



Australian Government

Department of Defence

# ANNUAL REPORT 19–20

AGENCY COLLABORATION | REGIONAL  
NEIGHBOURHOOD | CAPABILITY | ADVICE  
GIVING | INTERNATIONAL PARTNERSHIPS  
COOPERATION | ALLIES | PARTNERS  
CAPABILITY | ADVICE | BUILDING | SHARED  
ED | INTERNATIONAL PARTNERSHIPS



**Australian Government**

**Department of Defence**

**ANNUAL  
REPORT  
19–20**

# Defence at a glance

## Mission

To defend Australia and its national interests in order to advance Australia's security and prosperity.

## Purpose

The *2019-20 Defence Corporate Plan* notes the core purpose for Defence to deliver for the Government and the Australian community which is to:

- Defend and protect Australia and advance its strategic interests.

Underpinning this purpose are two outcome statements through which we focus our portfolio resourcing and delivery of intended results for Government. These are:

- 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 directions; and
- 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.

## Strategy

In 2019-20 Defence undertook a review of its policy settings and force structure to ensure it can meet Government and Defence outcomes and adapt to shifts in the strategic environment and new technology challenges. The *2020 Defence Strategic Update* and *2020 Force Structure Plan* sets out the new defence strategy with a focus on our near region in the Indo-Pacific. The new strategy – to **shape** Australia's strategic environment, **deter** actions against Australia's interests and **respond** with credible military force when required – prioritises the ADF's focus on our immediate region.

## Portfolio structure

As at 30 June 2020, the Defence portfolio consisted of:

- the Department of Defence (including the Australian Defence Force)
- 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 2020, the Defence portfolio has four ministers:

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

## Funding and assets

For 2019-20, Defence reported a departmental cash underspend of \$349.4 million relative to an available appropriation of \$38.3 billion. More information about Defence's financial performance can be found in Chapter 4 – 'Financial summary'. Defence currently manages \$112.3 billion of total assets, including \$71.6 billion of specialist military equipment.

## Our people

As at 30 June 2020, the ADF actual strength was 59,760 members, APS actual full-time equivalent workforce of 16,505 and Reserve force of over 28,500. More information can be found in Chapter 6 – 'Strategic workforce management'.

## Our projects

As at 30 June 2020, Capability Acquisition and Sustainment Group was managing 192 major and 14 minor acquisition projects, worth a total life cycle cost of \$130.5 billion.

## Where we work

Defence has the most extensive land and property holdings in Australia, with over \$28.2 billion of buildings and infrastructure including large training areas and bases close to the coastline. Defence has environmental stewardship for over 3.5 million hectares of land in Australia and also operates a number of operational bases around the globe.

# DEFENCE BASE LOCATIONS

The map displays the following defence base locations across Australia:

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

This is the Secretary of Defence and Chief of the Defence Force's performance report to the Minister for Defence, the Parliament of Australia and the Australian public for the 2019–20 financial year. The report addresses the purpose and outcomes of the Department of Defence and the Australian Defence Force—collectively known as Defence.

## Online content

The Defence Annual Report 2019–20 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 Department of Defence Annual Report 2019–20 for the year ended 30 June 2020. 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 PGPA Rule, we certify that Defence has conducted whole-of-Defence fraud risk assessments as part of its biennial 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,

A handwritten signature in black ink, appearing to read 'G Moriarty'.

**Greg Moriarty**  
Secretary  
21 September 2020

A handwritten signature in black ink, appearing to read 'A Campbell'.

**Angus Campbell AO DSC**  
General  
Chief of the Defence Force  
21 September 2020

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

# Contents

Defence at a glance	ii
About this report	iii
Letter of transmittal	iv
<b>CHAPTER 1    REVIEWS BY THE SECRETARY AND THE CHIEF OF THE DEFENCE FORCE</b>	<b>1</b>
<b>CHAPTER 2    DEPARTMENTAL OVERVIEW</b>	<b>11</b>
<b>CHAPTER 3    ANNUAL PERFORMANCE STATEMENTS</b>	<b>21</b>
<b>CHAPTER 4    FINANCIAL SUMMARY</b>	<b>65</b>
<b>CHAPTER 5    GOVERNANCE AND EXTERNAL SCRUTINY</b>	<b>79</b>
<b>CHAPTER 6    STRATEGIC WORKFORCE MANAGEMENT</b>	<b>97</b>
<b>CHAPTER 7    ASSET MANAGEMENT</b>	<b>147</b>
<b>CHAPTER 8    ENVIRONMENTAL PERFORMANCE</b>	<b>155</b>
<b>APPENDICES</b>	<b>165</b>
Appendix A: Financial statements	166
Appendix B: Additional workforce tables	249
Appendix C: Other mandatory information	274
Appendix D: Supplementary online material	277
Appendix E: List of requirements	278
Abbreviations and acronyms	282
Definitions	283
List of figures and tables	284
Index	287
Contacts and acknowledgments	294



MH-60R helicopter 'NOMAD' conducts essential aviation training with HMAS Adelaide at sunset off the coast of Queensland.





REVIEWS BY THE  
SECRETARY AND  
THE CHIEF OF THE  
DEFENCE FORCE

1



# Secretary's review

Defence has risen to extraordinary challenges during the 2019-20 reporting year. Our Australian Public Service (APS), contractor workforce and the Australian Defence Force (ADF) have together responded in the face of bushfires of unprecedented scale, duration, and devastating impact. Our people and their families have all felt the effects of COVID-19 and shown fortitude and dedication in carrying out the Government's direction and supporting their fellow Australians. I am proud of their achievements and sincerely thank all staff for their contributions to protecting the nation's security and well-being at home and abroad over the past twelve months.

None of us could have foreseen the scale of the natural disasters that the nation faced as we undertook the tasks set by the Government and our four newly sworn-in ministers last year. In an early speech to the portfolio's Senior Leadership Group, the Minister for Defence, Senator the Hon Linda Reynolds CSC clearly articulated her expectations in terms of Strategy, Capability and Reform.

The portfolio has embraced these priorities wholeheartedly and has made substantial progress in support of the Government's agenda, as evidenced in the *2020 Defence Strategic Update* and the *2020 Force Structure Plan*. These capstone documents mark a significant evolution in Australia's strategic posture and are a clear-eyed response to the challenges to our national security interests both in our region and further afield.

Although the *2016 Defence White Paper* accurately foresaw the key trends, the pace of change has exceeded predictions and our strategic circumstances have deteriorated. This reflects rapid technological advances, greater political instability, the heightening of geostrategic competition in our region, and the use of coercive statecraft that is testing the limits of the rules-based international order.

The *2020 Defence Strategic Update* lays out a revised set of objectives for Defence to contribute to whole-of-government efforts to safeguard Australia's interests and the well-being of our citizens. The ADF will continue to be equipped for global operations in coalition with like-minded nations where our national interests dictate, but our focus is increasingly on our immediate region. The Defence policy approach is aligned with the Government's *Indo-Pacific Strategy*.

