(2,490,700)
Past service cost	-	-	-	-	-
<b>Closing present value of defined benefit obligation at 30 June</b>	<b>485,600</b>	<b>46,228,000</b>	<b>92,659,000</b>	<b>236,601</b>	<b>139,609,201</b>
<b>Reconciliation of the fair value of plan assets</b>					
Opening fair value at 1 July	-	-	8,296,000	-	8,296,000
Expected return on plan assets (interest income)	-	-	295,000	-	295,000
Experience actuarial gains/(losses) on plan assets recognised in other comprehensive income	-	-	486,000	-	486,000
Contributions	41,100	1,586,000	822,000	1,600	2,450,700
Funded contributions by plan participants	-	-	278,000	-	278,000
Benefits paid	(41,100)	(1,586,000)	(862,000)	(1,600)	(2,490,700)
<b>Closing fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>9,315,000</b>	<b>-</b>	<b>9,315,000</b>

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

4.5: Administered - Defined Benefit Plans (continued)

	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	2,235,600	-	2,235,600
Overseas equities	-	-	2,142,450	-	2,142,450
Property and infrastructure	-	-	1,117,800	-	1,117,800
Private equity	-	-	652,050	-	652,050
Cash, debt instruments	-	-	1,676,700	-	1,676,700
Other liabilities	-	-	1,490,400	-	1,490,400
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>9,315,000</b>	<b>-</b>	<b>9,315,000</b>

The actual return on plan assets was \$689m. The fair value of scheme assets relates to investments in the CSC Pooled Superannuation Trust. These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

**4.5: Administered - Defined Benefit Plans (continued)****Principal actuarial assumptions for the various schemes are as follows:**

The demographic assumptions utilised for the 30 June 2019 actuarial estimate of DFRB, DFRDB, MSBS and ADF Cover are based on the assumptions used in the 30 June 2017 LTCR.

	2019	2018
<b>DFRB</b>		
Discount rate at 30 June	1.4%	2.7%
Expected pension increase rate*	4.0%	4.0%
Expected salary increase rate**	-	-

\* Pension increase rate is determined using the Age Pension methodology.

\*\* Salary growth rate is nil as members are all pensioners.

<b>DFRDB</b>		
Discount rate at 30 June	1.9%	3.0%
Expected salary increase rate**	4.0%	4.0%
Expected pension increase rate (aged 55 or more)**	4.0%	4.0%
Expected pension increase rate (aged less than 55)**	2.5%	2.5%

\* Separate promotional salary scales are used to allow for promotional salary increase. As at 30 June 2019 and at 30 June 2018, assumed salary growth of 2.0% per annum before reverting to 4.0% from the 2020-21 financial year.

\*\* For members aged 55 or more, pension increase rate is based on the Age Pension methodology, whereas for members aged under 55, pension increase rate is based on the CPI.

<b>MSBS</b>		
Discount rate at 30 June (active members and pensioners)	1.9%	3.1%
Expected rate of return on plan assets	1.9%	3.1%
Expected salary increase rate*	4.0%	4.0%
Expected pension increase rate	2.5%	2.5%
Invalidity exits - new**	1,000 p.a.	1,000 p.a.
Invalidity exits - retrospective**	150 p.a.	150 p.a.
Pension take-up rate for direct retirements (officers/other ranks)***	100%/90%	100%/90%
Pension take-up rate for current preserved members (officers/other ranks)***	85%/65%	85%/65%
Pension take-up rate for current serving members projected to exit with a preserved benefit and retire some time later (officers/other ranks)***	90%/80%	90%/80%

\* Separate promotional salary scales are used to allow for promotional salary increase. As at 30 June 2019 and at 30 June 2018, assumed salary growth of 2.0% per annum before reverting to 4.0% from the 2020-21 financial year.

\*\* In the 2017 LTCR, 1,000 ongoing new invalidity pensions have been assumed for 2018-19. In addition, new retrospective invalidity pension commencements have also been included as an assumption, as there is a growing awareness of the ability to make a claim for a possible retrospective invalidity pension. The number of new retrospective invalidity pensions assumed are: 150 for 2017-18 and 2018-19; 110 for 2019-20; 80 for 2020-21; 50 for 2021-22; and 20 for 2022-23.

The Invalidity benefit payable depends on the level of invalidity suffered and invalidity benefit type A pensions are larger and have a higher cost compared to the invalidity benefit types B and C. It has been assumed that 60% - 100% will be invalidity benefit type A; 30% - 59% will be invalidity benefit type B; and less than 30% will be invalidity benefit type C. For MSBS, invalidity benefit type A is calculated as a pension of 76.5% of final salary; invalidity benefit type B is a pension of 38.25% of final salary; and invalidity benefit type C is a lump sum of 1.5 times member contributions.

\*\*\* The pension take-up rates for members that exit directly from service are much higher compared to those who exited service, became preserved members and then retired some time later.



**4.5: Administered - Defined Benefit Plans (continued)**

	2019	2018
<b>ADF Cover</b>		
Discount rate at 30 June	1.9%	3.1%
Expected pension increase rate	2.5%	2.5%
Invalidity exits - new*	232 p.a	160 p.a

\* This represents the number of claims that are expected to emerge in respect of incidents that take place each year, based on the same age dependent rates as those used for MSBS and the number of members in ADF Cover as at 30 June 2019. This represents approximately 1.45% of the current membership base of about 16,000.

For ADF Cover, the invalidity benefit type A is calculated based on a lifetime pension of (60 - member's age at invalidity exit) x 2.2% x superannuation salary at exit plus a temporary top up pension payable to age 60 of completed years of service at exit x 2.2% x superannuation salary at exit. For Invalidity B benefits, a percentage of 1.1% is used to calculate benefits. No benefits are payable for invalidity benefit type C.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**4.5: Administered - Defined Benefit Plans (continued)**

**Expected Contributions**

The expected contributions which are the expected amount of benefit payments under the schemes are as follows:

<b>Scheme</b>	<b>Expected contributions</b>
DFRB	The expected employer contribution for 2019-20 is \$37m (2018-19 actual: \$40.6m).
DFRDB	The expected contribution (including 3% productivity contributions) for 2019-20 is \$1,635m (2018-19 actual: \$1,629m). Note that member contributions paid to consolidated revenue would be an offset to this.
MSBS	The expected contribution for 2019-20 is \$1,035m (2018-19 actual: \$941m). This includes expected employer contributions to meet unfunded benefit payments and funding via the MSBS Fund.
ADF Cover	The expected contribution for 2019-20 is \$12m (2018-19 actual: \$5.6m).

**Maturity Profile**

The maturity profiles of the defined benefit obligation under the schemes are as follows:

<b>Scheme</b>	<b>Maturity profile of defined benefit obligation</b>
DFRB	The interest rate and probability weighted mean term of the liabilities is 10.6 years.
DFRDB	The interest rate and probability weighted mean term of the liabilities is 18.8 years.
MSBS	The interest rate and probability weighted mean term of the liabilities is 31.5 years.
ADF Cover	The interest rate and probability weighted mean term of the liabilities is 30.2 years.

**4.5: Administered - Defined Benefit Superannuation Plans (continued)****Sensitivity analysis for significant actuarial assumptions**

The impact of a change in the defined benefit obligation reported as at 30 June 2019 under several scenarios is presented below.

	Change in assumption*	Impact on defined benefit obligation	
		Increase \$m	Decrease \$m
<b>DFRB</b>			
<b>Reported</b>	<b>\$513.9m</b>		
Discount rate	0.5%	488.1	542.0
Pension increase rate	0.5%	536.2	490.0
<b>DFRDB</b>			
<b>Reported</b>	<b>\$55,023m</b>		
Discount rate	0.5%	50,270	60,477
Salary and Age Pension methodology	0.5%	59,938	50,510
CPI increase rate (aged under 55)	0.5%	55,161	54,885
<b>MSBS</b>			
<b>Reported</b>	<b>\$136,008m</b>		
Discount rate	0.5%	118,000	158,000
Salary increase rate	0.5%	139,000	133,000
CPI increase rate	0.5%	153,000	122,000
Invalidity exits - new	40.0%	139,000	133,000
Pension take-up rate	10.0%	141,000	131,000
<b>ADF Cover</b>			
<b>Reported</b>	<b>\$736.3m</b>		
Discount rate	0.5%	637	856
Pension increase rate	0.5%	856	637
Invalidity exits	40.0%	900	573

\* Change in assumption reflects additive adjustments, except for invalidity exits, which reflect a multiplicative adjustment. The sensitivity analysis is based on the change in a particular assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The factors used to conduct the sensitivity analysis are based on an expectation of a realistic and potential movement in the defined benefit obligation, based on historical experience. The underlying results of the sensitivity factors used are deemed to be materially accurate as they are in line with historical experience and management's understanding of the underlying defined benefit obligation. There has been no change from previous periods in the methods and assumptions used to prepare the sensitivity analysis for economic assumptions. For demographic assumptions, the methods and assumptions used to undertake the sensitivity analysis are based on the 2017 LTCR.

Sensitivity analysis of economic assumptions of +0.5% and -0.5% for all four schemes is generally based on the methodology used for estimating the reported liability, except where noted below. These economic assumptions include the discount rate, pension increase rate (based on CPI or Salary and Age Pension methodology), CPI increase rate, and salary increase rate.

For ADF Cover, the sensitivity analysis for the discount rate of -0.5% is based on the experience of MSBS. The extrapolation is modelled based on the impact that a lower discount rate had on the MSBS reported liability, compared to the impact of a higher discount rate. This has been applied to extrapolate the -0.5% movement in the discount rate for ADF Cover.

The -0.5% sensitivity assumption used for the DFRB pension increase rate, DFRDB Salary and Age Pension methodology, and DFRDB CPI increase rate are modelled by extrapolation from the +0.5% calculation, assuming that the additive percentage increase in liability due to a higher +0.5% assumption will apply as a percentage decrease due to a lower -0.5% assumption.

#### **4.5: Administered - Defined Benefit Superannuation Plans (continued)**

Sensitivity analysis of the invalidity exits assumption for MSBS is based on the sensitivity analysis included in the 2017 LTCR and only focuses on new invalidity pensions. Given the uncertainty in invalidity exits, the sensitivity analysis in the 2017 LTCR allows for the ongoing level of invalidity exits to be 40 per cent higher than the assumed rate of 1,000 p.a for new invalidity pensions. This sensitivity analysis effectively assumes that there would be around 1,400 new invalidity pensions p.a. commencing each year. A sensitivity analysis has not been performed in relation to new retrospective invalidity pensions as these typically represent only about 10 per cent on average of the total invalidity pensions commencing annually over the 2018-19 to 2022-23 financial years.

Sensitivity analysis of the pension take-up rate assumption for MSBS is based on the sensitivity analysis included in the 2017 LTCR which shows the impact of a 100 per cent pension take-up rate. The factor of 100 per cent provides a theoretical upper bound on the cost impact from this process as the actuarial value of the pension is much greater than the value of the lump sum benefit foregone from the member's perspective. In practice, there will be individuals who will prefer the lump sum over the alternative pension. Sensitivity analysis of pension increase rate (based on CPI) and invalidity exits for ADF Cover are based on the assumptions used for MSBS sensitivity analysis, using the ADF Cover member data.

Department of Defence  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2019*

**FUNDING**

This section identifies Defence's funding structure.

**5.1: Appropriations**

**5.1A: Annual appropriations ('Recoverable GST exclusive')**

**Annual Appropriations for 2018-19**

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2,4</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2019 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	32,688,310	1,264,492	33,952,802	(33,602,524)	350,278
Capital budget	-	-	-	-	-
<b>Other services</b>					
Equity injection	3,343,482	-	3,343,482	(3,963,482)	(620,000)
<b>Total departmental</b>	<b>36,031,792</b>	<b>1,264,492</b>	<b>37,296,284</b>	<b>(37,566,006)</b>	<b>(269,722)</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

**5.1: Appropriations (continued)**

**5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)**

**Notes:**

1. Details of quarantined appropriations are as follows: \$'000

*Quarantined appropriations*

2016-17 Appropriation Act 1 35

*Amounts withheld under section 51 determinations*

2016-17 Appropriation Act 1	9,725
2016-17 Appropriation Act 2	636,623
2017-18 Appropriation Act 2	369,788
2017-18 Appropriation Act 3	22,521
2017-18 Appropriation Act 5	194,202
2018-19 Appropriation Act 1	50,562
<b>Total Quarantined</b>	<b>1,283,456</b>

2. Adjustment to appropriations include Advance to the Finance Minister (AFM), PGPA Section 74 receipts and PGPA Act Section 75 transfers.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Undrawn departmental annual appropriations 2018-19	257,329	-
Net GST payments made not yet recovered	42,387	-
Prior year appropriation released under Section 51	-	(620,000)
2018-19 Appropriation Act 1 withheld under Section 51	50,562	-
<b>Total</b>	<b>350,278</b>	<b>(620,000)</b>

4. Trust moneys have been received in the current period as retainable receipts and credited to a Departmental appropriation. These are recognised as Assets Held in Trust within note 8.1. \$1.52m held in trust for the Young Endeavour Youth Program Public Fund (Trust) is excluded from the below appropriation receivable balances (2018-19 Appropriation Act 1), as these amounts are not controlled by the Department or held for the benefit of the Commonwealth.