Defence will continue to deepen and strengthen its long-standing and mutually beneficial ties with Australia's neighbours and partners, with whom we share not only geography but also common interests in a secure, prosperous and resilient region. In pursuit of this goal we work closely and effectively with other arms of Government.

As the *2020 Force Structure Plan* makes clear, the ADF will be designed, equipped, and postured to meet the challenges identified in the *2020 Defence Strategic Update*. The Government is backing this with a substantial budget commitment needed to ensure Defence has what it requires to meet present and future challenges. Over the decade ending 2029-30, this will amount to some \$270 billion worth of broad and far-reaching capability investment across the three services (Army, Navy and Air Force) and five domains (Land, Air, Sea, Space, and Information and Cyber).

As our services further integrate and become more proficient at joint operations, these ambitious investments will translate into an ADF that is even more capable of shaping, deterring and responding to future challenges.

Our interoperability and the cooperation between the services and across government extends to close industry partnerships. This includes cooperation through the Defence Australian Industry Capability (AIC) Program, which ensures that Australian companies have the opportunity to participate in high-value, high-tech projects that support the development of Australia's sovereign defence industrial base. A great result of this program was the acquisition



Mr Greg Moriarty, Secretary of Defence.

contract for 211 Boxer Combat Reconnaissance Vehicles that included an Australian industry commitment of almost \$1.3 billion. More than 300 Australian companies are associated with the construction of Navy's Offshore Patrol Vessels. And, in the past year, Defence has further invested in a range of Australian industrial capabilities.

Our focus on support and partnership with industry will continue to grow and will ensure Australia's sovereign defence industry capability has a secure future in line with the priorities set by our ministers for building our domestic industrial base, bolstering our skilled workforce, and increasing exports and the global competitiveness of Australian defence industry.

The significant resource commitment government is making to the portfolio imposes particular obligations upon us all to ensure that Defence is agile, responsive and efficient in fulfilling the Government's direction.

Key to meeting these expectations is our commitment to ongoing reform. By aligning strategy, capability and resources, and pursuing an ongoing reform program, we will realise the full potential of the "One Defence" enterprise that delivers on our mission to defend Australia and its national interests.

During 2019-20, the '*Defence 2022 – Embedding One Defence*' reform program achieved several milestones that built on the First Principles Review. These included: workforce reform; enhanced integrated service delivery; business transformation; and heightened support for Australia's Defence industry. Continuous reform is essential to building our response capacity and will remain a focus of the portfolio's senior leadership.

The community expects Defence to lead by example. We maintain an inclusive culture that drives diversity and high performance. Defence's Values capture the habits and ways of thinking that are necessary to fulfil this expectation and create an organisational culture that makes Defence a constructive, collegiate, efficient and effective workplace. The behaviours create an organisation that is able to attract and retain the skills and people we need. Our continued focus on culture aims to reflect the highest standards of professionalism, respect and accountability. This process continues through *Pathway to Change: Evolving Defence Culture 2017-2022*, and these values must be reflected in all levels of the organisation.

Defence has achieved a great deal over the past year, none of which would have been possible without the hard work and dedication of our people. Our commitment to 'One Defence' and our collective flexibility and hard work has positioned us well to build upon this years performance. I look forward to working with the Chief of the Defence Force, General Angus Campbell AO DSC, over the coming year to ensure Defence continues to improve and adapt to face the challenges of the future.

## Greg Moriarty

Secretary of Defence



Defence civilian Sally Remple speaks to the Commander of the Defence COVID-19 taskforce, Lieutenant General John Frewen DSC, AM, and the Deputy Secretary of Defence People Group Justine Greig, at Services Australia, Canberra.

# Chief of the Defence Force's review

In 2019-20, we have experienced significant change, challenging us both at home and within the Indo-Pacific region. The Australian Defence Force has played an essential role in supporting our whole-of-nation responses to these challenges.

In meeting these challenges, the ADF has supported the Commonwealth Government's response to Australia's National Bushfire Crisis and the COVID-19 Global Pandemic. The ADF has also continued to conduct ongoing operations such as Operations ACCORDION, GATEWAY and RESOLUTE. We have delivered enhanced regional engagement as part of the Pacific Step-Up programme and the *2020 Defence Strategic Update* more broadly.

The ADF remains prepared and ready to deliver on our mission, 'to apply military power in order to defend Australia and its national interests'.



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

## The 2020 Defence Strategic Update and 2020 Force Structure Plan

The publication of the *2020 Defence Strategic Update* and *2020 Force Structure Plan* sets out the Government's defence strategy, with a focus on our near region in the Indo-Pacific. It reflects the fact that our strategic environment is now more complex, with Australia's interests being more directly challenged.

The trends these documents address – growing great power strategic competition, the proliferation of more capable military systems, grey-zone tactics and expanding domestic assistance requirements – have been developing for some time. But recent events have accelerated these changes and magnified these challenges, demanding a decisive and deliberate response in ADF planning and future operations.

Responding to these challenges requires sharper prioritisation of resources to focus on the highest-priority threats to Australia's national interests. This is what the *2020 Defence Strategic Update* and *2020 Force Structure Plan* lay out, and it is up to us to deliver on these objectives. The Government's new defence strategy – to shape Australia's strategic environment, deter actions against Australia's interests and respond with credible military force when required – prioritises the ADF's focus on our immediate region.

This includes \$270 billion in investment in Defence capability and an enhanced commitment to ongoing reform across the organisation.

This new defence strategy also prioritises international engagement and ensures the ADF will have the capabilities to support an enhanced posture, positioned to support whole-of-government efforts to build Australia's partnerships and influence in the region.

## National Bushfire Crisis

The 2019-20 Australian bushfire season represented an unprecedented challenge, and resulted in the tasking of about 6,500 full-time and over 2,500 part-time ADF personnel. Defence provided assistance from 6 September 2019 to 26 March 2020, with assistance from nearly 500 personnel from Australia's international defence force partners to support the emergency response and recovery operations.

Hundreds of other Defence Public Servants, Defence contractors and Defence Industry personnel joined with the ADF in a total Defence enterprise effort to provide critical support in response to the catastrophic bushfires. On 1 January 2020, Joint Task Forces (JTF) were established in Victoria (JTF 646), New South Wales and the Australian Capital Territory (JTF 1110). On 4 January 2020, JTF 1111 was established to support the response in South Australia and Tasmania.

Defence undertook in excess of 1,500 tasks in support of communities and emergency service operations during Operation BUSHFIRE ASSIST 2019-20. Assistance provided included logistical support (stores, refuelling); engineering support (road clearance, firebreak construction); cargo movement (land, air and sea); personnel movement (land, air and sea); imagery (aerial assets providing imagery in support of fire mapping, route availability, damage); base support and accommodation (evacuees, emergency responders); and catering (evacuees, emergency responders).

During the national bushfire crisis, the ADF transported 13,000 tonnes of fodder, over 8 million litres of water, 73,000 litres of fuel and 1,200 tonnes of air cargo. The ADF cleared barriers and provided access to over 4,800 kilometres of road, while repairing 1,250 kilometres of fencing. Additionally, the ADF cleared 240 kilometres of fire breaks, produced a further 10 million litres of drinking water for Kangaroo Island and Bega, while evacuating 527 fire-affected people and preparing over 77,250 meals for locals.

The numbers speak for themselves. The ADF provided a high level of support to Australians reeling from the national bushfire crisis. The ADF stands ready to support Australia.

## Support to the COVID-19 Response

In extraordinary times, the ADF was ready to help when asked by the Federal, State and Territory Governments to support the response to the COVID-19 pandemic. During the period covered by this report, more than 2,200 Defence personnel supported the whole-of-government response to the COVID-19 pandemic. Defence personnel came together and showed their professionalism, devotion to duty, teamwork and adaptability when faced with exceptional circumstances.

Defence worked hard to ensure the safety and wellbeing of Australians, including assisting Med-Con Pty Ltd in Victoria to significantly increase surgical face mask production, re-opening and supporting the North-West Regional Hospital in Tasmania and assisting contact tracing across the States and Territories, among many other tasks.

The ADF was proud to provide support nationally and internationally. COVID-19 affected every part of our training and operations, and the ADF was required to work in new ways to ensure that we could maintain operations and continue to defend Australia and its national interests.

As the pandemic continues, so too does our support.

## Current Operations

The ADF remains engaged in 19 current operations and activities, both overseas and at home. These range from Operation COVID ASSIST – which provides essential support to State, Territory, Commonwealth organisations and near regional partners currently managing the COVID-19 global pandemic response – to Operation ACCORDION, which provides overarching support ADF activities within the Middle East Region.

Other operations are in support of United Nations (UN) missions and mandates. This includes Operation ARGOS (UN sanctions on North Korea), Operation LINESMAN (South Korea), Operation ASLAN (South Sudan) and Operation CHARTER (Cyprus).

In the Middle East Region, the ADF works with international partners in the continued fight against Daesh (ISIS or ISIL) in Iraq under Operation OKRA, while supporting other ongoing commitments to regional stability and order. This includes Operation HIGHROAD (Afghanistan), Operation STEADFAST (Iraq), Operation MANITOU (maritime security) and Operations MAZURKA and PALADIN (treaty observation).

The ADF's focus is the Indo-Pacific region, where we are committed to several operations and activities supporting the stability, peace and prosperity of the region. These include maritime surveillance patrols such as Operations GATEWAY and SOLANIA, and a series of operations that aim to safely dispose of World War II-vintage Explosive Remnants of War from South Pacific island nations through Operation RENDER SAFE. In line with the *2016 Defence White Paper* and the *2020 Defence Strategic Update*, the ADF also conducts extensive regional engagement efforts under our Enhanced Regional Engagement Program and Indo-Pacific Endeavour.

Finally, Operation RESOLUTE is the ADF's contribution to the whole-of-government effort to protect Australia's borders and offshore maritime interests through maritime surveillance and response in the maritime approaches to Australia. In addition, Operation SOUTHERN DISCOVERY is the ADF contribution to the whole-of-government, Department of Environment and Energy-led activity in the Antarctic Region – the Australian Antarctic Program. The operation is an enduring peace-time activity in support of Australia's national interests.

## Highly Capable and In Demand

The ADF remains highly capable and in demand. As the *2020 Defence Strategic Update* and *2020 Force Structure Plan* highlight, the pace of change in the Indo-Pacific and demand on ADF capabilities is only likely to increase. In this, the ADF must not only be responsive but proactive in the manner in which it shapes and meets these future challenges. We must be prepared and ready to deliver on our mission, 'to apply military power in order to defend Australia and its national interests.'

I am very proud of the manner in which the ADF and Defence APS, served our local communities and near neighbours during these unprecedented times. The core of all our capabilities remains our people, and their values: service, courage, respect, integrity and excellence. Over the coming year, I will remain focused not just on building and maintaining ADF capability and readiness, but also on the manner in which we all serve our nation in the finest traditions and values of our joint enterprise.

### Angus J Campbell AO DSC

General

Chief of the Defence Force

Figure 1.1: **ADF operations during 2019–20**





Soldiers from the Australian Army's 3rd Combat Engineer Regiment and the Papua New Guinea Defence Force arrive at the Royal Australian Air Force base in Townsville at the end of Operation BUSHFIRE ASSIST 2019–2020.



## Pacific Step-Up—strengthening Pacific ties in uncertain times

Defence's partnership with our Pacific family during 2019–20 included working together on a range of security challenges affecting our region.

We remain committed to our enduring engagement through the Defence Cooperation Program and our contribution to the whole-of-government Pacific Step-Up.

In 2019, Defence worked closely with security partners across the Pacific to deliver tailored maritime and land training activities, as well as sports and health engagements that were priorities for Pacific Island military and security forces.

The inaugural Joint Heads of Pacific Security event, co-hosted by Defence, the Australian

Federal Police and the Australian Border Force, was held in Brisbane in October 2019. Security leaders from Pacific Island nations came together for strategic-level dialogue and demonstrations. Participants engaged in discussions around transnational, organised and serious crime; border security; and humanitarian assistance and disaster relief.

Our collective humanitarian assistance and disaster relief response capabilities were tested in the months that followed by the Australian bushfires and the devastating tropical cyclones Harold and Tino. Our neighbours from the Papua New Guinea Defence Force and the Republic of Fiji Military Forces' Bula Force came to our aid to support Operation BUSHFIRE ASSIST 2019–2020.

His Majesty's Armed Forces of Tonga (HMAF) and the ADF during a Humanitarian Aid and Disaster Relief (HADR) amphibious demonstration in Nuku'alofa, Tonga.



We were able to return the favour when the tropical cyclones passed over the South Pacific Ocean and left communities in need of essential items. In support of Australia's whole-of-government efforts, several Air Force flights delivered humanitarian aid to Fiji and Vanuatu.

The COVID-19 pandemic has presented a number of logistical challenges for Defence's international engagement. Defence Cooperation Program staff led the way in country to adapt the program to support Pacific COVID-19 responses and changing security priorities.

Despite the challenges, we continued to partner with Papua New Guinea, Fiji, Vanuatu and Solomon Islands on significant infrastructure projects that will enhance the security capability of the Pacific.

While restrictions were in place in response to COVID-19, we worked with our regional partners

to adjust our support. We were able to continue construction of Fiji's Blackrock Camp through local contractors; commence early works at Papua New Guinea's Lombrum Naval Base; and conduct planning and consultation for all infrastructure projects.