Reconciliation to appropriation receivable:

	Notes	\$'000
2016-17 Appropriation Act 1		87
2018-19 Appropriation Act 1		11,222
2018-19 Appropriation Act 3		244,584
	3.1B	<b>255,893</b>

Department of Defence  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**5.1: Appropriations (continued)**

**5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)**

**Annual Appropriations for 2017-18**

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2018 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	33,172,420	444,521	33,616,941	(33,431,158)	185,783
Capital Budget	-	-	-	-	-
<b>Other services</b>					
Equity injection	2,365,307	-	2,365,307	(1,995,519)	369,788
<b>Total departmental</b>	<b>35,537,727</b>	<b>444,521</b>	<b>35,982,248</b>	<b>(35,426,677)</b>	<b>555,571</b>



**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

**5.1: Appropriations (continued)**

**5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)**

**Notes:**

1. Details of quarantined appropriations are as follows: \$'000

*Quarantined appropriations*

2015-16 Act 2 (Equity)	407,411
2015-16 Appropriation Act 3	18,489
2016-17 Appropriation Act 1	35

*Amounts withheld under section 51 determinations*

2015-16 Appropriation Act 1	94,754
2015-16 Appropriation Act 3	69,948
2016-17 Appropriation Act 1	9,725
2016-17 Appropriation Act 2	1,256,623
2017-18 Appropriation Act 2	369,788
2017-18 Appropriation Act 3	429
2017-18 Appropriation Act 5	571

<b>Total Quarantined</b>	<b>2,227,773</b>
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2. Adjustment to appropriations include Advance to the Finance Minister (AFM), PGPA Section 74 receipts and PGPA Act Section 75 transfers.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Undrawn departmental annual appropriations 2017-18	240,956	-
Net GST payments made not yet recovered	(56,173)	-
2017-18 Appropriation Act 2 withheld under Section 51	-	369,788
2017-18 Appropriation Act 3 withheld under Section 51	429	-
2017-18 Appropriation Act 5 withheld under Section 51	571	-
<b>Total</b>	<b>185,783</b>	<b>369,788</b>

4. Reconciliation to appropriation receivable:

	Notes	\$'000
2015/16 Appropriation Act 1		4
2015/16 Appropriation Act 2 (Equity)		407,411
2015/16 Appropriation Act 3		18,489
2016/17 Appropriation Act 1		87
2017/18 Appropriation Act 3		44,117
2017/18 Appropriation Act 5		196,839
	3.1B	666,947

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2019*

**5.1B: Unspent annual appropriations ('Recoverable GST exclusive')**

<b>Authority</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Act 1 2018-19 <sup>1</sup>	105,694	-
Act 1 2016-17 <sup>1</sup>	49,672	49,672
Act 1 2015-16 <sup>2</sup>	-	94,758
Act 3 2018-19	244,584	-
Act 3 2017-18 <sup>1</sup>	22,521	44,547
Act 3 2015-16 <sup>2</sup>	-	88,437
Act 5 2017-18 <sup>1</sup>	138,028	141,236
<b>Total Operating</b>	<b>560,499</b>	<b>418,649</b>
<b>Equity</b>		
Act 2 2017-18 <sup>3</sup>	369,788	369,788
Act 2 2016-17 <sup>3</sup>	636,623	1,256,623
Act 2 2015-16 <sup>2</sup>	-	407,411
<b>Total Equity</b>	<b>1,006,411</b>	<b>2,033,822</b>
<b>Total</b>	<b>1,566,910</b>	<b>2,452,471</b>
<b>Cash and cash equivalents</b>	<b>76,179</b>	<b>72,241</b>
<b>Total unspent annual appropriations <sup>4</sup></b>	<b>1,643,089</b>	<b>2,524,712</b>

**Notes**

1. Unspent annual appropriations have been partially reduced by the Department of Finance. Of the \$315.915m of unspent appropriations, \$82.808m has been formally reduced, with the remaining \$233.107m being quarantined or available to the Department.

2. Appropriation Acts have been repealed in the current period.

3. Unspent annual appropriations have been formally reduced by the Department of Finance.

4. The unspent annual appropriations are \$1,643.089m, allocated as follows:

a) \$1,283.456m has been formally quarantined and/or reduced by Department of Finance.

b) \$333.560m of unspent annual appropriations (including cash and cash equivalents) available to the Department.

c) A net increase in annual appropriations relating to the impact of GST from 2016 to 2019 of \$26.073m as follows:

- Net GST payments made in 2016-17 but recovered in later financial periods of \$39.860m; and
- Net GST payments made in 2018-19 that will be recovered in later financial periods of \$42.387m.

Offset by:

- Net GST receipts recovered in 2017-18 relating to GST payments made in previous financial periods of \$56.174m.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**5.1: Appropriations (continued)**

**5.1C: Special appropriations ('Recoverable GST exclusive')**

Authority	Nature	Type	Purpose	Appropriation Applied	
				2019 \$'000	2018 \$'000
<i>Defence Force Retirement Benefits Act 1948, Administered<sup>(a)</sup></i>	Administered	Unlimited Amount	To provide Retirement Benefits for Members of the Defence Force who enlisted before 1 October 1972, and for other purposes.	40,648	41,144
<i>Defence Force Retirement and Death Benefits Act 1973, Administered<sup>(a)</sup></i>	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.	1,601,998	1,560,425
<i>Military Superannuation and Benefits Act 1991, Administered<sup>(a)</sup></i>	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.	911,698	766,098
<i>Military Superannuation and Benefits Act 1991, Administered</i>	Administered	Unlimited Amount	To make provision for and in relation to retention benefits for ADF personnel.	102,396	87,337
<i>Defence Force (Home Loans Assistance) Act 1990, Administered</i>	Administered	Limited 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.	331	441
<i>Defence Home Ownership Assistance Scheme Act 2008, Administered</i>	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.	121,905	105,219
<i>Australian Defence Force Cover Act 2015, Administered<sup>(a)</sup></i>	Administered	Unlimited Amount	To make provision for benefits for incapacity or death suffered by certain members of the Australian Defence Force, and for related purposes.	5,610	1,647
<i>Public Governance, Performance and Accountability Act 2013, Administered</i>	Administered	Unlimited Amount	To make provision for and in relation to funds that have been received by the Commonwealth or Commonwealth entities that are required or permitted to be repaid where there is no other appropriation for the repayment.	55	1,743
<b>Total</b>				<b>2,784,641</b>	<b>2,564,054</b>

(a) Commonwealth Superannuation Corporation draw funds from the CRF on behalf of Defence.

**Note**

Defence is responsible for the following additional Special Appropriations. No payments have been made from these Special Appropriations for this financial year.

- *Defence Forces Retirement Benefits (Pension Increases) Act 1961*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1967*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1971*
- *Defence Forces Retirement Benefits (Pension Increases) Act 1973*
- *Defence Force Retirement and Death Benefits (Pension Increases) Act 1974*
- *Defence Force Retirement and Death Benefits (Pension Increases) Act 1976*
- *War Gratuity Act 1945*

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2019

**5.2: Special Accounts**

	Service for Other Entities And Trust Moneys Defence Special Account <sup>1,5,6</sup>		Young Endeavour Youth Program Special Account <sup>2,5,6</sup>		Defence Endowments Special Account <sup>3,5</sup>		Fedorczenko Legacy Special Account <sup>4,5,6</sup>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance brought forward from previous period	111,519	86,527	1,578	1,520	50	49	164	168
Total increases	267,964	67,855	52	259	1	1	3	3
Available for payments	379,483	154,382	1,630	1,779	51	50	167	171
Decreases:								
Departmental								
Total Departmental	-	-	-	-	-	-	-	-
Administered								
Total Administered	(264,243)	(42,863)	(1,630)	(201)	-	-	-	(7)
Total Decreases	(264,243)	(42,863)	(1,630)	(201)	-	-	-	(7)
Total Balance to be carried forward to next period	115,240	111,519	-	1,578	51	50	167	164
Balance represented by:								
Cash held in entity bank accounts	-	-	-	-	-	-	-	-
Cash held in the Official Public Account	115,240	111,519	-	1,578	51	50	167	164

**Notes**

**1. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78.**

- 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.**

- 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.
- This account sunset on 1 April 2019. The Minister for Finance and the Public Service authorised the transfer of the balance to 2018-19 Appropriation Act 1 in accordance with item 9 in subsection 27 (2) of the *Public Governance, Performance and Accountability Rule 2014*. The closing balance is disclosed within Note 3.1B Trade and Other Receivables.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 5.2: Special Accounts (continued)

##### 3. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78.

- 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.

- Establishing Instrument: Financial Management and Accountability Determination 2009/13.
- Purpose: For expenditure in relation to the defence of Australia of the residual of the estate of the late Petro Fedorczenko.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is interest bearing.

##### 5. Monies held within special accounts:

*Service for Other Entities and Trust Moneys Defence Special Account:*

Woomera Security Lodgements, Peter Mitchell Trust Fund, Project Q, Metal Storm R&D, Singapore Armed Forces (Army 1), Singapore Armed Forces (Army 2), 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, Lead-in Fighter, Emerging Technologies, Accommodation Purchases, P303, Paris, Ex Ausssing, Pitchpipe 2009, Spurgalls 2, Research Program, SEET (JIC), Doppler Targets, Hercules, Rascal, FA18 Barrel Testing, Virsuite, OOT Project, Geospatial Intelligence, DHS, CTTSO, US Collaboration and RSAF Oakey Facilities Works, Comprehensive Strategic Partnership, RSAF Pearce.

*Young Endeavour Youth Program Special Account:*

Young Endeavour Youth Program Special Account and Young Endeavour Youth Program Special Public Fund.

*Defence Endowments Special Account:*

Parker Trophy, Gowland Medal, Edward Rodwell Memorial Prize, Joseph Schultz Memorial Prize, CJ Toohey Memorial Prize, Ronald Syme Trust Prize, General Bridges Memorial Prize Fund, TJ Stevens Memorial Fund and RAN Training Prizes.

*Fedorczenko Legacy Special Account:*

Fedorczenko.

##### 6. Moneys held in trust:

This Special Account contains monetary assets held in trust. Further details are disclosed in Note 8.1 Assets Held in Trust.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### PEOPLE AND RELATIONSHIPS

This section describes our relationship with key people.

##### 6.1: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Defence, directly or indirectly. The key management personnel of Defence are considered to be the:

- i) Minister for Defence;
- ii) Minister for Defence Industry;
- iii) Minister for Veterans and Defence Personnel;
- iv) Assistant Minister for Defence;
- v) Chief of the Defence Force;
- vi) Vice Chief of the Defence Force;
- vii) Secretary of the Department of Defence;
- viii) Associate Secretary;
- ix) Chief of Navy;
- x) Chief of Army;
- xi) Chief of Air Force;
- xii) Chief of Joint Operations;
- xiii) Chief of Joint Capabilities;
- xiv) Chief Finance Officer;
- xv) Deputy Secretary Strategic Policy and Intelligence;
- xvi) Deputy Secretary Capability Acquisition and Sustainment;
- xvii) Chief Information Officer;
- xviii) Chief Defence Scientist;
- xix) Deputy Secretary Estate and Infrastructure;
- xx) Deputy Secretary Defence People; and
- xxi) Deputy Secretary National Naval Shipbuilding

Key management personnel remuneration is reported in the table below.

	2019	2018
	\$	\$
Short-term employee benefits	8,312,966	7,315,667
Post-employment benefits	1,639,908	1,522,169
Long-term benefits	144,356	696,076
<b>Total key management personnel remuneration expenses <sup>1</sup></b>	<b>10,097,230</b>	<b>9,533,912</b>

The total number of key management personnel that are included in the above table is 26 (2017-18: 27). This includes instances where multiple individuals have fulfilled the same role within the period.

#### Notes

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Defence, Assistant Minister of Defence, Minister for Defence Industry and Minister for Veterans and Defence Personnel. The remuneration and other benefits of the Minister for Defence, Assistant Minister of Defence, Minister for Defence Industry and Minister for Veterans and Defence Personnel are set by the Remuneration Tribunal and are not paid by the Department of Defence.

## 6.2: Related Party Disclosures

### Related party relationships:

Defence is an Australian Government controlled entity. Related parties to this entity are:

- i) Key Management Personnel (as detailed in Note 6.1);
- ii) Spouse or domestic partners (also known as de facto partner) of a KMP;
- iii) Children or dependents of a KMP or their spouse or domestic partner;
- iv) Entities, individually or jointly, controlled by the above individuals;
- v) Cabinet Ministers; and
- vi) Other Australian Government entities.

### Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

No transactions with related parties occurred during the financial year (2017-18: Nil).

Significant transactions with related parties can include:

- i) the payments of grants or loans;
- ii) purchases of goods and services;
- iii) asset purchases, sales transfers or leases;
- iv) debts forgiven; and
- v) guarantees.

Department of Defence has entered into transactions during the reporting period with related parties, such as the Australian War Memorial. These transactions, including the gifting of assets, occurred during the course of the department delivering on its objectives. These amounts are not material or significant to warrant separate disclosure.



**MANAGING UNCERTAINTIES**

This section analyses how Defence manages financial risk within its operating environment.

**7.1: Contingent Liabilities and Assets****7.1A: Contingent liabilities and assets**

	Claims for damages / costs		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Contingent Assets</b>				
Balance from previous period	2,200	23,170	2,200	23,170
New	1,500	-	1,500	-
Re-measurement	(2,200)	(10,912)	(2,200)	(10,912)
Assets realised	-	(10,058)	-	(10,058)
Rights expired	-	-	-	-
<b>Total contingent assets</b>	<b>1,500</b>	<b>2,200</b>	<b>1,500</b>	<b>2,200</b>
<b>Contingent Liabilities</b>				
Balance from previous period	53,777	53,294	53,777	53,294
New	63,220	-	63,220	-
Re-measurement	4,768	14,541	4,768	14,541
Liabilities realised	(28)	(14,058)	(28)	(14,058)
Obligations expired	(54,277)	-	(54,277)	-
<b>Total Contingent liabilities</b>	<b>67,460</b>	<b>53,777</b>	<b>67,460</b>	<b>53,777</b>
<b>Net contingent assets (liabilities)</b>	<b>(65,960)</b>	<b>(51,577)</b>	<b>(65,960)</b>	<b>(51,577)</b>

**Quantifiable Contingencies**

**Contingent Assets:** At 30 June 2019, there is 1 (2017-18: 1) instance of non-remote, quantifiable contingent assets in respect of claims by the Department valued at \$1.5m (2017-18: \$2.2m). 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 2019, there are 9 (2017-18: 6) instances of non-remote, quantifiable contingent liabilities in respect of claims on the Department valued at \$67.5m (2017-18: \$53.8m). The estimated figure is determined by conducting an objective analysis of the probable amount payable for all the matters managed by firms engaged by Defence through the Attorney General's Legal Services Multi Use List and those being handled in-house by Defence Legal Division. However, 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 2019 Defence had 2 (2017-18: 5) instances of unquantifiable non-remote contingent assets.

**Contingent Liabilities:** At 30 June 2019 Defence had 1 (2017-18: 9) instance of unquantifiable non-remote contingent liabilities.

**Land decontamination, site restoration and decommissioning of Defence assets:** Defence has made a financial provision for the future estimates involved in land decontamination, site restoration and decommissioning of Defence assets where a legal or constructive obligation has arisen. For those decontamination, restoration and decommissioning activities for which there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable. Where there is a possible 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 have eventuated in relation to these claims.

Costs associated with the Royal Commission into Institutional Responses to Child Sexual Abuse have not been assessed and are considered unquantifiable at this time. It is currently not possible to estimate the amounts of any payments that may eventuate in relation to any such claims.

**Quantifiable Remote Contingencies**

**Remote Contingent Assets:** At 30 June 2019 Defence had 2 (2017-18: nil) instances of quantifiable remote contingent assets valued at \$0.7m (2017-18: \$nil).

**Remote Contingent Liabilities:** At 30 June 2019 Defence had 1,409 (2017-18: 1,457) instances of quantifiable remote contingent liabilities valued at \$5,312m (2017-18: \$5,364m).

## 7.1: Contingent Liabilities and Assets (continued)

### **Unquantifiable Remote Contingencies**

Contingent Assets: At 30 June 2019 Defence had no instances of unquantifiable remote contingent assets (2017-18: 3).

Contingent Liabilities: At 30 June 2019 Defence had 134 instances of unquantifiable remote contingent liabilities (2017-18: 24).