The Pacific Maritime Security Program delivered three Guardian class patrol boats to Samoa, Solomon Islands and Fiji. Defence worked closely with our Pacific partners to provide sustainment to patrol boat operations in the region where possible.

Defence is committed to returning to a full program of engagement with our Pacific security partners to support them in their COVID-19 recovery and in the years to follow.



Commander Task Group 629.5 Colonel David Hughes (right) addresses Australian Defence Force personnel and members of the Australian Medical Assistance Team at Burnie Airport before they leave Tasmania following their support to Burnie's North West Regional Hospital.





DEPARTMENTAL  
OVERVIEW

2

## Purpose

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.

As stated in the *2019–20 Defence Corporate Plan*, the Defence purpose is:

<b>Purpose:</b>	Defend and protect Australia and advance its strategic interests.
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Further information on Defence’s purpose is in the 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 purpose during the 2019–20 reporting period is described in Chapter 3—‘Annual performance statements’.

## Strategic direction

Considerable effort was invested in 2019–20 to generate adjustments to Defence policy, capability and force structure. These adjustments are reflected in the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, launched by the Prime Minister and the Minister for Defence on 1 July 2020, which sets out the challenges in Australia’s strategic environment and their implications for Defence planning.

In implementing the *2016 Defence White Paper*, substantial progress has been made in transforming the Australian Defence Force (ADF) into a more capable, agile and potent force. This has been underpinned by investment in Australia’s military capabilities and industries; a focus on strengthened international engagement, particularly with the United States, Japan, India, New Zealand, South-East Asia and South Pacific nations, and other allies and partners in our region; and ongoing implementation of organisational reform following the 2015 First Principles Review.

The Government has now directed Defence to implement a new strategic policy framework that signals Australia’s ability and willingness to shape our strategic environment, deter actions against our interests and, when required, respond with credible military force.

These objectives are backed by Government investment of approximately \$270 billion over the decade to 2029–2030 in new and upgraded Defence capabilities, including more potent and longer-range combat systems and more secure supply chains. The Government will also continue deepening our alliance with the United States and strengthening our regional engagement across the Indo-Pacific, including through the Pacific Step-Up, and will increase the ADF’s ability to respond to natural disasters, including within Australia.

The Government’s plans for Defence capability are underpinned by its policies of developing a strong, sustainable and secure Australian defence industry and supporting leading-edge national innovation. The Government is committed to maximising opportunities for Australian industry, including in regional areas, in Defence projects.

## Defence portfolio structure

As at 30 June 2020, the Defence portfolio has four ministers:

- Senator the Hon Linda Reynolds CSC, Minister for Defence
- the Hon Darren Chester MP, Minister for Veterans' Affairs and Minister for Defence Personnel
- the Hon Alex Hawke MP, Assistant Defence Minister and Minister for International Development and the Pacific
- 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 ADF is constituted through the *Defence Act 1903*.

In addition to the Department of Defence and the ADF, the Defence portfolio contains 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.

## Changes in ministerial responsibilities

On 6 February 2020 the Hon Darren Chester MP, Minister for Veterans' Affairs and Minister for Defence Personnel, was appointed to the Cabinet. There were no other changes in ministerial responsibilities.



An Air Force F-35A Joint Strike Fighter conducts a fly past during the 2020 Chief of Defence Force parade held at the Australian Defence Force Academy in Canberra.



# 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 2.1 shows Defence’s purpose. Underpinning this purpose are two outcomes for 2019–20, together with the related programs. The PBS describes the performance criteria and targets to be used in assessing and monitoring the performance of Defence in achieving government outcomes.

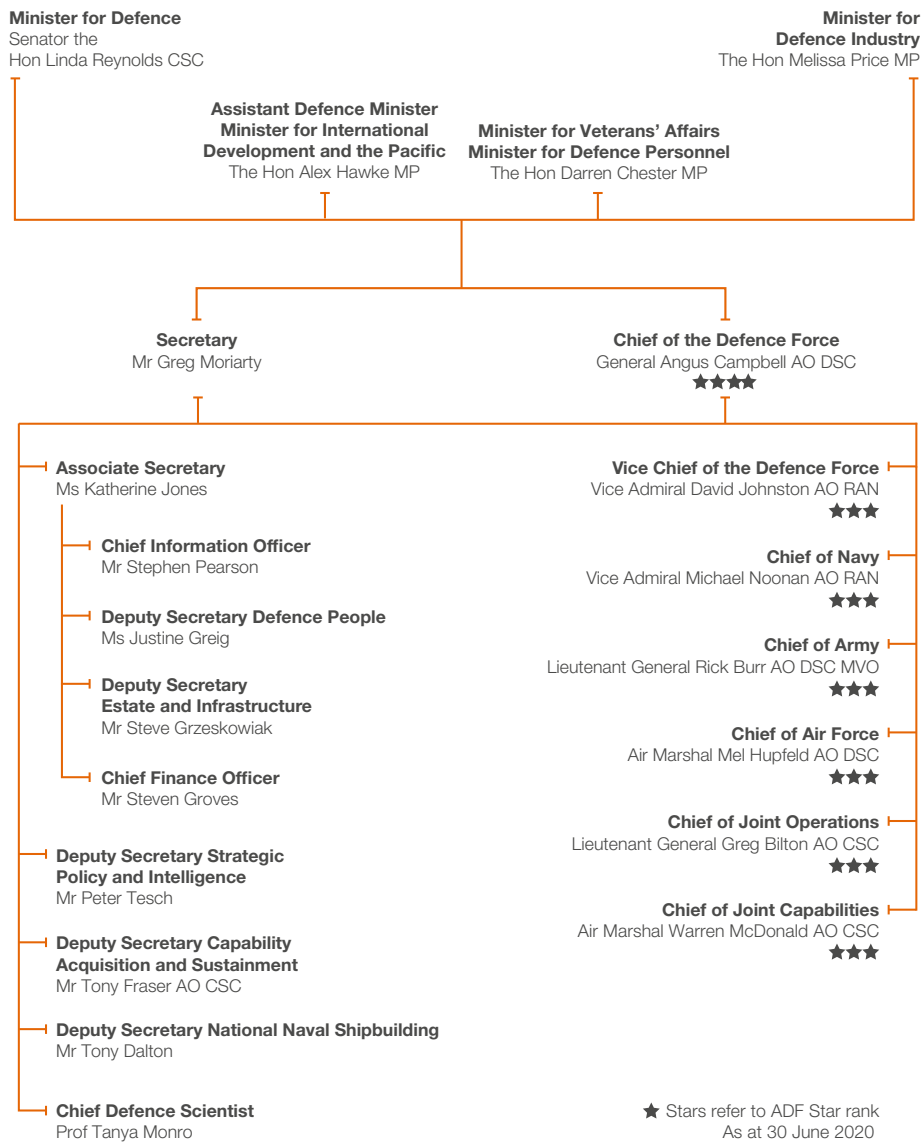
Figure 2.1: **Defence’s outcomes and programs, 2019–20**

Purpose	Outcome statement	Budget program
Defend and protect Australia and advance its strategic interests.	<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.	1.1 Operations Contributing to the Safety of the Immediate Neighbourhood  1.2 Operations Supporting Wider Interests  1.3 Defence Contribution to National Support Tasks in Australia
	<b>Outcome 2:</b> 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</b> 2.1 Strategic Policy and Intelligence 2.2 Defence Executive Support 2.3 Defence Finance 2.4 Joint Capabilities 2.5 Navy Capabilities 2.6 Army Capabilities 2.7 Air Force Capabilities 2.8 Australian Defence Force Headquarters 2.9 Capability Acquisition and Sustainment 2.10 Estate and Infrastructure 2.11 Chief Information Officer 2.12 Defence People 2.13 Defence Science and Technology  <b>Administered</b> 2.14 Defence Force Superannuation Benefits 2.15 Defence Force Superannuation Nominal Interest 2.16 Housing Assistance 2.17 Other Administered

# 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 2.2 shows the elements and relationships of Defence organisational structure as at 30 June 2020.

Figure 2.2: Defence organisational structure as at 30 June 2020



**Note:** This organisational chart is correct as at 30 June 2020. For a more current view visit [www.defence.gov.au](http://www.defence.gov.au).

## Changes in senior leadership

- On 4 July 2019, Air Marshal Mel Hupfeld was appointed Chief of Air Force.
- On 22 July 2019, Vice Admiral Stuart Mayer RAN was appointed Deputy Commander United Nations Command Headquarters, Korea.
- On 29 July 2019, Mr Tony Dalton was appointed Deputy Secretary National Naval Shipbuilding in the Capability Acquisition and Sustainment Group.
- On 2 September 2019, Air Marshal Gavin Davies, the previous Chief of Air Force, transferred to the Reserve Service.
- On 9 March 2020, Lieutenant General John Frewen commenced as Commander Defence COVID-19 Taskforce.
- On 16 March 2020, Ms Rebecca Skinner, the previous Associate Secretary, moved to Services Australia.
- On 16 March 2020, Mr Steven Groves commenced acting as Associate Secretary.
- On 16 March 2020, Mr Glen Casson commenced acting as Chief Finance Officer
- On 22 June 2020, Ms Katherine Jones was appointed Associate Secretary.

## Financial summary

Defence looks to two major indicators to measure its financial performance: the cash-based result against its annual appropriation funding and other cash inflows; and the result presented in the Statement of Comprehensive Income in the financial statements in this Annual Report. In 2019–20, Defence delivered a small cash underspend of \$0.3 billion or 0.9 per cent compared to our annual cash-based funding from all sources, and a similar surplus attributable to the Australian Government of \$0.3 billion or 0.7 per cent.

These results reflect a strong focus on financial performance in a year punctuated by significant and unplanned events including our response to the COVID-19 pandemic and our support to the Australian community throughout the bushfire crisis. These events had some impact on our activities, including minor underspends in our capital acquisition programs, offset in part by higher operating and sustainment expenses as we pivoted towards supporting the Australian industry during the second half of the financial year. Workforce expenditure trending slightly below budget, in line with lower than budgeted ADF and APS numbers, also contributed to the underspend and surplus results.

Financial performance is discussed in more detail in Chapter 4. The financial statements are in Appendix A.

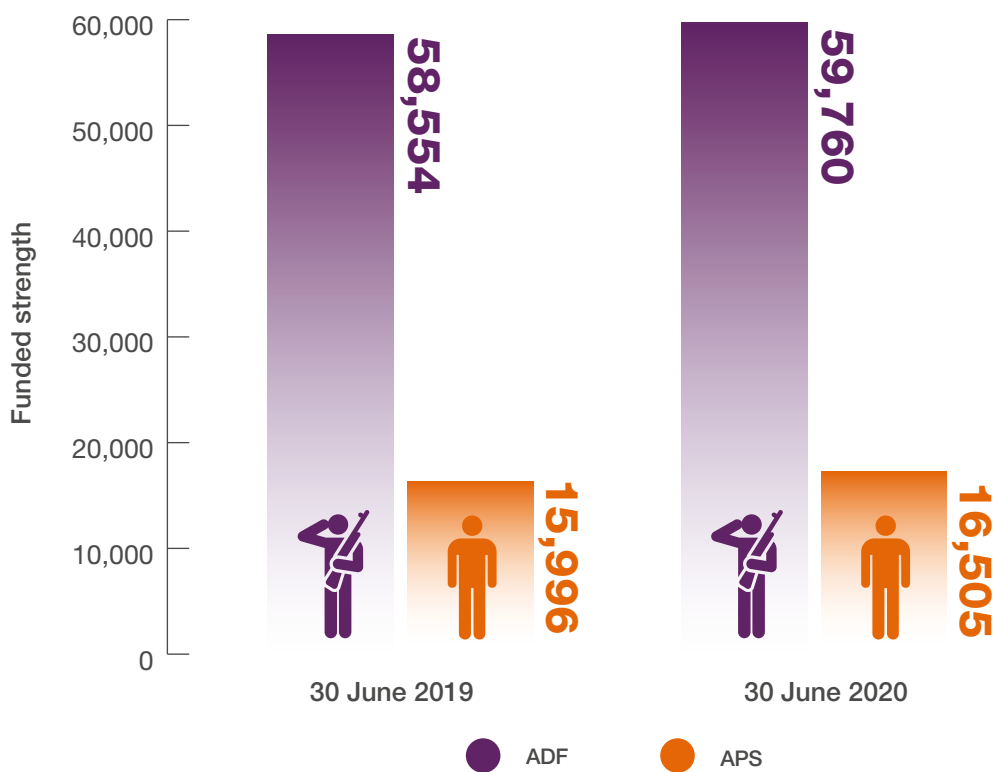
# People summary


Defence's workforce comprises ADF members of the Navy, Army and Air Force, and APS employees. The ADF workforce also includes Gap Year participants.

The ADF's actual funded strength at 30 June 2020 was 59,760, compared with 58,554 at 30 June 2019. The actual full-time equivalent APS workforce at 30 June 2020 was 16,505, compared with 15,996 at 30 June 2019.

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

Figure 2.3: **ADF and APS comparative funded strength for 2018–19 and 2019–20**





Royal Australian Air Force C-27J Spartan pilots from No. 35 Squadron work in arduous conditions as they assist evacuees during the bushfires in Mallacoota, Victoria.