### **Accounting Policy**

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are disclosed in the relevant 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.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2019

**7.2: Financial Instruments**

	Notes	2019 \$'000	2018 \$'000
<b>7.2A: Categories of financial instruments</b>			
<b>Financial Assets under AASB 139</b>			
<b>Held-to-maturity investments</b>			
Cash and cash equivalents	3.1A	-	72,241
Loans and receivables:			
Trade and other receivables		-	274,396
<b>Total held-to-maturity-investments</b>		-	346,637
<b>Financial Assets under AASB 9</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	3.1A	76,179	-
Loans and receivables:			
Trade and other receivables		343,261	-
<b>Total financial assets at amortised cost</b>		419,440	-
<b>Carrying amount of financial assets</b>		419,440	346,637
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Suppliers		2,511,261	2,138,678
Other payables		144,097	152,563
Finance leases		1,485,329	1,529,424
<b>Total financial liabilities measured at amortised cost</b>		4,140,687	3,820,665
<b>Carrying amount of financial liabilities</b>		4,140,687	3,820,665

**Classification of financial assets on the date of initial application of AASB 9**

Financial assets class	Note	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018	AASB 9 carrying amount at 1 July 2018
Cash and cash equivalents	3.1A	Held-to-maturity	Amortised cost	72,241	72,241
Trade and other receivables		Held-to-maturity	Amortised cost	274,396	274,396
<b>Total financial assets</b>				346,637	346,637

**Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9**

	AASB 139 carrying amount at 30 June 2018	Reclassification	Remeasurement	AASB 9 carrying amount at 1 July 2018
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	72,241	-	-	72,241
Loans and receivables:				
Trade and other receivables	274,396	-	-	274,396
<b>Total financial assets</b>	346,637	-	-	346,637

**Accounting Policy**

*Financial Assets*

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, Defence classifies its financial assets in the following categories;

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- financial assets measured at amortised cost.

## **7.2: Financial Instruments (continued)**

### **Accounting Policy (continued)**

The classification depends on both Defence's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when Defence becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

#### *(a) Financial Assets at Amortised Cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

#### *(b) 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.

#### *(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 loss is measured using the simplified approach of the expected credit loss model at an amount equal to lifetime expected credit losses. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

#### *Financial Liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and 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) Financial Liabilities at Amortised Cost*

Financial liabilities at amortised cost, 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 an effective interest basis.

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).

#### *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.

**7.2: Financial Instruments (continued)****Accounting Policy (continued)***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.

	2019 \$'000	2018 \$'000
<b>7.2B: Net gains or losses on financial assets</b>		
<b>Financial assets at amortised cost</b>		
Exchange gain	3,083	10,347
Impairment (loss)	(2,103)	(1,292)
<b>Net gain on financial assets at amortised cost</b>	<b>980</b>	<b>9,055</b>
<b>Net gain on financial assets</b>	<b>980</b>	<b>9,055</b>

The net interest income from financial assets not at fair value through net cost of services is nil (2017-18: nil).

**7.2C: Net gains or losses on financial liabilities****Financial liabilities measured at amortised cost**

Exchange (loss)	(39,748)	(22,293)
Interest expense	(101,633)	(100,680)
<b>Net (loss) on financial liabilities measured at amortised cost</b>	<b>(141,381)</b>	<b>(122,973)</b>
<b>Net (loss) on financial liabilities</b>	<b>(141,381)</b>	<b>(122,973)</b>

The net interest expense from financial liabilities not at fair value through net cost of services is nil (2017-18: nil).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 7.3: 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 7.2A Financial Instruments.

	Notes	2019 \$'000	2018 \$'000
<b>7.3A: Categories of financial instruments</b>			
<b>Financial Assets under AASB 139</b>			
<b>Held-to-maturity investments</b>			
Cash and cash equivalents	4.1A	-	109,972
Loans and receivables:			
Receivables	4.1B	-	554,218
<b>Total held-to-maturity investments</b>		-	664,190
<b>Available-for-sale financial assets</b>			
Investment - Defence Housing Australia	4.1C	-	2,723,761
Investment - Small Portfolio bodies	4.1C	-	74,093
<b>Total available-for-sale financial assets</b>		-	2,797,854
<b>Financial Assets under AASB 9</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	4.1A	114,576	-
Loans and receivables:			
Trade and other receivables	4.1B	547,912	-
<b>Total financial assets at amortised cost</b>		662,488	-
<b>Financial assets at fair value through other comprehensive income (investments in equity instruments)</b>			
Investment - Defence Housing Australia	4.1C	2,809,339	-
Investment - Small Portfolio bodies	4.1C	79,686	-
<b>Total financial assets at fair value through other comprehensive income (investments in equity instruments)</b>		2,889,025	-
<b>Carrying amount of financial assets</b>		3,551,513	3,462,044
<b>Financial Liabilities</b>			
<b>Financial liabilities measured at amortised cost:</b>			
Other payables	4.3A	7,052	8,969
Special accounts	4.3A	114,576	109,972
<b>Total financial liabilities measured at amortised cost</b>		121,628	118,941
<b>Carrying amount of financial liabilities</b>		121,628	118,941

#### Classification of financial assets on the date of initial application of AASB 9

Financial assets class	Note	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018	AASB 9 carrying amount at 1 July 2018
Cash and cash equivalents	4.1A	Held-to-maturity	Amortised cost	109,972	109,972
Trade and other receivables	4.1B	Held-to-maturity	Amortised cost	554,218	554,218
Equity accounted investments	4.1C	Available-for-sale equity investments	FVOCI equity instruments	2,797,854	2,797,854
<b>Total financial assets</b>				3,462,044	3,462,044



Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

7.3: Administered - Financial Instruments (continued)

7.3A: Categories of financial instruments (continued)

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

	AASB 139 carrying amount at 30 June 2018	Reclassification	Remeasurement	AASB 9 carrying amount at 1 July 2018
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	109,972	-	-	109,972
Loans and receivables				
Trade and other receivables	554,218	-	-	554,218
<b>Total amortised cost</b>	<b>664,190</b>	<b>-</b>	<b>-</b>	<b>664,190</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Available for sale - equity instruments				
Investment - Defence Housing Australia	2,723,761	-	-	2,723,761
Investment - Small Portfolio bodies	74,093	-	-	74,093
<b>Total fair value through other comprehensive income</b>	<b>2,797,854</b>	<b>-</b>	<b>-</b>	<b>2,797,854</b>

	Notes	2019 \$'000	2018 \$'000
<b>7.3B: Net gains or losses on financial assets</b>			
<b>Financial assets at amortised cost</b>			
Interest revenue		24,506	25,866
Impairment		(2)	(44)
Exchange gains/(loss)		300	176
<b>Net gains on financial assets at amortised cost</b>		<b>24,804</b>	<b>25,998</b>
<b>Investments in equity instruments at fair value through other comprehensive income (designated)</b>			
Dividend revenue	4.1B	24,545	26,555
<b>Net gains on investments in equity instruments at fair value through other comprehensive income (designated)</b>		<b>24,545</b>	<b>26,555</b>
<b>Net gain on financial assets</b>		<b>49,349</b>	<b>52,553</b>

The net interest income from financial assets not at fair value through net cost of service is \$18.795m (2017-18: \$25.866m).

7.3C: Net gains or losses on financial liabilities

There was no net gain/(loss) from financial liabilities.



## 7.4: Fair Value Measurements

The following disclosures provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply to the fair value hierarchy.

The different levels of the fair value are detailed below:

- Level 1: Quote prices (unadjusted) in the active market 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 an asset or liability.

### Accounting Policy

In estimating the fair value of an asset or a liability, Defence uses market-observable data to the extent it is available. For level 2 and 3 inputs, Defence engages third party qualified valuers and internal experts 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 and internal experts to ensure unobservable inputs used align 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.

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.

		Fair value measurements at the end of the reporting period	
		2019 \$'000	2018 \$'000
<b>7.4A: Fair Value Measurements</b>			
<b>Non-financial assets - Recurring fair value</b>			
Land	3.2A	5,910,169	5,940,783
Buildings	3.2A	13,544,162	12,961,642
Specialist military equipment	3.2A	66,559,643	62,018,182
Infrastructure	3.2A	6,342,088	6,042,584
Plant and equipment	3.2A	1,393,661	2,143,543
Heritage and cultural	3.2A	473,307	484,982
Assets held for sale <sup>2</sup>	3.2D	151,376	47,436
<b>Total Non-financial assets - Recurring fair value</b>		<b>94,374,406</b>	<b>89,639,152</b>
<b>Assets not measured at fair value in the statement of financial position<sup>1</sup></b>			
<b>Financial assets</b>			
Cash and cash equivalents	3.1A	76,179	72,241
Trade and other receivables	3.1B	849,635	1,141,067
<b>Non-financial assets</b>			
Inventories	3.2B	7,178,986	6,928,710
Intangibles	3.2A	890,442	741,599
Prepayments	3.2C	2,497,354	1,566,150
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>11,492,596</b>	<b>10,449,767</b>

<sup>1</sup> These items carrying amounts equate to their approximate fair values.

<sup>2</sup> Assets held for sale are measured at fair value in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

		2019 \$'000	2018 \$'000
<b>7.4: Fair Value Measurements (continued)</b>			
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
<b>Payables</b>			
Suppliers	3.3A	2,511,261	2,138,678
Other payables and personal benefits	3.3B, 3.3C	446,749	318,506
<b>Interest bearing liabilities</b>			
Finance lease payables	3.4A	1,485,329	1,529,424
<b>Provisions</b>			
Employee provisions	3.5A	3,041,254	2,869,016
Restoration, decontamination and decommissioning	3.5B	1,303,571	1,197,914
Other provisions	3.5C	432,341	312,565
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>9,220,505</b>	<b>8,366,103</b>

<sup>1</sup> These items carrying amounts equate to their approximate fair values.

**7.5: Administered - Fair Value Measurements****Accounting Policy**

The following tables provide an analysis of the assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value are detailed below:

- Level 1: Quote prices (unadjusted) in the active market 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 an asset or liability.

Administered investments are valued using the net assets valuation approach.

		<b>Fair value measurements at the end of the reporting period</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>7.5A: Administered Fair value measurements</b>			
<b>Financial assets</b>			
Administered Investment	4.1C	<b>2,889,025</b>	<b>2,797,854</b>
<b>Total Financial Assets</b>		<b>2,889,025</b>	<b>2,797,854</b>
<b>Assets not measured at fair value in the statement of financial position<sup>1</sup></b>			
Cash and cash equivalents	4.1A	<b>114,576</b>	<b>109,972</b>
Trade and other receivables	4.1B	<b>547,912</b>	<b>554,218</b>
Prepayments	4.2A	<b>249,655</b>	<b>238,962</b>
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>912,143</b>	<b>903,152</b>
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
Other payables	4.3A	<b>121,628</b>	<b>118,941</b>
Employee provisions	4.4A	<b>182,018,200</b>	<b>130,294,201</b>
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>182,139,828</b>	<b>130,413,142</b>

<sup>1</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 2019

### OTHER INFORMATION

#### 8.1: Assets Held in Trust

	2019 \$'000	2018 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
As at 30 June 2019, monetary assets held in trust were also disclosed in Note 5.1A Appropriations. This is due to these amounts being credited to Departmental appropriations as a result of the sunsetting of the Young Endeavour Youth Program Special Account on 1 April 2019.		
As at 30 June 2018, monetary assets held in trust were also disclosed in Note 5.2 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	1,495	1,380
Other receipts	34	116
<b>Total credits</b>	<b>1,529</b>	<b>1,496</b>
Payment made to suppliers	(6)	(1)
<b>Total debits</b>	<b>(6)</b>	<b>(1)</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,523</b>	<b>1,495</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Services for Other Entities and Trust Monies" (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	6	4
Other receipts	3	7
<b>Total credits</b>	<b>9</b>	<b>11</b>
Payment made to suppliers	(8)	(5)
<b>Total debits</b>	<b>(8)</b>	<b>(5)</b>
<b>Total amount held at the end of the reporting period</b>	<b>1</b>	<b>6</b>
<b>Fedorczenko Legacy Fund Special Account (Trust)</b>		
Monetary assets held in trust were also disclosed in Note 5.2 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 residual of the estate of the late Petro Fedorczenko.</i>		
Total amount held at the beginning of the reporting period	164	168
Other receipts	3	3
<b>Total credits</b>	<b>167</b>	<b>171</b>
Payment made to suppliers	-	(7)
<b>Total debits</b>	<b>-</b>	<b>(7)</b>
<b>Total amount held at the end of the reporting period</b>	<b>167</b>	<b>164</b>
<b>Assets held in relation to activities performed on behalf of foreign governments</b>		
Defence has entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is provided in advance of expenditure being incurred. Funding received is reported as assets held in relation to activities performed on behalf of foreign governments, and as such is not able to be utilised for other purposes.		
Total amount held at the beginning of the reporting period	38,826	80,821
Other receipts	329,273	52,130
<b>Total credits</b>	<b>368,099</b>	<b>132,951</b>
Payment made to suppliers	157,318	94,125
<b>Total debits</b>	<b>157,318</b>	<b>94,125</b>
<b>Total amount held at the end of the reporting period</b>	<b>210,781</b>	<b>38,826</b>

## 8.2: 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 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* has not progressed at this stage. It should be noted that both schemes have provisions that allow for the recovery of an overpayment. However, at the time when all legislation was being assessed for potential section 83 breaches it was considered that the current recovery provisions were not broad enough to meet future section 83 breaches. Defence or Department of Finance has been unable to secure a place on the parliamentary program due to the low priority Government has placed on the proposed amendments. That is it is unlikely that this matter will be addressed by legislative amendment in the near future. 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 2019 <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	1	1	1
<i>Defence Home Ownership Assistance Scheme Act 2008</i>	Completed	LP,SM	221	200	178

### <sup>1</sup> Legislation

Amounts paid under each legislation are disclosed in Note 5.1C Special Appropriations.

### <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 the 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

This is a potential issue that still exists for two Defence home loan schemes which will be addressed at a time to be confirmed by Government legislation. Amounts reported have been derived by analysing data on recovery of overpayments and other identified risk areas for 2018-19. Business processes are in place to ensure that identified overpayments are recovered. The numbers and amounts represent the overpayments made during 2018-19.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 8.3 Restructuring

In July 2017, the Government agreed with the recommendations of the Independent Intelligence Review, that the Australian Signals Directorate (ASD) become a separate statutory agency from the Department of Defence. Following the passage of the enabling legislation through the Parliament on 28 March 2018, the change to ASD's status to become a statutory agency occurred on 1 July 2018.