## Operation BUSHFIRE ASSIST 2019–2020 —a true collective effort

**Australia's intense 2019–20 bushfire season saw fires engulf more than 12.6 million hectares of land, destroy more than 3,000 homes and kill 33 people, including nine firefighters.**

During those testing months, Australians showed courage, resilience, mateship and altruism—qualities that have come to define our national character, particularly in times of hardship and adversity.

These attributes were exemplified in the actions and behaviour of Australian Defence Force (ADF) personnel and Defence public servants who contributed to the crisis response, adding to our long tradition of assisting Australians when natural disasters or other tragedies strike.

Defence's support began on 6 September 2019 in Queensland. As the situation deteriorated, with fires multiplying across the nation and burning more ferociously, Operation BUSHFIRE ASSIST 2019–2020 was stood up on 31 December 2019. It continued until 26 March 2020.

At the operation's peak, some 6,500 ADF members provided support to emergency services and authorities in six states and territories. They included about 3,000 Reservists—the first compulsory call out of Reserve Brigades in Australia's history. This assistance was augmented by hundreds of Defence public servants, contractors and industry partners.

With its nation-wide infrastructure, unique capabilities and strengths in logistics, planning and personnel support, Defence was called upon to support national relief, response and recovery efforts in various ways. Over the summer, Defence personnel worked behind bushfire front lines, in the sky and on the sea, and in offices and operational backrooms to support their fellow Australians.

Parts of the Defence estate—like the Albury Wodonga Military Area, Puckapunyal and Simpson Barracks in Victoria; RAAF Base Wagga in New South Wales; and HMAS *Harman*, Duntroon, the Australian Defence Force Academy and the Majura Training Area

in the Australian Capital Territory—became shelters and joint taskforce command centres. These facilities provided refuge for evacuated and displaced civilians and their pets, while also accommodating police, firefighters, paramedics, Red Cross workers and RSPCA staff alongside military personnel.

Defence's airfields and naval bases—like RAAF Base East Sale and HMAS *Cerberus* in Victoria—provided critical infrastructure from which aerial firefighting efforts and rescue operations were launched.

Our maritime and air capabilities—like the Bay class HMAS *Choules* landing ship, the amphibious HMAS *Adelaide*, the MV *Sycamore* training ship, several aircraft including the C-27J Spartan and Boeing C-17A Globemaster, CH-47 Chinook, MRH-90 Taipan and Sikorsky Black Hawk helicopters—helped mobilise ADF personnel, transport emergency supplies and evacuate more than 1,100 civilians.

Around the fire fronts, ADF personnel delivered more than 77,000 meals to firefighters and emergency service workers, cleared 4,800 kilometres of road and 240 kilometres for firebreaks, repaired 1,280 kilometres of fencing,

purified around 10 million litres of water, and provided other services to bushfire-ravaged communities like distributing fodder and fuel and offering pastoral care and counselling to civilians.

Away from the fires, Defence was contributing in other ways. The Customer Service Network's 1800 DEFENCE contact centre moved to 24/7 operations, serving as a central point of information for Defence personnel and the general public. By 6 January, 29 Defence health centres were delivering care across the eastern seaboard, from Brisbane to Adelaide.

Defence industry played an important part in logistics support. Our partner Broadspectrum helped process time-critical purchase orders to acquire water purification supplies and personal protective equipment such as respirator masks, goggles, helmets, safety vests, coveralls and gloves. These items were speedily distributed to fire-affected regions and emergency workers on the front lines.

High above the Kangaroo Island and Gippsland fires in South Australia and Victoria respectively, Defence Science was at work. A Defence experimentation airborne platform equipped with the country's most sophisticated sensors and



Petty Officer Marine Technician Brendan McDermott assembles stretcher beds in response to Operation BUSHFIRE ASSIST 2019–2020.

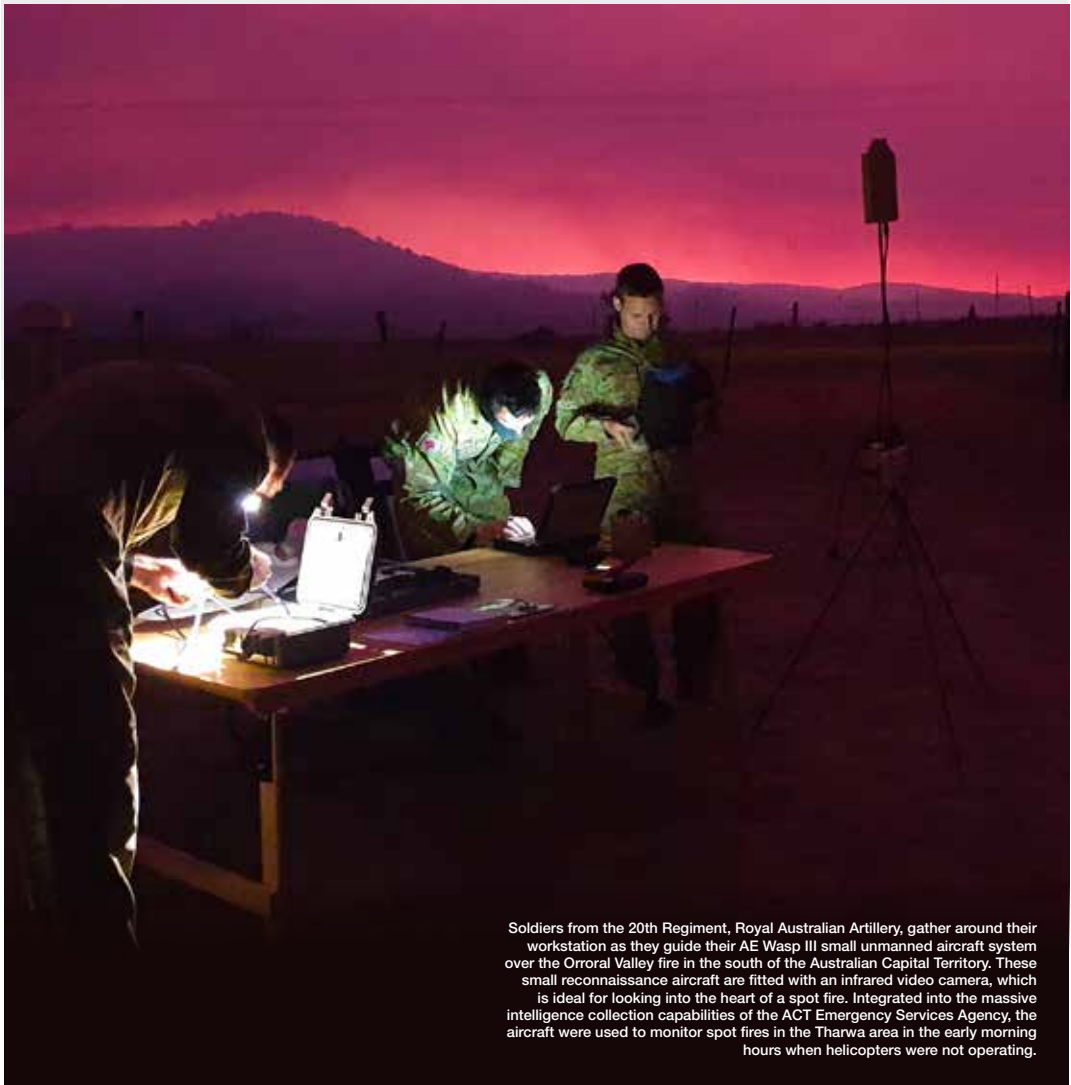


cameras was used to peer through the smoke to monitor fire intensity and damage and provide real-time information to firefighting aircraft and emergency responders. Enabling us to detect new spot fires from a distance, this Defence capability will be valuable in future bushfire seasons.