Functions Relinquished	Gaining entity
Collect foreign signals intelligence	ASD
Communicate foreign signals intelligence	ASD
Support military operations	ASD
Cooperate with and assist the national security community's performance of its functions	ASD

#### 8.3A Departmental Restructuring

FUNCTIONS RELINQUISHED	ASD \$'000
<b>Assets Relinquished</b>	
Trade and other receivables	296
Land and buildings	61
Infrastructure	1,586
Plant and equipment	199,886
Heritage and cultural assets	244
Intangibles	30,352
Prepayments	30,586
<b>Total assets relinquished</b>	<b>263,011</b>
<b>Liabilities Relinquished</b>	
Employee provisions	60,803
<b>Total liabilities relinquished</b>	<b>60,803</b>
<b>Net assets relinquished</b>	<b>202,208</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2019

#### 8.4: Aggregate Assets and Liabilities

##### 8.4A: Aggregate Assets and Liabilities

	2019 \$'000	2018 \$'000
<b>Assets expected to be recovered in</b>		
No more than 12 months	4,379,370	3,814,607
More than 12 months	101,487,632	96,274,312
<b>Total assets</b>	<b>105,867,002</b>	<b>100,088,919</b>
<b>Liabilities expected to be recovered in</b>		
No more than 12 months	4,734,319	4,133,077
More than 12 months	4,486,186	4,233,026
<b>Total liabilities</b>	<b>9,220,505</b>	<b>8,366,103</b>

##### 8.4B: Administered - Aggregate Assets and Liabilities

<b>Assets expected to be recovered in</b>		
No more than 12 months	311,517	261,169
More than 12 months	3,489,651	3,439,837
<b>Total assets</b>	<b>3,801,168</b>	<b>3,701,006</b>
<b>Liabilities expected to be settled in</b>		
No more than 12 months	2,679,628	2,512,941
More than 12 months	179,460,200	127,900,201
<b>Total liabilities</b>	<b>182,139,828</b>	<b>130,413,142</b>



## Appendix B: Additional workforce tables

Table B.1: All ongoing employees, 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	1,354	26	1,380	940	175	1,115	–	–	–	2,495
Qld	617	14	631	531	65	596	–	–	–	1,227
SA	1,453	37	1,490	461	79	540	–	1	1	2,031
Tas	28	2	30	34	7	41	–	–	–	71
Vic <sup>1</sup>	2,089	49	2,138	1,080	175	1,255	1	–	1	3,394
WA	274	1	275	158	25	183	–	–	–	458
ACT <sup>2</sup>	3,163	75	3,238	3,106	437	3,543	–	–	–	6,781
NT	96	2	98	107	4	111	–	–	–	209
Overseas	6	–	6	5	–	5	–	–	–	11
<b>Total</b>	<b>9,080</b>	<b>206</b>	<b>9,286</b>	<b>6,422</b>	<b>967</b>	<b>7,389</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>16,677</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.2: All ongoing employees, 2017–18

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	1,444	28	1,472	939	175	1,114	–	–	–	2,586
Qld	662	14	676	526	57	583	–	–	–	1,259
SA	1,452	30	1,482	457	76	533	–	1	1	2,016
Tas	29	2	31	34	7	41	–	–	–	72
Vic <sup>1</sup>	2,165	50	2,215	1,085	181	1,266	–	–	–	3,481
WA	271	3	274	160	24	184	–	–	–	458
ACT <sup>2</sup>	4,297	115	4,412	3,463	557	4,020	–	–	–	8,432
NT	117	–	117	128	3	131	–	–	–	248
Overseas	24	–	24	4	–	4	–	–	–	28
<b>Total</b>	<b>10,461</b>	<b>242</b>	<b>10,703</b>	<b>6,796</b>	<b>1,080</b>	<b>7,876</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>18,580</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.3: All non-ongoing employees, 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	5	1	6	4	–	4	–	–	–	10
Qld	5	–	5	3	1	4	–	–	–	9
SA	21	10	31	6	3	9	–	–	–	40
Tas	–	–	–	–	–	–	–	–	–	0
Vic <sup>1</sup>	42	1	43	39	–	39	–	–	–	82
WA	1	–	1	1	–	1	–	–	–	2
ACT <sup>2</sup>	35	1	36	32	11	43	1	–	1	80
NT	–	–	–	1	–	1	–	–	–	1
Overseas	1	–	1	–	–	0	–	–	0	1
<b>Total</b>	<b>110</b>	<b>13</b>	<b>123</b>	<b>86</b>	<b>15</b>	<b>101</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>225</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.4: All non-ongoing employees, 2017–18

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
NSW	11	1	12	19	2	21	–	–	–	33
Qld	3	1	4	1	–	1	–	–	–	5
SA	8	7	15	1	1	2	–	–	–	17
Tas	–	–	–	–	–	–	–	–	–	–
Vic <sup>1</sup>	41	2	43	30	–	30	–	–	–	73
WA	11	1	12	3	–	3	–	–	–	15
ACT <sup>2</sup>	39	2	41	27	5	32	–	–	–	73
NT	–	1	1	–	–	–	–	–	–	1
Overseas	1	–	1	–	–	–	–	–	–	1
<b>Total</b>	<b>114</b>	<b>15</b>	<b>129</b>	<b>81</b>	<b>8</b>	<b>89</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>218</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.5: Australian Public Service Act ongoing employees, 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
SES 4	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	25	–	25	10	–	10	–	–	–	35
SES 1	51	1	52	40	–	40	–	–	–	92
EL 2	1,098	14	1,112	417	25	442	–	–	–	1,554
EL 1	2,104	33	2,137	1,064	156	1,220	–	1	1	3,358
APS 6	2,726	77	2,803	1,698	313	2,011	–	–	v	4,814
APS 5	1,488	30	1,518	1,153	140	1,293	–	–	–	2,811
APS 4	720	16	736	863	132	995	–	–	–	1,731
APS 3	422	16	438	722	149	871	–	–	–	1,309
APS 2	335	11	346	366	41	407	1	–	1	754
APS 1	105	8	113	86	11	97	–	–	–	210
<b>Total</b>	<b>9,080</b>	<b>206</b>	<b>9,286</b>	<b>6,422</b>	<b>967</b>	<b>7,389</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>16,677</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.6: Australian Public Service Act ongoing employees, 2017–18

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
SES 4	1	–	1	–	–	–	–	–	–	1
SES 3	6	–	6	2	–	2	–	–	–	8
SES 2	25	–	25	10	–	10	–	–	–	35
SES 1	60	1	61	38	–	38	–	–	–	99
EL 2	1,246	19	1,265	406	37	443	–	–	–	1,708
EL 1	2,419	53	2,472	1,149	208	1,357	–	1	1	3,830
APS 6	3,106	69	3,175	1,738	328	2,066	–	–	–	5,241
APS 5	1,692	41	1,733	1,164	155	1,319	–	–	–	3,052
APS 4	855	19	874	923	135	1,058	–	–	–	1,932
APS 3	461	14	475	799	156	955	–	–	–	1,430
APS 2	453	18	471	468	51	519	–	–	–	990
APS 1	137	8	145	99	10	109	–	–	–	254
<b>Total</b>	<b>10,461</b>	<b>242</b>	<b>10,703</b>	<b>6,796</b>	<b>1,080</b>	<b>7,876</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>18,580</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.7: Australian Public Service Act non-ongoing employees, 2018–19

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
SES 4	–	–	–	–	–	–	–	–	–	–
SES 3	1	–	1	–	–	–	–	–	–	1
SES 2	2	–	2	–	–	–	–	–	–	2
SES 1	1	–	1	–	–	–	–	–	–	1
EL 2	6	7	13	2	–	2	–	–	–	15
EL 1	9	3	12	5	2	7	–	–	–	19
APS 6	24	1	25	14	2	16	1	–	1	42
APS 5	12	–	12	12	6	18	–	–	–	30
APS 4	10	1	11	19	4	23	–	–	–	34
APS 3	10	1	11	14	1	15	–	–	–	26
APS 2	16	–	16	11	–	11	–	–	–	27
APS 1	19	–	19	9	–	9	–	–	–	28
<b>Total</b>	<b>110</b>	<b>13</b>	<b>123</b>	<b>86</b>	<b>15</b>	<b>101</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>225</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.8: Australian Public Service Act non-ongoing employees, 2017–18

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total Male	Full-time	Part-time	Total Female	Full-time	Part-time	Total Indeterminate	
SES 4	–	–	–	–	–	–	–	–	–	–
SES 3	3	–	3	–	–	–	–	–	–	3
SES 2	2	–	2	–	–	–	–	–	–	2
SES 1	–	–	–	–	–	–	–	–	–	–
EL 2	8	8	16	1	–	1	–	–	–	17
EL 1	5	2	7	3	1	4	–	–	–	11
APS 6	5	1	6	8	2	10	–	–	–	16
APS 5	7	1	8	9	2	11	–	–	–	19
APS 4	13	1	14	9	1	10	–	–	–	24
APS 3	16	1	17	22	2	24	–	–	–	41
APS 2	23	1	24	12	–	12	–	–	–	36
APS 1	32	–	32	17	–	17	–	–	–	49
<b>Total</b>	<b>114</b>	<b>15</b>	<b>129</b>	<b>81</b>	<b>8</b>	<b>89</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>218</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.9: Australian Public Service Act employees by full-time and part-time status, 2018–19

	Ongoing			Non-Ongoing			Total
	Full-time	Part-time	Total Ongoing	Full-time	Part-time	Total Non-ongoing	
SES 4	1	–	1	–	–	–	1
SES 3	8	–	8	1	–	1	9
SES 2	35	–	35	2	–	2	37
SES 1	91	1	92	1	–	1	93
EL 2	1,515	39	1,554	8	7	15	1,569
EL 1	3,168	190	3,358	14	5	19	3,377
APS 6	4,424	390	4,814	39	3	42	4,856
APS 5	2,641	170	2,811	24	6	30	2,841
APS 4	1,583	148	1,731	29	5	34	1,765
APS 3	1,144	165	1,309	24	2	26	1,335
APS 2	702	52	754	27	–	27	781
APS 1	191	19	210	28	–	28	238
<b>Total</b>	<b>15,503</b>	<b>1,174</b>	<b>16,677</b>	<b>197</b>	<b>28</b>	<b>225</b>	<b>16,902</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions.

Table B.10: Australian Public Service Act employees by full-time and part-time status, 2017–18

	Ongoing			Non-Ongoing			Total
	Full-time	Part-time	Total Ongoing	Full-time	Part-time	Total Non-ongoing	
SES 4	1	–	1	–	–	–	1
SES 3	8	–	8	3	–	3	11
SES 2	35	–	35	2	–	2	37
SES 1	98	1	99	–	–	–	99
EL 2	1,652	56	1,708	9	8	17	1,725
EL 1	3,568	262	3,830	8	3	11	3,841
APS 6	4,844	397	5,241	13	3	16	5,257
APS 5	2,856	196	3,052	16	3	19	3,071
APS 4	1,778	154	1,932	22	2	24	1,956
APS 3	1,260	170	1,430	38	3	41	1,471
APS 2	921	69	990	35	1	36	1,026
APS 1	236	18	254	49	–	49	303
<b>Total</b>	<b>17,257</b>	<b>1,323</b>	<b>18,580</b>	<b>195</b>	<b>23</b>	<b>218</b>	<b>18,798</b>

**Note:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Part-time employees are those with weekly hours less than the standard hours. It does not relate to employees in part-time positions. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.11: Permanent ADF members, 2018–19

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	4,966	4,436	3,308	12,710	1,277	708	957	2,942	–	–	–	–	6,243	5,144	4,265	15,652
Qld	605	10,425	2,556	13,586	205	1,847	822	2,874	–	–	–	–	810	12,272	3,378	16,460
SA	117	1,699	1,538	3,354	16	177	361	554	–	–	–	–	133	1,876	1,899	3,908
Tas	19	48	8	75	3	8	3	14	–	–	–	–	22	56	11	89
Vic <sup>1</sup>	1,437	2,600	805	4,842	438	471	277	1,186	1	1	–	2	1,876	3,072	1,082	6,030
WA	2,029	811	238	3,078	487	93	61	641	1	–	–	1	2,517	904	299	3,720
ACT <sup>2</sup>	1,309	2,381	1,510	5,200	517	570	649	1,736	–	1	1	2	1,826	2,952	2,160	6,938
NT	451	2,492	718	3,661	126	420	205	751	–	–	–	–	577	2,912	923	4,412
Overseas <sup>3</sup>	176	298	283	757	26	25	41	92	–	–	–	–	202	323	324	849
<b>Total</b>	<b>11,109</b>	<b>25,190</b>	<b>10,964</b>	<b>47,263</b>	<b>3,095</b>	<b>4,319</b>	<b>3,376</b>	<b>10,790</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>14,206</b>	<b>29,511</b>	<b>14,341</b>	<b>58,058</b>

**Notes:** Figures in this table show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.12: **Permanent ADF members, 2017–18**

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	5,160	4,318	3,585	13,063	1288,	799	955	3,042	–	–	–	–	6,448	5,117	4,540	16,105
Qld	604	11,073	2,349	14,026	184	1,761	719	2,664	–	1	–	1	788	12,835	3,068	16,691
SA	183	1,779	1,667	3,629	24	155	337	516	–	–	–	–	207	1,934	2,004	4,145
Tas	9	47	6	62	3	9	2	14	–	–	–	–	12	56	8	76
Vic <sup>1</sup>	1,014	2570,	744	4,328	420	535	215	1,170	–	–	–	–	1,434	3,105	959	5,498
WA	1,836	808	260	2,904	435	97	59	591	1	-	-	1	2,272	905	319	3,496
ACT <sup>2</sup>	1,224	2,374	1,483	5,081	450	543	638	1,631	–	1	1	2	1,674	2,918	2,122	6,714
NT	492	2,459	754	3,705	114	365	206	685	–	–	–	–	606	2,824	960	4,390
Overseas <sup>3</sup>	190	283	299	772	19	19	33	71	–	–	–	–	209	302	332	843
<b>Total</b>	<b>10,712</b>	<b>25,711</b>	<b>11,147</b>	<b>47,570</b>	<b>2,937</b>	<b>4,283</b>	<b>3,164</b>	<b>10,384</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>13,650</b>	<b>29,996</b>	<b>14,312</b>	<b>57,958</b>

**Notes:** Figures in this table show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.



Table B.13: Active Reserve members current report period (2018–19)

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	792	4,528	1,123	6,443	219	714	263	1,196	–	–	–	–	1,011	5,242	1,386	7,639
Qld	376	4,006	1,177	5,559	103	798	308	1,209	–	1	–	1	479	4,805	1,485	6,769
SA	77	1,236	447	1,760	21	260	113	394	–	–	–	–	98	1,496	560	2,154
Tas	67	419	47	533	15	85	18	118	–	–	–	–	82	504	65	651
Vic <sup>1</sup>	218	2,844	357	3,419	68	446	64	578	–	–	–	–	286	3,290	421	3,997
WA	217	1,602	189	2,008	60	261	49	370	–	–	–	–	277	1,863	238	2,378
ACT <sup>2</sup>	759	813	861	2,433	254	153	278	685	–	–	–	–	1,013	966	1,139	3,118
NT	69	467	84	620	18	100	26	144	–	–	–	–	87	567	110	764
Overseas <sup>3</sup>	8	5	–	13	–	–	–	–	–	–	–	–	8	5	–	13
<b>Total</b>	<b>2,583</b>	<b>15,920</b>	<b>4,285</b>	<b>22,788</b>	<b>758</b>	<b>2,817</b>	<b>1,119</b>	<b>4,694</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>3,341</b>	<b>18,738</b>	<b>5,404</b>	<b>27,483</b>

**Notes:** Figures in this table show Reserve force headcount numbers. Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).

- Victorian figures include individuals located in Albury NSW.
- Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
- Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.14: **Active Reserve members, 2017–18**

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
NSW	741	4,133	1,021	5,895	187	634	264	1,085	–	–	–	–	928	4,767	1,285	6,980
Qld	280	3,688	1,117	5,085	81	704	271	1,056	–	–	–	–	361	4,392	1,388	6,141
SA	63	1190	411	1,664	18	249	98	365	–	–	–	–	81	1,439	509	2,029
Tas	56	400	44	500	20	86	16	122	–	–	–	–	76	486	60	622
Vic <sup>1</sup>	199	2,703	333	3,235	54	404	69	527	–	–	–	–	253	3,107	402	3,762
WA	193	1,490	181	1,864	51	230	44	325	–	–	–	–	244	1,720	225	2,189
ACT <sup>2</sup>	667	784	822	2,273	235	145	255	635	–	–	–	–	902	929	1,077	2,908
NT	52	398	84	534	22	95	29	146	–	–	–	–	74	493	113	680
Overseas <sup>3</sup>	7	7	–	14	–	1	–	1	–	–	–	–	7	8	–	15
<b>Total</b>	<b>2,258</b>	<b>14,793</b>	<b>4,013</b>	<b>21,064</b>	<b>668</b>	<b>2,548</b>	<b>1,046</b>	<b>4,262</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,926</b>	<b>17,341</b>	<b>5,059</b>	<b>25,326</b>

**Notes:** Figures in this table show Reserve force headcount numbers. Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C). Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
3. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.15: ADF permanent members, 2018-19

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	1	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Lieutenant General (E)	2	3	3	8	–	–	–	–	–	–	–	–	2	3	3	8
Major General (E)	10	15	8	33	1	3	2	6	–	–	–	–	11	18	10	39
Brigadier (E)	33	51	33	117	5	7	4	16	–	–	–	–	38	58	37	133
Colonel (E)	126	169	126	421	22	29	22	73	–	–	–	–	148	198	148	494
Lieutenant Colonel (E)	370	594	431	1,395	77	100	103	280	–	–	–	–	447	694	534	1,675
Major (E)	648	1,583	890	3,121	172	281	248	701	–	–	–	–	820	1,864	1,138	3,822
Captain (E)	919	1,523	1,412	3,854	279	277	460	1,016	–	1	–	1	1,198	1,801	1,872	4,871
Lieutenant (E)	263	829	519	1,611	71	290	197	558	–	–	–	–	334	1,119	716	2,169
2nd Lieutenant (E)	45	7	309	361	8	1	105	114	–	–	–	–	53	8	414	475
<b>Officer Cadet (E)</b>	<b>307</b>	<b>560</b>	<b>245</b>	<b>1,112</b>	<b>128</b>	<b>140</b>	<b>127</b>	<b>395</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>435</b>	<b>701</b>	<b>373</b>	<b>1,509</b>
<b>Officer Total</b>	<b>2,723</b>	<b>5,335</b>	<b>3,976</b>	<b>12,034</b>	<b>763</b>	<b>1,128</b>	<b>1,268</b>	<b>3,159</b>	<b>–</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3,486</b>	<b>6,465</b>	<b>5,245</b>	<b>15,196</b>
<b>Other Ranks</b>																
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–	–	–	–	–	1	1	1	3
Warrant Officer Class 1 (E)	214	593	494	1,301	20	71	77	168	–	–	–	–	234	664	571	1,469
Warrant Officer Class 2 (E)	869	1,747	644	3,260	113	173	111	397	–	–	–	–	982	1,920	755	3,657
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	–	–	–	2	–	2
Sergeant (E)	1,204	2,127	1,320	4,651	241	267	268	776	–	–	–	–	1,445	2,394	1,588	5,427
Corporal (E)	1,890	3,687	1,798	7,375	516	598	459	1,573	1	–	–	1	2,407	4,285	2,257	8,949
Lance Corporal (E)	–	1,336	–	1,336	–	147	–	147	–	–	–	–	–	1,483	–	1,483
Private Proficient (E)	2,701	7,135	2,128	11,964	886	1,033	668	2,587	–	–	–	–	3,587	8,168	2,796	14,551
Private (E)	616	1,487	327	2,430	273	445	282	1,000	–	–	–	–	889	1,932	609	3,430
Private Trainee (E)	676	1,291	186	2,153	220	309	185	714	1	–	–	1	897	1,600	371	2,868
Recruit (E)	215	449	90	754	63	148	58	269					278	597	148	1023
<b>Other Ranks Total</b>	<b>8,386</b>	<b>19,855</b>	<b>6,988</b>	<b>35,229</b>	<b>2,332</b>	<b>3191</b>	<b>2,108</b>	<b>7,631</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>10,720</b>	<b>23,046</b>	<b>9,096</b>	<b>42,862</b>
<b>Total ADF</b>	<b>11,109</b>	<b>25,190</b>	<b>10,964</b>	<b>4,7263</b>	<b>3,095</b>	<b>4,319</b>	<b>3,376</b>	<b>10,790</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>14,206</b>	<b>29,511</b>	<b>14,341</b>	<b>58,058</b>

**Note:** Figures in this table show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

Table B.16 ADF permanent members, 2017–18

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	–	1	1	–	–	–	–	–	–	–	–	–	–	1	1
Lieutenant General (E)	3	2	2	7	–	–	–	–	–	–	–	–	3	2	2	7
Major General (E)	13	17	9	39	–	1	2	3	–	–	–	–	13	18	11	42
Brigadier (E)	34	52	35	121	7	9	2	18	–	–	–	–	41	61	37	139
Colonel (E)	112	173	129	414	18	27	21	66	–	–	–	–	130	200	150	480
Lieutenant Colonel (E)	349	574	428	1,351	64	87	101	252	–	–	–	–	413	661	529	1,603
Major (E)	633	1,570	935	3,138	155	289	235	679	–	–	–	–	788	1,859	1,170	3,817
Captain (E)	946	1,537	1,398	3,881	282	270	449	1,001	–	–	–	–	1,228	1,807	1,847	4,882
Lieutenant (E)	242	870	478	1,590	77	286	194	557	–	1	–	1	319	1,157	672	2,148
2nd Lieutenant (E)	30	4	324	358	7	1	86	94	–	–	–	–	37	5	410	452
Officer Cadet (E)	296	591	224	1,111	95	146	122	363	–	1	1	2	391	738	347	1,476
<b>Officer Total</b>	<b>2,658</b>	<b>5,390</b>	<b>3,963</b>	<b>12,011</b>	<b>705</b>	<b>1,116</b>	<b>1,212</b>	<b>3,033</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3,363</b>	<b>6,508</b>	<b>5,176</b>	<b>15,047</b>
<b>Other Ranks</b>																
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–	–	–	–	–	1	1	1	3
Warrant Officer Class 1 (E)	211	585	505	1,301	18	75	67	160	–	–	–	–	229	660	572	1,461
Warrant Officer Class 2 (E)	872	1,727	652	3,251	110	184	108	402	–	–	–	–	982	1,911	760	3,653
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	–	–	–	2	–	2
Sergeant (E)	1,166	2,107	1,373	4,646	206	277	283	766	–	–	–	–	1,372	2,384	1,656	5,412
Corporal (E)	1,841	3,725	1,831	7,397	495	578	441	1,514	1	–	–	1	2,337	4,303	2,272	8,912
Lance Corporal (E)	–	1,353	–	1,353	–	162	–	162	–	–	–	–	–	1,515	–	1,515
Private Proficient (E)	3,050	7,600	2,304	12,954	836	902	623	2,361	–	–	–	–	3,886	8,502	2,927	15,315
Private (E)	380	1,665	252	2,297	277	415	197	889	–	–	–	–	657	2,080	449	3,186
Private Trainee (E)	424	1,208	214	1,846	246	358	164	768	–	–	–	–	670	1,566	378	2,614
Recruit (E)	109	348	52	509	44	216	69	329	–	–	–	–	153	564	121	838
<b>Other Ranks Total</b>	<b>8,054</b>	<b>20,321</b>	<b>7,184</b>	<b>35,559</b>	<b>2,232</b>	<b>3,167</b>	<b>1,952</b>	<b>7,351</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>10,287</b>	<b>23,488</b>	<b>9,136</b>	<b>42,911</b>
<b>Total ADF</b>	<b>10,712</b>	<b>25,711</b>	<b>11,147</b>	<b>47,570</b>	<b>2,937</b>	<b>4,283</b>	<b>3,164</b>	<b>10,384</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>13,650</b>	<b>29,996</b>	<b>14,312</b>	<b>57,958</b>

**Note:** Figures in this table show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.17: **ADF active Reserve members, 2018–19**

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	–	1	1	–	–	–	–	–	–	–	–	–	–	1	1
Lieutenant General (E)	4	2	2	8	–	–	–	–	–	–	–	–	4	2	2	8
Major General (E)	18	20	21	59	2	2	1	5	–	–	–	–	20	22	22	64
Brigadier (E)	52	72	64	188	3	7	4	14	–	–	–	–	55	79	68	202
Colonel (E)	106	227	167	500	7	22	24	53	–	–	–	–	113	249	191	553
Lieutenant Colonel (E)	254	496	325	1,075	40	70	55	165	–	–	–	–	294	566	380	1,240
Major (E)	363	1,100	623	2,086	91	186	144	421	–	–	–	–	454	1,286	767	2,507
Captain (E)	375	992	596	1,963	123	233	212	568	–	–	–	–	498	1,225	808	2,531
Lieutenant (E)	5	408	35	448	5	161	24	190	–	–	–	–	10	569	59	638
2nd Lieutenant (E)	–	2	1	3	–	1	1	2	–	–	–	–	–	3	2	5
Officer Cadet (E)	–	454	–	454	–	101	–	101	–	–	–	–	–	555	–	555
<b>Officer Total</b>	<b>1,177</b>	<b>3,773</b>	<b>1,835</b>	<b>6,785</b>	<b>271</b>	<b>783</b>	<b>465</b>	<b>1,519</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,448</b>	<b>4,556</b>	<b>2,300</b>	<b>8,304</b>
<b>Other Ranks</b>																
Regimental Sergeant Major (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Warrant Officer Class 1 (E)	114	469	341	924	5	61	31	97	–	–	–	–	119	530	372	1,021
Warrant Officer Class 2 (E)	314	650	261	1,225	45	73	44	162	–	–	–	–	359	723	305	1,387
Staff Sergeant (E)	–	18	–	18	–	1	–	1	–	–	–	–	–	19	–	19
Sergeant (E)	245	996	397	1,638	109	187	137	433	–	–	–	–	354	1,183	534	2,071
Corporal (E)	383	1,756	658	2,797	172	350	204	726	–	–	–	–	555	2,106	862	3,523
Lance Corporal (E)	–	961	–	961	–	95	–	95	–	–	–	–	–	1,056	–	1,056
Private Proficient (E)	342	3,303	635	4,280	149	544	196	889	–	–	–	–	491	3,847	831	5,169
Private (E)	6	2,136	121	2,263	6	346	30	382	–	–	–	–	12	2,482	151	2,645
Private Trainee (E)	–	893	24	917	–	173	9	182	–	–	–	–	–	1,066	33	1,099
Recruit (E)	2	965	13	980	1	204	3	208	–	1	–	1	3	1,170	16	1,189
<b>Other Ranks Total</b>	<b>1,406</b>	<b>12,147</b>	<b>2,450</b>	<b>16,003</b>	<b>487</b>	<b>2,034</b>	<b>654</b>	<b>3,175</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>1,893</b>	<b>14,182</b>	<b>3,104</b>	<b>19,179</b>
<b>Total ADF</b>	<b>2,583</b>	<b>15,920</b>	<b>4,285</b>	<b>22,788</b>	<b>758</b>	<b>2,817</b>	<b>1,119</b>	<b>4,694</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>3,341</b>	<b>18,738</b>	<b>5,404</b>	<b>27,483</b>

**Note:** Figures in this table show Reserve force headcount numbers, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).

Table B.18: ADF active Reserve members, 2017–18

	Male				Female				Indeterminate				Total			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>																
General (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lieutenant General (E)	3	2	2	7	–	–	–	–	–	–	–	–	3	2	2	7
Major General (E)	14	21	22	57	2	1	1	4	–	–	–	–	16	22	23	61
Brigadier (E)	48	66	66	180	2	7	4	13	–	–	–	–	50	73	70	193
Colonel (E)	99	205	157	461	6	17	23	46	–	–	–	–	105	222	180	507
Lieutenant Colonel (E)	227	476	307	1,010	33	65	52	150	–	–	–	–	260	541	359	1,160
Major (E)	342	1,052	576	1,970	78	179	137	394	–	–	–	–	420	1,231	713	2,364
Captain (E)	339	919	550	1,808	121	207	189	517	–	–	–	–	460	1,126	739	2,325
Lieutenant (E)	5	357	37	399	4	124	21	149	–	–	–	–	9	481	58	548
2nd Lieutenant (E)	–	1	1	2	–	1	1	2	–	–	–	–	–	2	2	4
Officer Cadet (E)	–	429	–	429	–	101	–	101	–	–	–	–	–	530	–	530
<b>Officer Total</b>	<b>1,077</b>	<b>3,528</b>	<b>1,718</b>	<b>6,323</b>	<b>246</b>	<b>702</b>	<b>428</b>	<b>1,376</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,323</b>	<b>4,230</b>	<b>2,146</b>	<b>7,699</b>
<b>Other Ranks</b>																
Regimental Sergeant Major (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Warrant Officer Class 1 (E)	99	443	327	869	4	60	25	89	–	–	–	–	103	503	352	958
Warrant Officer Class 2 (E)	304	629	245	1,178	41	62	45	148	–	–	–	–	345	691	290	1,326
Staff Sergeant (E)	–	21	–	21	–	1	–	1	–	–	–	–	–	22	–	22
Sergeant (E)	213	959	389	1,561	95	184	127	406	–	–	–	–	308	1,143	516	1,967
Corporal (E)	301	1,577	617	2,495	156	305	193	654	–	–	–	–	457	1,882	810	3,149
Lance Corporal (E)	–	876	–	876	–	91	–	91	–	–	–	–	–	967	–	967
Private Proficient (E)	258	3,213	582	4,053	121	524	193	838	–	–	–	–	379	3,737	775	4,891
Private (E)	5	1,671	100	1,776	5	306	23	334	–	–	–	–	10	1,977	123	2,110
Private Trainee (E)	–	734	12	746	–	132	3	135	–	–	–	–	–	866	15	881
Recruit (E)	1	1,142	23	1,166	–	181	9	190	–	–	–	–	1	1,323	32	1,356
<b>Other Ranks Total</b>	<b>1,181</b>	<b>11,265</b>	<b>2,295</b>	<b>14,741</b>	<b>422</b>	<b>1,846</b>	<b>618</b>	<b>2,886</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,603</b>	<b>13,111</b>	<b>2,913</b>	<b>17,627</b>
<b>Total ADF</b>	<b>2,258</b>	<b>14,793</b>	<b>4,013</b>	<b>21,064</b>	<b>668</b>	<b>2,548</b>	<b>1,046</b>	<b>4,262</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,926</b>	<b>17,341</b>	<b>5,059</b>	<b>25,326</b>