Australia did not fight the bushfires alone. Thanks to our history of providing humanitarian assistance and disaster relief to our friends and neighbours, we were swiftly sent aid and resources by the governments of Canada, Fiji, Indonesia, Japan, New Zealand, Papua New Guinea, Singapore and the United States. These

nations' invaluable contributions included more than 450 military personnel. Tragically, three United States aerial firefighters lost their lives.

The significance of Operation BUSHFIRE ASSIST 2019–2020 is twofold. First, it was the largest ever mobilisation of the ADF in response to a domestic disaster. Second, it ushered in a new era in which Defence is called upon in unique ways to assist civil authorities in response to national crises—as would soon be the case with the outbreak of COVID-19.



Soldiers from the 20th Regiment, Royal Australian Artillery, gather around their workstation as they guide their AE Wasp III small unmanned aircraft system over the Orroral Valley fire in the south of the Australian Capital Territory. These small reconnaissance aircraft are fitted with an infrared video camera, which is ideal for looking into the heart of a spot fire. Integrated into the massive intelligence collection capabilities of the ACT Emergency Services Agency, the aircraft were used to monitor spot fires in the Tharwa area in the early morning hours when helicopters were not operating.



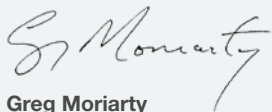
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STATEMENTS

3

No. 37 Squadron aircrew Flying Officer Nicholas Charkow (left) and Corporal Siyahn Daly review their pre-flight checklist in a C-130J Hercules before a sortie in the Middle East region.

## Statement of preparation

As the accountable authority of the Department of Defence, I present the 2019–20 annual performance statements of the Department of Defence, as required under paragraph 39(1)(a)(b) 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  
22 September 2020

The annual performance statements for 2019–20 provide an assessment of Defence's performance in achieving our purpose by reporting on the performance measures and criteria set out in the *2019–20 Defence Corporate Plan* and the performance criteria listed in the *Portfolio Budget Statements 2019–20* (PBS) and the *Portfolio Additional Estimates Statements 2019–20* (PAES). In 2019–20 the purpose is directly aligned to the Defence outcomes in the PBS.

To enhance readability of the annual performance statements, the performance criteria are organised around the purpose described in the *2019–20 Defence Corporate Plan*:

<b>Purpose:</b>	Defend and protect Australia and advance its strategic interests.
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Outcome statements describe what the Government requires Defence to achieve using resources allocated through the Commonwealth budget process. In 2019–20 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>	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.

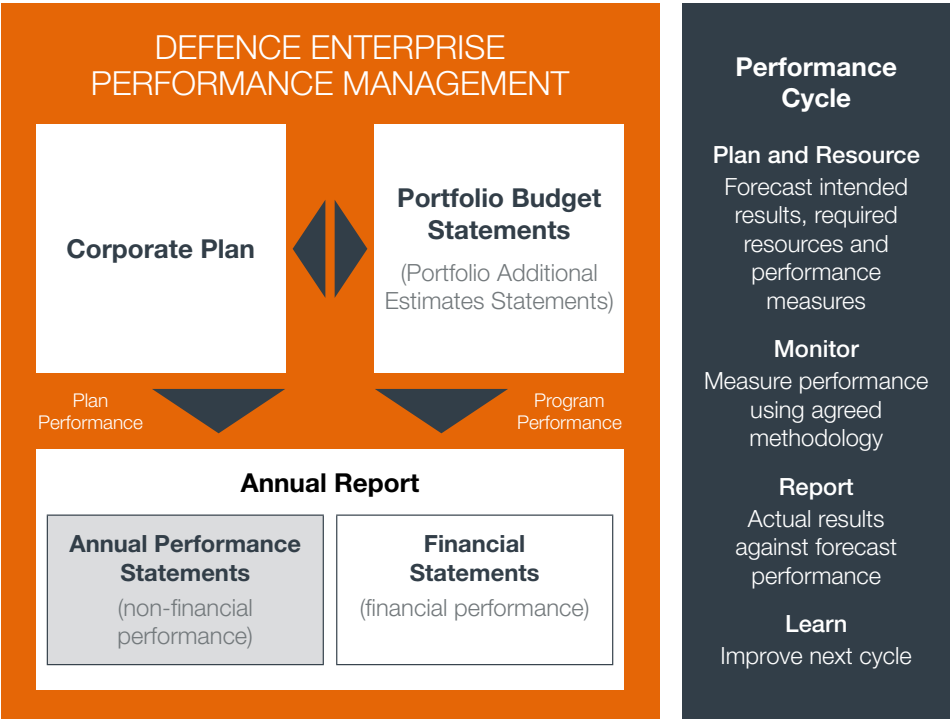
The purpose of Defence's enterprise performance management is to ensure alignment between Government direction, strategy, funding and capability so that the purpose of Defence is achieved.

The aim is to provide a clear line of sight between:

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

Defence is continuing to develop a mature approach to performance reporting that enables improved traceability in demonstrating our achievement of Government outcomes in accordance with the requirements of the PGPA Act. Figure 3.1 demonstrates the relationship of the annual performance statements with the other elements of the Defence enterprise performance management structure.

Figure 3.1: Defence enterprise performance management



Defence's annual performance statements provide an assessment of actual performance in achieving Defence's 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.

# Purpose: Defend and protect Australia and advance its strategic 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.**

Defence achieved Outcome 1 in 2019–20. The Government successfully deployed the Australian Defence Force (ADF) to meet national objectives. The ADF conducted operations to defend Australia's interests domestically, through the Indo-Pacific region, and globally to promote stability, integrity and cohesion.

Domestically Defence provided both emergency and non-emergency support in accordance with Defence Assistance to the Civil Community arrangements as part of a whole-of-government response where state or territory capacity or resources did not exist or were not available quickly enough. Defence emergency assistance to civil agencies increased overall in 2019–20 due to major bushfires and the COVID-19 pandemic.