**Note:** Figures in this table show Reserve force headcount numbers, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C). Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.19: **ADF permanent and Reserve members, 2018–19**

	Permanent <sup>1</sup>				Active Reserve <sup>2</sup>			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>								
General (E)	–	1	–	1	–	–	1	1
Lieutenant General (E)	2	3	3	8	4	2	2	8
Major General (E)	11	18	10	39	20	22	22	64
Brigadier (E)	38	58	37	133	55	79	68	202
Colonel (E)	148	198	148	494	113	249	191	553
Lieutenant Colonel (E)	447	694	534	1,675	294	566	380	1,240
Major (E)	820	1,864	1,138	3,822	454	1,286	767	2,507
Captain (E)	1,198	1,801	1,872	4,871	498	1,225	808	2,531
Lieutenant (E)	334	1,119	716	2,169	10	569	59	638
2nd Lieutenant (E)	53	8	414	475	–	3	2	5
Officer Cadet (E)	435	701	373	1,509	–	555	–	555
<b>Officer Total</b>	<b>3,486</b>	<b>6,465</b>	<b>5,245</b>	<b>15,196</b>	<b>1,448</b>	<b>45,56</b>	<b>2,300</b>	<b>8,304</b>
<b>Other Ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	234	664	571	1,469	119	530	372	1,021
Warrant Officer Class 2 (E)	982	1,920	755	3,657	359	723	305	1,387
Staff Sergeant (E)	–	2	–	2	–	19	–	19
Sergeant (E)	1,445	2,394	1,588	5,427	354	1,183	534	2,071
Corporal (E)	2,407	4,285	2,257	8,949	555	2,106	862	3,523
Lance Corporal (E)	–	1483	–	1483	–	1,056	–	1,056
Private Proficient (E)	3,587	8,168	2,796	14,551	491	3,847	831	5,169
Private (E)	889	1,932	609	3,430	12	2,482	151	2,645
Private Trainee (E)	897	1,600	371	2,868	–	1,066	33	1,099
Recruit (E)	278	597	148	1,023	3	1,170	16	1,189
<b>Other Ranks Total</b>	<b>10,720</b>	<b>23,046</b>	<b>9,096</b>	<b>42,862</b>	<b>1,893</b>	<b>14,182</b>	<b>3,104</b>	<b>19,179</b>
<b>Total ADF</b>	<b>14,206</b>	<b>29,511</b>	<b>14,341</b>	<b>58,058</b>	<b>3,341</b>	<b>18,738</b>	<b>5,404</b>	<b>27,483</b>

**Notes:**

- Figures show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Figures show Reserve force headcount numbers, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).



Table B.20: **ADF permanent and Reserve members, 2017–18**

	Permanent <sup>1</sup>				Active Reserve <sup>2</sup>			
	Navy	Army	Air Force	ADF	Navy	Army	Air Force	ADF
<b>Officer</b>								
General (E)	–	–	1	1	–	–	–	–
Lieutenant General (E)	3	2	2	7	3	2	2	7
Major General (E)	13	18	11	42	16	22	23	61
Brigadier (E)	41	61	37	139	50	73	70	193
Colonel (E)	130	200	150	480	105	222	180	507
Lieutenant Colonel (E)	413	661	529	1,603	260	541	359	1,160
Major (E)	788	1,859	1,170	3,817	420	1,231	713	2,364
Captain (E)	1,228	1,807	1,847	4,882	460	1,126	739	2,325
Lieutenant (E)	319	1,157	672	2,148	9	481	58	548
2nd Lieutenant (E)	37	5	410	452	–	2	2	4
Officer Cadet (E)	391	738	347	1476	–	530	–	530
<b>Officer Total</b>	<b>3,363</b>	<b>6,508</b>	<b>5,176</b>	<b>15,047</b>	<b>1,323</b>	<b>42,30</b>	<b>2,146</b>	<b>7,699</b>
<b>Other Ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	229	660	572	1,461	103	503	352	958
Warrant Officer Class 2 (E)	982	1,911	760	3,653	345	691	290	1,326
Staff Sergeant (E)	–	2	–	2	–	22	–	22
Sergeant (E)	1,372	2,384	1,656	5,412	308	1,143	516	1,967
Corporal (E)	2,337	4,303	2,272	8,912	457	1,882	810	3,149
Lance Corporal (E)	–	1515	–	1,515	–	967	–	967
Private Proficient (E)	3,886	8,502	2,927	15,315	379	3,737	775	4,891
Private (E)	657	2,080	449	3,186	10	1,977	123	2,110
Private Trainee (E)	670	1,566	378	2,614	–	866	15	881
Recruit (E)	153	564	121	838	1	1,323	32	1,356
<b>Other Ranks Total</b>	<b>10,287</b>	<b>23,488</b>	<b>9,136</b>	<b>42,911</b>	<b>1,603</b>	<b>13,111</b>	<b>2,913</b>	<b>17,627</b>
<b>Total ADF</b>	<b>13,650</b>	<b>29,996</b>	<b>14,312</b>	<b>57,958</b>	<b>2,926</b>	<b>17,341</b>	<b>5,059</b>	<b>25,326</b>

**Notes:** Some 30 June 2018 figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

- Figures show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Figures show Reserve force headcount numbers, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).

Table B.21: Australian Public Service Act employment type by location, 2018–19

	Ongoing	Non-Ongoing	Total
NSW	2,495	10	2,505
Qld	1,227	9	1,236
SA	2,031	40	2,071
Tas	71	–	71
Vic <sup>1</sup>	3,394	82	3,476
WA	458	2	460
ACT <sup>2</sup>	6,781	80	6,861
NT	209	1	210
Overseas	11	1	12
<b>Total</b>	<b>16,677</b>	<b>225</b>	<b>16,902</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.22: Australian Public Service Act employment type by location, 2017–18

	Ongoing	Non-Ongoing	Total
NSW	2,586	33	2,619
Qld	1,259	5	1,264
SA	2,016	17	2,033
Tas	72	–	72
Vic <sup>1</sup>	3,481	73	3,554
WA	458	15	473
ACT <sup>2</sup>	8,432	73	8,505
NT	248	1	249
Overseas	28	1	29
<b>Total</b>	<b>18,580</b>	<b>218</b>	<b>18,798</b>

**Notes:** Figures in this table show substantive headcount numbers. Figures include paid and unpaid employees. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Victorian figures include individuals located in Albury NSW.
2. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).

Table B.23: **ADF Permanent and active Reserve members by location, 2018–19**

	Permanent <sup>1</sup>	Active Reserve <sup>2</sup>	Total
NSW	15,652	7,639	23,291
Qld	16,460	6,769	23,229
SA	3,908	2,154	6,062
Tas	89	651	740
Vic <sup>3</sup>	6,030	3,997	10,027
WA	3,720	2,378	6,098
ACT <sup>4</sup>	6,938	3,118	10,056
NT	4,412	764	5,176
Overseas <sup>5</sup>	849	13	862
<b>Total</b>	<b>58,058</b>	<b>27,483</b>	<b>85,541</b>

**Notes:**

1. Figures show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Figures show Reserve force headcount, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).
3. Victorian figures include individuals located in Albury NSW.
4. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
5. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.24: **ADF permanent and active Reserve members by location, 2017–18**

	Permanent <sup>1</sup>	Active Reserve <sup>2</sup>	Total
NSW	16,105	6,980	23,085
Qld	16,691	6,141	22,832
SA	4,145	2,029	6,174
Tas	76	622	698
Vic <sup>3</sup>	5,498	3,762	9,260
WA	3,496	2,189	5,685
ACT <sup>4</sup>	6,714	2,908	9,622
NT	4,390	680	5,070
Overseas <sup>5</sup>	843	15	858
<b>Total</b>	<b>57,958</b>	<b>25,326</b>	<b>83,284</b>

**Notes:** Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

1. Figures show permanent force headcount numbers (Service Categories 7 and 6) and do not include Reserves, (Service Categories 5, 4 and 3), Reservists undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
2. Figures show Reserve force headcount, Reserves include all active members (Service Categories 5, 4 and 3) and Reservists undertaking continuous full-time service (Service Option C).
3. Victorian figures include individuals located in Albury NSW.
4. Australian Capital Territory figures include individuals located in Jervis Bay (Commonwealth), Queanbeyan (NSW) and Bungendore (NSW).
5. Individuals posted overseas for reasons including long-term duty, training, exchange and liaison.

Table B.25: **Australian Public Service Act Indigenous employment, 2018–19**

	Total
Ongoing	386
Non-Ongoing	3
<b>Total</b>	<b>389</b>

**Note:** Figures in this table show substantive headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates.

Table B.26: **Australian Public Service Act Indigenous employment, 2017–18**

	Total
Ongoing	413
Non-Ongoing	5
<b>Total</b>	<b>418</b>

**Note:** Figures in this table show substantive headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.27: **ADF Indigenous members, 2018–19**

	Navy	Army	Air Force	ADF
Permanent	471	964	288	1,723
Active Reserves	41	540	58	639
<b>Total</b>	<b>512</b>	<b>1,504</b>	<b>346</b>	<b>2,362</b>

**Note:** Figures in this table show Indigenous headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates.

Table B.28: **ADF Indigenous members, 2017–18**

	Navy	Army	Air Force	ADF
Permanent	447	922	235	1,604
Active Reserves	34	442	56	532
<b>Total</b>	<b>481</b>	<b>1,364</b>	<b>291</b>	<b>2,136</b>

**Note:** Figures in this table show Indigenous headcount numbers. Data for this table is reliant on self-identification on the Defence human resources system; therefore, the data is likely to under-report actual participation rates. Some figures have been adjusted from what was reported in the *Defence Annual Report 2017–18* to account for retrospective transactions.

Table B.29: Australian Public Service Act employment salary ranges by classification level, 2018–19

	Minimum Salary	Maximum Salary
SES 3	\$247,687	\$540,600 <sup>1</sup>
SES 2	\$199,189	\$326,400 <sup>1</sup>
SES 1	\$164,152	\$237,462 <sup>1</sup>
EL 2	\$118,376	\$190,230 <sup>4</sup>
EL 1	\$101,955	\$142,087 <sup>5</sup>
APS 6	\$80,669	\$94,930 <sup>6</sup>
APS 5	\$73,636	\$79,841 <sup>7</sup>
APS 4	\$67,100	\$73,256
APS 3	\$59,237	\$65,270
APS 2	\$52,004	\$59,065 <sup>8</sup>
APS 1	\$45,952	\$51,583
Other	\$247,687	\$540,600 <sup>1</sup>
<b>Total</b>	<b>\$199,189</b>	<b>\$326,400<sup>1</sup></b>

**Notes:**

1. Maximum salary paid under an individual remuneration arrangement shown.
2. Includes rates for Chief of Division Grade 2 and Medical Officer Class 6.
3. Includes rate for Chief of Division Grade 1 and Medical Officer Class 5.
4. Maximum rate includes Executive Level 2.1, Executive Level 2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
5. Maximum rate includes Public Affairs and Legal specialist structures and Medical Officer Class 1–2.
6. Maximum rate includes Public Affairs Grade 2 retained pay point.
7. Maximum rate includes Senior Technical Officer Grade 1 retained pay point.
8. Maximum rate includes Technical Assistant Grade 2 retained pay point.

Table B.30: Permanent Australian Defence Force salary ranges by rank, 2018–19

Rank	Minimum Salary	Maximum Salary
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	\$405,780	\$480,994
Major General (E) <sup>2</sup>	\$240,307	\$293,053
Brigadier (E) <sup>2,3</sup>	\$197,157	\$267,988
Colonel (E) <sup>2,3,5</sup>	\$150,728	\$255,843
Lieutenant Colonel (E) <sup>2,5</sup>	\$128,194	\$243,452
Major (E) <sup>2,5</sup>	\$89,800	\$219,308
Captain (E) <sup>2,5</sup>	\$70,334	\$208,159
Lieutenant (E) <sup>4</sup>	\$58,467	\$122,567
2nd Lieutenant (E) <sup>4</sup>	\$54,626	\$114,411
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	\$79,645	\$122,581
Warrant Officer Class 2 (E)	\$73,356	\$113,583
Staff Sergeant (E)	\$70,896	\$109,575
Sergeant (E)	\$63,389	\$104,792
Corporal (E)	\$54,776	\$95,824
Lance Corporal (E)	\$50,387	\$89,065
Private Proficient (E)	\$49,346	\$88,024
Private (E)	\$48,325	\$87,008
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	\$405,780	\$480,994
Major General (E) <sup>2</sup>	\$240,307	\$293,053
Brigadier (E) <sup>2,3</sup>	\$197,157	\$267,988
Colonel (E) <sup>2,3,5</sup>	\$150,728	\$255,843

**Notes:**

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

Table B.31: Australian Public Service Act employment performance pay by classification level, 2018–19

	Number of employees receiving performance pay	Aggregated (sum total) of all payments made	Average of all payments made	Minimum payment made	Maximum payment made
SES 3	–	–	–	–	–
SES 2	–	–	–	–	–
SES 1	–	–	–	–	–
EL 2	1,135	\$1,626,955.00	\$1,433.00	\$124.80	\$2,766.70
EL 1	2,598	\$2,915,074.00	\$1,122.00	\$94.66	\$1,582.73
APS 6	3,429	\$3,059,579.00	\$889.00	\$15.38	\$1,023.92
APS 5	2,000	\$1,519,586.00	\$759.00	\$95.35	\$859.01
APS 4	1,174	\$812,756.00	\$692.00	\$37.40	\$797.84
APS 3	1,149	\$798,766.00	\$695.00	\$79.00	\$780.92
APS 2	550	\$387,726.00	\$705.00	\$348.00	\$738.84
APS 1	43	\$30,600.00	\$712.00	\$478.50	\$725.00
Other	12	\$8,700.00	\$725.00	\$725.00	\$725.00
<b>Total</b>	<b>12,100</b>	<b>\$11,159,738.00</b>	<b>\$922.00</b>	<b>–</b>	<b>–</b>

**Notes:**

1. The Enterprise Agreement provides for an annual performance bonus of 1% at the top of the employee's salary range, inclusive of any additional salary paid by way of an Individual Flexibility Arrangement, or a minimum payment of \$725 whichever is the greater. Minimum payments may reflect amounts less than this where the employee is part-time or receives a partial lump-sum payment due to reaching the top of their salary range in the performance year.
2. The performance year is from 1 September to 31 August.

There were no performance bonus payments made to Senior Executive Service employees.

Table B.32: Details of accountable authority during the reporting period, 2018–19

Name	Position	Period as the Accountable Authority	
		Date of commencement	Date of cessation
Greg Moriarty	Secretary	4 September 2017	–



**Table B.33: Key management personnel remuneration, 2018–19**

Name	Position <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits (\$)	Total remuneration (\$)
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)		
Mr Greg Moriarty	Secretary of Defence	759,452	–	2,627	106,672	17,394	–	–	886,145
ACM Mark Binskin (Ret)	Chief of the Defence Force	12,966	–	12,324	683	0	–	–	25,973
GEN Angus Campbell	Chief of the Defence Force	764,136	–	32,376	214,805	13,034	–	–	1,024,351
VADM Raymond Griggs, RAN (Ret)	Vice Chief of the Defence Force	9,143	–	1,058	481	–	–	–	10,682
VADM David Johnston, RAN	Vice Chief of the Defence Force	540,159	–	7,132	150,984	9,937	–	–	708,212
Ms Rebecca Skinner	Associate Secretary	535,077	–	1,851	65,076	11,494	–	–	613,498
VADM Timothy Barrett, RAN (Ret)	Chief of Navy	8,727	–	5,107	460	0	–	–	14,293
VADM Michael Noonan, RAN	Chief of Navy	513,425	–	7,271	144,288	9,485	–	–	674,469
LTGEN Richard Burr	Chief of Army	517,054	–	2,217	144,419	9,485	–	–	673,175
AIRMSHL Gavin Davies	Chief of Air Force	513,443	–	10,228	141,936	9,485	–	–	675,092
Mr Steven Groves	Chief Finance Officer	391,696	–	84	65,995	8,077	–	–	465,852
Mr Stephen Pearson	Chief Information Officer	533,294	–	4,490	20,098	3,830	–	–	561,712
Mr Peter Tesch	Deputy Secretary Strategic Policy & Intelligence	79,032	–	–	9,363	1,291	–	–	89,686
Mr Thomas Hamilton	Deputy Secretary Strategic Policy & Intelligence	230,886	–	71	36,773	4,355	–	–	272,085
Mr Scott Dewar	Deputy Secretary Strategic Policy & Intelligence	28,056	–	644	4,775	497	–	–	33,972
AIRMSHL Melvin Hupfeld	Chief Joint Operations	481,742	–	555	118,043	9,574	–	–	609,914
LTGEN Gregory Bilton	Chief Joint Operations	4,136	–	2,333	1,564	0	–	–	8,033

Name	Position <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits			Total remuneration (\$)
		Base salary (\$)	Bonuses (\$)	Other benefits and allowances <sup>2</sup> (\$)	Superannuation contributions (\$)	Long service leave (\$)	Other long-term benefits (\$)	Termination benefits (\$)	
Ms Justine Greig	Deputy Secretary Defence People	357,648	–	1,064	60,895	6,989	–	–	426,595
AIRMSHL Warren McDonald	Chief of Joint Capabilities	315,926	31,274	21,453	114,085	7,499	–	–	490,237
Mr Steven Grzeskowiak	Deputy Secretary Estate and Infrastructure	368,682	–	71	62,418	7,660	–	–	438,831
Prof Tanya Monro	Chief Defence Scientist	136,613	–	10,356	14,942	884	–	–	162,795
Dr Todd Mansell	Chief Defence Scientist	119,299	–	–	18,525	2,484	–	–	140,308
Dr Alexander Zelinsky	Chief Defence Scientist	166,540	–	–	27,548	3,768	–	–	197,856
Mr Tony Fraser	Deputy Secretary Capability Acquisition & Sustainment	373,637	–	6,800	54,264	2,646	–	–	437,347
Mr Kim Gillis	Deputy Secretary Capability Acquisition & Sustainment	100,326	–	378	17,634	946	–	–	119,284
Mr Stephen Johnson	Deputy Secretary National Naval Shipbuilding	287,133	–	2,974	43,182	3,542	–	–	336,831
<b>Total</b>		<b>8,148,228</b>	<b>31,274</b>	<b>133,464</b>	<b>1,639,908</b>	<b>144,356</b>	<b>-</b>	<b>-</b>	<b>10,097,230</b>

**Notes:**

- Those staff who were permanently appointed to or acted in a KMP position for a period of 12 or more continuous weeks were included in the KMP disclosures. Those staff who acted in a KMP role for a shorter period were not included as its unlikely they would have made significant strategic decisions affecting Defence's long term capability.
- Other Benefits and Allowances includes the value of items such as housing (including overseas), motor vehicle allowances, retention bonuses, cost of living allowances (to support members and their families in remote or overseas locations), and any associated Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.

Table B.34: Senior executives Australian Public Service (APS) remuneration, 2018–19

Remuneration band	Number of senior executives <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary <sup>2</sup> (\$)	Average bonuses (\$)	Average other benefits and allowances <sup>2</sup> (\$)	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits <sup>3</sup> (\$)	Average total remuneration (\$)
\$0 – \$220,000	69	84,369	147	585	13,749	1,744	–	1,653	102,246
\$220,001 – \$245,000	37	199,332	80	923	31,157	3,870	–	–	235,362
\$245,001 – \$270,000	26	218,536	–	1,927	33,576	4,137	–	–	258,176
\$270,001 – \$295,000	10	215,822	4,274	6,108	33,660	3,820	–	20,634	284,318
\$295,001 – \$320,000	5	210,477	–	1,265	35,061	4,472	–	56,022	307,297
\$320,001 – \$345,000	4	277,096	–	702	47,055	5,689	–	–	330,542
\$345,001 – \$370,000	3	292,476	–	18,281	44,189	3,715	–	–	358,660
\$370,001 – \$395,000	–	–	–	–	–	–	–	–	–
\$395,001 – \$420,000	1	270,436	–	4,319	38,462	3,344	–	82,650	399,212
\$420,001 – \$445,000	–	–	–	–	–	–	–	–	–
\$445,001 – \$470,000	1	213,163	–	216,418	35,895	4,358	–	–	469,833
\$470,001 – \$495,000	1	175,246	–	256,824	39,158	4,395	–	–	475,623

**Notes:**

1. The number of senior executives listed above is the number of individual SES not the number of SES positions. Staff who were permanently appointed to or acted in an SES level position for a period longer than 6 months are included.
2. Other Benefits and Allowances includes the value of items such as housing (including overseas), motor vehicle allowances, retention bonuses, cost of living allowances (to support members and their families in remote or overseas locations), and any associated Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
3. In accordance with APSC Guidelines, as a general rule, the standard formula of two weeks' pay per year of service, to a maximum of 48 weeks, is an appropriate reference point for calculating termination payments under an incentive to retire package.

Table B.35: Star rank Australian Defence Force (ADF) personnel remuneration, 2018–19

Remuneration band	Number of Star ranks <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>2</sup>	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$) <sup>3</sup>	Average total remuneration (\$)
\$0–\$220,000	30	89,447	–	21,111	30,132	2,057	–	–	142,747
\$220,001–\$245,000	3	131,397	–	54,370	43,300	2,185	–	–	231,251
\$245,001–\$270,000	5	160,680	–	34,539	58,277	4,166	–	–	257,663
\$270,001–\$295,000	5	174,671	–	46,601	60,683	4,741	–	–	286,696
\$295,001–\$320,000	26	205,112	288	33,034	67,035	5,103	–	–	310,572
\$320,001–\$345,000	33	216,154	–	39,045	69,129	5,238	–	–	329,566
\$345,001–\$370,000	26	213,719	–	57,229	67,339	5,320	–	15,255	358,861
\$370,001–\$395,000	11	228,812	–	72,658	73,236	5,991	–	–	380,697
\$395,001–\$420,000	20	215,413	–	86,934	69,781	5,658	–	29,746	407,532
\$420,001–\$445,000	12	210,570	–	74,584	63,908	5,041	–	82,629	436,731
\$445,001–\$470,000	7	208,798	–	83,192	64,637	5,431	–	95,024	457,082
\$470,001–\$495,000	13	207,110	–	102,056	65,840	5,515	–	100,218	480,740
\$495,001–\$520,000	6	199,402	–	129,046	62,885	5,561	–	110,862	507,755
\$520,001–\$545,000	5	258,440	43,051	159,241	66,682	5,763	–	–	533,175
\$545,001–\$570,000	1	272,835	–	189,083	78,173	5,496	–	–	545,587
\$570,001–\$595,000	2	203,820	–	192,213	63,733	5,740	–	116,715	582,221
\$595,001–\$620,000	2	236,086	–	280,691	76,874	5,485	–	–	599,136
\$620,001–\$645,000	–	–	–	–	–	–	–	–	–
\$645,001–\$670,000	1	215,595	–	406,963	39,904	5,197	–	–	667,659
\$670,001–\$695,000	–	–	–	–	–	–	–	–	–
\$695,001–\$720,000	–	–	–	–	–	–	–	–	–
\$795,001–\$820,000	1	213,626	–	520,263	69,694	5,013	–	–	808,597

Remuneration band	Number of Star ranks <sup>1</sup>	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>2</sup>	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$) <sup>3</sup>	Average total remuneration (\$)
\$845,001 – \$870,000	2	214,717	–	570,325	66,501	5,105	–	–	856,648

**Notes:**

1. The number of ADF Star ranks listed above is the number of individuals not the number of positions. Staff who were permanently appointed to or acted in a Star rank ADF position for a period longer than 6 months are included in the table.
2. Other Benefits and Allowances includes the value of items such as housing (including overseas), motor vehicle allowances, retention bonuses, cost of living allowances (to support members and their families in remote or overseas locations), and any associated Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
3. Defence members compulsorily transferred to the Reserves may be eligible for a special benefit payment. The amount of a special benefit payment is based on the member's period of service and is an amount equal to two weeks' pay for every year of service, to a maximum of 48 weeks.

**Table B.36: Other highly paid staff—Australian Defence Force remuneration, 2018–19**

Remuneration band	Number of highly paid ADF personnel	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$)¹	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$)	Average total remuneration (\$)
\$220,001 - \$245,000	2,029	126,539	9,562	44,641	46,448	4,071	–	151	231,411
\$245,001 - \$270,000	1,199	137,389	14,596	49,674	49,442	4,390	–	916	256,406
\$270,001 - \$295,000	583	143,742	20,602	59,821	51,179	4,726	–	861	280,931
\$295,001 - \$320,000	329	142,125	34,669	73,002	50,681	5,018	–	1,214	306,709
\$320,001 - \$345,000	196	135,406	57,945	81,642	49,552	5,324	–	1,687	331,557
\$345,001 - \$370,000	175	139,451	60,858	93,088	50,151	5,412	–	7,908	356,868
\$370,001 - \$395,000	107	144,683	60,314	107,381	50,866	5,297	–	13,315	381,855
\$395,001 - \$420,000	69	152,341	65,599	121,108	51,991	5,497	–	10,250	406,786
\$420,001 - \$445,000	52	162,802	58,977	136,654	56,585	5,831	–	10,502	431,352
\$445,001 - \$470,000	36	158,262	35,521	193,858	53,947	5,034	–	9,772	456,393
\$470,001 - \$495,000	25	166,346	17,405	223,955	56,195	4,805	–	14,440	483,146
\$495,001 - \$520,000	23	152,227	52,459	237,295	52,623	5,171	–	7,648	507,422
\$520,001 - \$545,000	9	155,680	35,118	249,653	50,974	5,056	–	38,366	534,846
\$545,001 - \$570,000	8	176,141	–	317,066	61,186	4,737	–	–	559,129
\$570,001 - \$595,000	4	149,959	33,635	341,911	51,120	4,246	–	–	580,870
\$595,001 - \$620,000	4	176,690	–	365,906	57,527	4,078	–	–	604,201
\$620,001 - \$645,000	2	125,227	–	459,698	44,884	5,165	–	–	634,975
\$645,001 - \$670,000	3	183,996	–	412,041	59,112	4,258	–	–	659,407
\$670,001 - \$695,000	5	165,329	87,338	369,322	54,673	4,532	–	–	681,194
\$1,095,000 - \$1,120,000	1	201,395	–	830,618	62,833	4,525	–	–	1,099,372

**Note:**

- Other Benefits and Allowances includes the value of items such as housing (including overseas), motor vehicle allowances, retention bonuses, cost of living allowances (to support members and their families in remote or overseas locations), and any associated Fringe Benefits Tax payable by Defence. This column includes non-cash benefits. Housing costs include Service residences, rent allowance and housing provided at overseas posts. For example, Defence provides accommodation for personnel and their families for the duration of their non-operational overseas posting. While personnel and their families benefit from this provision, they do not receive direct remuneration for these overseas housing costs. The value of the overseas housing is determined by the location of posting. The reported value of total remuneration is impacted by the high property costs and consequent costs in many of the overseas posting locations.

Table B.37: Other highly paid staff—Australian Public Service remuneration, 2018–19

Remuneration band	Number of highly paid APS staff	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>1</sup>	Average superannuation contributions (\$)	Average long service leave (\$)	Average other long-term benefits (\$)	Average termination benefits (\$)	Average total remuneration (\$)
\$220,001 – \$245,000	58	141,529	1,422	33,477	25,084	3,074	–	25,090	229,678
\$245,001 – \$270,000	25	158,664	2,531	45,078	29,146	3,360	–	17,279	256,058
\$270,001 – \$295,000	27	144,116	1,155	80,693	30,051	3,039	–	25,676	284,729
\$295,001 – \$320,000	22	214,117	1,077	54,793	34,758	4,085	–	–	308,831
\$320,001 – \$345,000	14	196,311	1,587	97,006	31,522	3,647	–	–	330,072
\$345,001 – \$370,000	6	176,607	569	144,212	29,251	3,127	–	–	353,766
\$370,001 – \$395,000	6	107,920	1,045	224,879	19,079	2,457	–	25,619	380,999
\$395,001 – \$420,000	6	303,724	4,599	56,825	39,015	5,262	–	–	409,425
\$420,001 – \$445,000	2	125,176	1,273	281,011	21,927	2,929	–	–	432,315
\$445,001 – \$470,000	2	122,863	85	299,434	20,853	2,850	–	–	446,084
\$520,001 – \$545,000	2	145,766	774	356,021	26,694	3,227	–	–	532,482
\$545,001 – \$570,000	1	141,283	1,407	397,823	21,822	3,237	–	–	565,571
\$570,001 – \$595,000	1	147,296	1,407	392,386	29,282	3,237	–	–	573,608
\$595,001 – \$620,000	2	151,498	794	427,207	28,104	3,409	–	–	611,012
\$670,001 – \$695,000	1	192,549	1,846	444,587	33,950	4,248	–	–	677,180
\$795,001 – \$820,000	1	148,114	1,407	621,129	22,397	3,235	–	–	796,282

**Note:**

- Other Benefits and Allowances includes the value of items such as housing (including overseas), motor vehicle allowances, retention bonuses, cost of living allowances (to support members and their families in remote or overseas locations), and any associated Fringe Benefits Tax payable by Defence. This column includes non-cash benefits. Housing costs include Service residences, rent allowance and housing provided at overseas posts. For example, Defence provides accommodation for personnel and their families for the duration of their non-operational overseas posting. While personnel and their families benefit from this provision, they do not receive direct remuneration for these overseas housing costs. The value of the overseas housing is determined by the location of posting. The reported value of total remuneration is impacted by the high property costs and consequent costs in many of the overseas posting locations.



## Appendix C: Other mandatory information

### Consulting contracts

Defence engages consultants where it lacks specialist expertise or when independent research and assessment is required. The process for selecting consultants is consistent with Defence procurement policies and the Commonwealth Procurement Rules.

This annual report contains information about the number of contracts and total contract value of new consultancy contracts let in 2018–19 based on AusTender (Table C.1) and the actual expenditure on contracts for consultancies (Table C.2). Further information on the value of individual contracts and consultancies is available on the AusTender website, [www.tenders.gov.au](http://www.tenders.gov.au).

In 2018–19, Defence entered into 331 new consultancy contracts, based on information presented on AusTender, involving total contract value of \$141.7m and actual expenditure of \$51.5 million (including GST) for 2018–19. In addition, 297 existing consultancy contracts were active during the 2018–19 reporting year, with total actual expenditure of \$58.1 million (including GST).

Table C.1 shows a summary, sorted by Defence program, of new consultancy contracts entered into during 2018–19 (including GST), based on information presented on AusTender.

**Table C.1: New consultancy contracts entered into during 2018–19 (based on AusTender), by program (including GST)**

Program	Number of new contracts	Total contract value (\$)
Program 2.1 Strategic Policy and Intelligence	19	20,900,402
Program 2.2 Defence Executive Support	35	9,036,506
Program 2.3 Chief Finance Officer	4	624,289
Program 2.4 Joint Capabilities	24	13,864,403
Program 2.5 Navy Capabilities	30	13,029,577
Program 2.6 Army Capabilities	29	9,923,409
Program 2.7 Air Force Capabilities	24	5,850,813
Program 2.8 Australian Defence Force Headquarters	6	775,670
Program 2.9 Capability Acquisition and Sustainment	61	17,764,225
Program 2.10 Estate and Infrastructure	42	26,393,007
Program 2.11 Chief Information Officer	15	14,457,402
Program 2.12 Defence People	28	8,484,971
Program 2.13 Defence Science and Technology	14	580,033
<b>Total</b>	<b>331</b>	<b>141,684,705</b>

**Note:** Program 2.3 name changed in the *Portfolio Budget Statements 2019–20* from Chief Finance Officer to Defence Finance.

Table C.2 records total expenditure in-year for consulting contracts rather than the full value of the contract.

**Table C.2: Total expenditure on consulting contracts, 2016–17 to 2018–19**

	2016–17 (\$m)	2017–18 (\$m)	2018–19 (\$m)
Defence	244.7	108.0	109.6

**Note:** Figures are GST inclusive.

## Australian National Audit Office access clause

The Defence contracting templates include standard clauses providing the Auditor-General access to contractors' and major subcontractors' premises, records and accounts. During 2018–19, Defence had 37 contracts that did not include the clause providing access to the Auditor-General (Table C.3).

**Table C.3: Contracts that do not include the ANAO access clause, 2018–19**

Group and company	2018–19 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
<b>Army</b>			
United States Government	422,308.00	Software support	Foreign Military Sale
United States Government	196,485.40	Military training	Foreign Military Sale
<b>Total for the Army</b>	<b>618,793</b>		
<b>Air Force</b>			
United States Government	109,598.89	Software support	Foreign Military Sale
United States Government	2,059,875.00	Technical data and support	Foreign Military Sale
<b>Total for the Air Force</b>	<b>2,169,474</b>		
<b>Strategic Policy and Intelligence Group (SP&amp;IG)</b>			
United States Government	316,510.56	Special military equipment	Foreign Military Sale
<b>Total for SP&amp;IG</b>	<b>316,511</b>		
<b>Navy</b>			
United States Government	14,094,400.00	Military training	Foreign Military Sale
<b>Total for Navy</b>	<b>14,094,400</b>		
<b>Capability Acquisition and Sustainment Group (CASG)</b>			
United States Government	2,561,460.00	Aircraft spare and repair parts	Foreign Military Sale
United States Government	36,332,000.00	Aircraft spare and repair parts	Foreign Military Sale
United States Government	1,493,887.85	Aircraft spare and repair parts	Foreign Military Sale
United States Government	3,997,592.97	Communication equipment	Foreign Military Sale
United States Government	224,197.29	Communication equipment	Foreign Military Sale
United States Government	324,624.14	Communication equipment	Foreign Military Sale
United States Government	249,485.18	Communication equipment	Foreign Military Sale
United States Government	1,403,453.30	Communication equipment	Foreign Military Sale
United States Government	835,043.83	Explosive ordnance	Foreign Military Sale
United States Government	1,139,816.74	Explosive ordnance	Foreign Military Sale
United States Government	142,415,404.12	Light weapons and ammunition	Foreign Military Sale
United States Government	1,807,697.95	Light weapons and ammunition	Foreign Military Sale
United States Government	69,153,374.09	Light weapons and ammunition	Foreign Military Sale
United States Government	4,049,220.82	Light weapons and ammunition	Foreign Military Sale
United States Government	6,554,079.67	Light weapons and ammunition	Foreign Military Sale
United States Government	20,296,921.80	Light weapons and ammunition	Foreign Military Sale
United States Government	104,455.89	Light weapons and ammunition	Foreign Military Sale
United States Government	2,150,470.68	Software support	Foreign Military Sale
United States Government	5,419,966.55	Special military equipment	Foreign Military Sale
United States Government	14,124,328.72	Special military equipment	Foreign Military Sale
United States Government	15,265,358.10	Special military equipment	Foreign Military Sale

Group and company	2018–19 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
United States Government	10,444,539.82	Special military equipment	Foreign Military Sale
United States Government	6,359,570.37	Special military equipment	Foreign Military Sale
United States Government	5,238,571.00	Special military equipment	Foreign Military Sale
United States Government	17,556,301.07	Special military equipment	Foreign Military Sale
United States Government	5,488,994.83	Special military equipment	Foreign Military Sale
United States Government	879,910.82	Special military equipment	Foreign Military Sale
United States Government	6,156,333.54	Technical data and support	Foreign Military Sale
United States Government	216,951.00	Technical data and support	Foreign Military Sale
United States Government	586,004.88	Technical data and support	Foreign Military Sale
United States Government	683,446.80	Technical data and support	Foreign Military Sale
<b>Total for CASG</b>	<b>383,513,464</b>		
<b>Total Groups and Services</b>	<b>400,712,642</b>		

**Notes:**

All figures are GST inclusive.

Defence uses the United States Department of Defense's Foreign Military Sales program, which facilitates sales of US arms, defence equipment, defence services and military training to foreign governments. The standard terms and conditions of Foreign Military Sales contracts do not contain ANAO access provisions.

## Omissions and errors

The *Defence Annual Report 2017–18* contained the following errors:

**Table 3.1: Unit availability days, HydroScheme products and flying hours (page 41)**

The 2017–18 revised estimate of F/A-18F Super Hornet flying hours was incorrectly reported as 8,094 hours; this should read 4,000 hours. This error was the result of incorrect information being used in the preparation of the 2017–18 PAES. The variation between the estimate and actual hours flown was due to changes in demand to support operations.

**Figure 7.4: Unacceptable behaviour complaints reported as received and finalised, 2013–14 to 2017–18 (page 114)**

The Unacceptable Behaviour data for 2014–15 to 2017–18 in previous Defence Annual Reports does not match the data provided in 2018–19. In previous years the data was sourced from the central Complaints Management, Tracking and Reporting System (ComTrack). Defence has now consolidated all reports included in ComTrack, and other systems comprising the Army Incident Management System (AIMS) and the Defence Policing and Security Management System (DPSMS). Duplicate entries have been removed.

## Appendix D: Supplementary online material

The follow supplementary performance information is available on the Defence website.

**Table D.1: Additional online information**

Report	Website
Report of the Inspector-General ADF	<a href="http://www.defence.gov.au/reports.asp">www.defence.gov.au/reports.asp</a>
Women in ADF Report	<a href="http://www.defence.gov.au/annualreports/18-19/downloads/womenintheadfreport2018-19.pdf">www.defence.gov.au/annualreports/18-19/downloads/womenintheadfreport2018-19.pdf</a>
SeMPRO Report	<a href="http://www.defence.gov.au/annualreports/18-19/downloads/sempro-report-1819.pdf">www.defence.gov.au/annualreports/18-19/downloads/sempro-report-1819.pdf</a>
Acquisition, sustainment, facilities and infrastructure information	
Top 30 sustainment products by expenditure 2018–19	Web table D.1
Top 30 acquisition projects by expenditure 2018–19	Web table D.2
Top 30 acquisition projects by expenditure (variations), 2018–19	Web table D.3
Major acquisition projects closed in 2018–19	Web table D.4
New major acquisition projects approved by Government 2018–19	Web table D.5
Performance of major capital facilities projects 2018–19	Web table D.6
Major Defence establishments and bases	Web table D.7
Status of major capital facilities projects considered by the Parliamentary Standing Committee on Public Works	Web table D.8
Approved facilities and infrastructure projects by state and federal electorate (financial and non-financial input)	Web table D.9

**Table D.2: Reference websites and supporting documentation**

Reference	Website
2018–19 Defence Corporate Plan	<a href="http://www.defence.gov.au/publications/corporateplan/">www.defence.gov.au/publications/corporateplan/</a>
Transparency portal	<a href="http://www.transparency.gov.au">www.transparency.gov.au</a>
Defence Annual Reports	<a href="http://www.defence.gov.au/annualreports">www.defence.gov.au/annualreports</a>
GrantConnect	<a href="http://www.grants.gov.au">www.grants.gov.au</a>
AusTender	<a href="http://www.tenders.gov.au">www.tenders.gov.au</a>
Australian Hydrographic Office	<a href="http://www.hydro.gov.au">www.hydro.gov.au</a>
Australian National Audit Office	<a href="http://www.anao.gov.au">www.anao.gov.au</a>
Defence's Information Publication Scheme	<a href="http://www.defence.gov.au/ips">www.defence.gov.au/ips</a>
Indigenous procurement	<a href="https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp">https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp</a>

## Appendix E: List of requirements

PGPA Rule reference	Part of report	Description	Requirement
17AD(g)	<b>Letter of transmittal</b>		
17AI	Page iv	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	<b>Aids to access</b>		
17AJ(a)	Page v	Table of contents.	Mandatory
17AJ(b)	Pages 269-274	Alphabetical index.	Mandatory
17AJ(c)	Page 265	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	Page 261	List of requirements.	Mandatory
17AJ(e)	Page 272	Details of contact officer.	Mandatory
17AJ(f)	Page 272	Entity's website address.	Mandatory
17AJ(g)	Page 272	Electronic address of report.	Mandatory
17AD(a)	<b>Review by accountable authority</b>		
17AD(a)	Page 2	A review by the accountable authority of the entity.	Mandatory
17AD(b)	<b>Overview of the entity</b>		
17AE(1)(a)(i)	Page 10	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Page 14	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Page 13	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Page 10	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Page 249	Name of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(ii)	Page 249	Position title of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(iii)	Page 249	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory
17AE(1)(b)	Page 11	An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory
17AD(c)	<b>Report on the performance of the entity</b>		
	<b>Annual performance statements</b>		
17AD(c)(i); 16F	Pages 18–52	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	<b>Report on financial performance</b>		
17AF(1)(a)	Pages 54–65	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Page 54	A table summarising the total resources and total payments of the entity.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory
17AD(d)	<b>Management and accountability</b>		
	<b>Corporate governance</b>		
17AG(2)(a)	Page iv	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	Page iv	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	Page iv	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	Page iv	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	Pages 69–72	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	Page 72	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory
	<b>External scrutiny</b>		
17AG(3)	Pages 74–79	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Page 78	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory
17AG(3)(b)	Page 78	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory
17AG(3)(c)	Page 79	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory
	<b>Management of human resources</b>		
17AG(4)(a)	Pages 84–85	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Pages 88–98, 229–245	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees; (b) statistics on part time employees; (c) statistics on gender (d) statistics on staff location.	Mandatory
17AG(4)(b)	Pages 88–98, 115–116, 229–246	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>Statistics on staffing classification level;</li> <li>Statistics on full-time employees;</li> <li>Statistics on part-time employees;</li> <li>Statistics on gender;</li> <li>Statistics on staff location;</li> <li>Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AG(4)(c)	Pages 102–103, 249–256	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	Page 103	Information on the number of SES and non SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	Page 103	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Page 103	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Page 107	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	Page 107	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	Page 107	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory
17AG(4)(d)(iv)	Page 107	Information on aggregate amount of performance payments.	If applicable, mandatory
<b>Assets management</b>			
17AG(5)	Pages 126–131	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
<b>Purchasing</b>			
17AG(6)	Page 127	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
<b>Consultants</b>			
17AG(7)(a)	Page 257	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	Page 257	A statement that <i>"During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory
17AG(7)(c)	Page 257	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	Page 257	A statement that <i>"Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."</i>	Mandatory
<b>Australian National Audit Office access clauses</b>			
17AG(8)	Pages 258–259	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory
<b>Exempt contracts</b>			
17AG(9)	Page 79	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory



PGPA Rule reference	Part of report	Description	Requirement
<b>Small business</b>			
17AG(10)(a)	Page 127	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory
17AG(10)(b)	Page 127	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Page 127	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] 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.”	If applicable, mandatory
<b>Financial statements</b>			
17AD(e)	Pages 147–228	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
<b>Executive remuneration</b>			
17AD(da)	Pages 103–105, 250–255	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule.	Mandatory
17AD(f)	<b>Other mandatory information</b>		
17AH(1)(a)(i)	Pages 62–64	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, mandatory
17AH(1)(a)(ii)	N/A	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory
17AH(1)(b)	Page 62	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, mandatory
17AH(1)(c)	Page 118	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Page 79	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	Page 259	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	Pages 63–65, 72–73, 98–100, 110–113, 134–138	Information required by other legislation.	Mandatory

## Abbreviations and acronyms

ADF	Australian Defence Force
ANAO	Australian National Audit Office
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
CASG	Capability, Acquisition and Sustainment Group
CDF	Chief of the Defence Force
DST	Defence Science and Technology
EL	Executive Level
GST	goods and services tax
ICT	information and communications technology
IGADF	Inspector-General of the Australian Defence Force
HMAS	Her Majesty's Australian Ship
MP	Member of Parliament
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PFAS	per- and poly-fluoroalkyl substances
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
RAN	Royal Australian Navy
SES	Senior Executive Service

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