Defence provided significant assistance to bushfire fighting efforts across Australia, with a deterioration in conditions leading to the declaration of Operation BUSHFIRE ASSIST 2019–2020 on 31 December 2019. As part of Operation BUSHFIRE ASSIST 2019–2020 the Governor-General enacted a Call Out of Reserves to undertake continuous full-time service in support of civilian agencies. This was the first wide-scale Call Out of the Reserves for national disaster relief in Australian history. Around 3,000 Reservists supported the Operation—about 2,500 under compulsory Call Out and around 500 providing further support.

Defence responded swiftly to the COVID-19 pandemic, establishing the COVID-19 Taskforce in March 2020 to coordinate Defence's contribution to the whole-of-government response. A further objective of the taskforce was departmental resilience and operational continuity.

Operation COVID-19 ASSIST was subsequently established in April 2020 under the Defence Assistance to the Civil Community framework, as the ADF supported the Commonwealth, state, and territory governments in partnership to protect public health. Defence assistance has included reconnaissance, planning and contact tracing teams; medical assistance in north-west Tasmania; supporting mandatory quarantine arrangements; and supporting state and territory police border controls. Defence Science and Technology Group provided specialist technical support, including diagnostic platform development, virus survivability and fate research, pandemic modelling, trials of a potential COVID-19 prophylactic, production of personal protective equipment, and ventilator repurposing.

The COVID-19 pandemic affected the conduct of operations and activities, specifically in relation to the movement of personnel within the region. However, adjustments were successfully incorporated to minimise this impact as far as possible. Due to COVID-19 restrictions, a number of training and international engagement activities were cancelled or postponed, including Operation RENDER SAFE, Exercise PACIFIC PARTNERSHIP, several airborne surveillance missions and Indo-Pacific Endeavour 2020.

In 2019–20 Defence continued Australia's international engagement in our immediate neighbourhood and where our wider interests are engaged. Among other activities, Defence supported the international community and continued Australia's contribution to the international rules-based order and peacekeeping by engaging in operations in the Middle East and Africa.

Within our immediate neighbourhood, Defence successfully transitioned Operation AUGURY-PHILIPPINES to the Enhanced Defence Cooperation Program—Philippines. We continued airborne maritime surveillance missions in South-East Asia and the South-West Pacific, and provided humanitarian assistance and disaster relief to Vanuatu and Fiji.

The ADF also supported the participation of seven nations from the South-West Pacific in the Royal Edinburgh Military Tattoo staged in Sydney in October 2019. This included providing RAAF transport to and from Australia and ceremonial uniforms for performers. Media coverage of the ADF's support to the South-West Pacific reached over 100 million people globally and more than half of the South-West Pacific population. The ADF is continuing to build on the successful relationships forged through the event with the development of a South Pacific virtual musical project during the COVID-19 pandemic.

Additionally, the Australian Defence College, in conjunction with Joint Health Command and Joint Logistics Command, developed and implemented a number of online training and awareness courses that were COVID-19 specific. As at end June 2020, Defence organisation personnel had registered approximately 220,000 course completions. The training was also translated into five languages and provided to regional partners on an open web portal, with visitations from 60 countries.

Outside of our immediate region Defence supported enduring coalition and United Nations (UN) operations in the Middle East and Africa; the International Maritime Security Construct and freedom of navigation in the Straits of Hormuz; and enforcement of United Nations sanctions against the Democratic People's Republic of Korea. Australia's commitment to training Iraqi forces in the Taji Military Complex ceased, and all personnel successfully returned to Australia.

#### PBS programs contributing to Outcome 1

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

### **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.**

Defence achieved Outcome 2 in 2019–20 while managing and minimising the impact of COVID-19 related restrictions upon activities.

Defence undertook a Strategic Policy Review to assess the strategic underpinnings of the *2016 Defence White Paper*. The outcomes of the review have been published in the *2020 Defence Strategic Update*. The Strategic Update and the *2020 Force Structure Plan* will ensure the ADF remains agile and ready to respond to a range of developments in Australia's strategic environment over the coming decade.

Military, intelligence, and enabling capabilities were delivered and sustained to support operational outcomes and meet preparedness requirements. Acquisition projects were delivered to agreed parameters of scope and cost, and sustainment of military equipment met agreed availability targets. Provision of intelligence priorities including high-quality strategic-level intelligence assessments supported operations, organisation and whole-of-government policy, and capability development. Science and technology strategic research activities continued to create opportunities to provide Defence with a capability edge. With the support of enabling service delivery groups, Defence Capability Managers achieved the required preparedness levels and operational outcomes.

Defence successfully generated capabilities to meet preparedness requirements. Preparedness levels were challenged by the unprecedented requirement to support Operation BUSHFIRE ASSIST 2019–2020 and Operation COVID-19 ASSIST, and the impact of COVID-19 on Defence business. Planning and prioritisation were used to generate capability at the required level of preparedness for the defence of Australia and its national interests.

In 2019–20, Defence worked closely with industry to build a robust and internationally competitive defence industrial base. This included extensive consultation in preparing the Sovereign Industrial Capability Priorities. These priorities are:

- Collins class submarine maintenance and technology upgrade
- Continuous shipbuilding program (including rolling submarine acquisition)
- Land combat vehicle and technology upgrade
- Enhanced active and passive phased array radar capability
- Combat clothing survivability and signature reduction technologies
- Advanced signal processing capability in electronic warfare, cyber and information security, and signature management technologies and operations



- Surveillance and intelligence data collection, analysis dissemination and complex systems integration
- Test, evaluation, certification and systems assurance
- Munitions and small arms research, design, development and manufacture
- Aerospace platform deeper maintenance and structural integrity.

Implementation plans for combat clothing and for munitions and small arms were both published in December 2019, and an implementation plan for land combat vehicles will be published in August 2020. Implementation plans for the remaining seven priorities will be released in the second half of 2020.

The Defence Innovation Hub, the Next Generation Technologies Fund, the Global Supply Chain Program and Defence industry grant programs continued to deliver practical outcomes for industry. The Australian Defence Export Office continued to implement the Defence Export Strategy, including through Team Defence Australia led industry attendance at pre-COVID-19 international trade shows and trade missions, and through the Defence Global Competitiveness Grants program.

Defence enhanced international engagement by continuing investment 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.

We continued to enhance health and welfare services to Australian Defence Force members and families through support for transitions, support during casualty and critical incidents, mobility, and community capacity building. Defence's community capacity building has provided community centres and grants through the Family Support Funding Program. We continued to provide practical support to ADF members transitioning from the military, including transition seminars and expos, and post-transition surveys to enhance transition outcomes for members.

Overall Defence sustained core deliverables during the COVID-19 pandemic and continued to build on the reform initiatives of the First Principles Review throughout 2019–20.

## PBS programs contributing to Outcome 2

PBS2.1 Strategic Policy and Intelligence

PBS2.2 Defence Executive Support

PBS2.3 Defence Finance

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

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

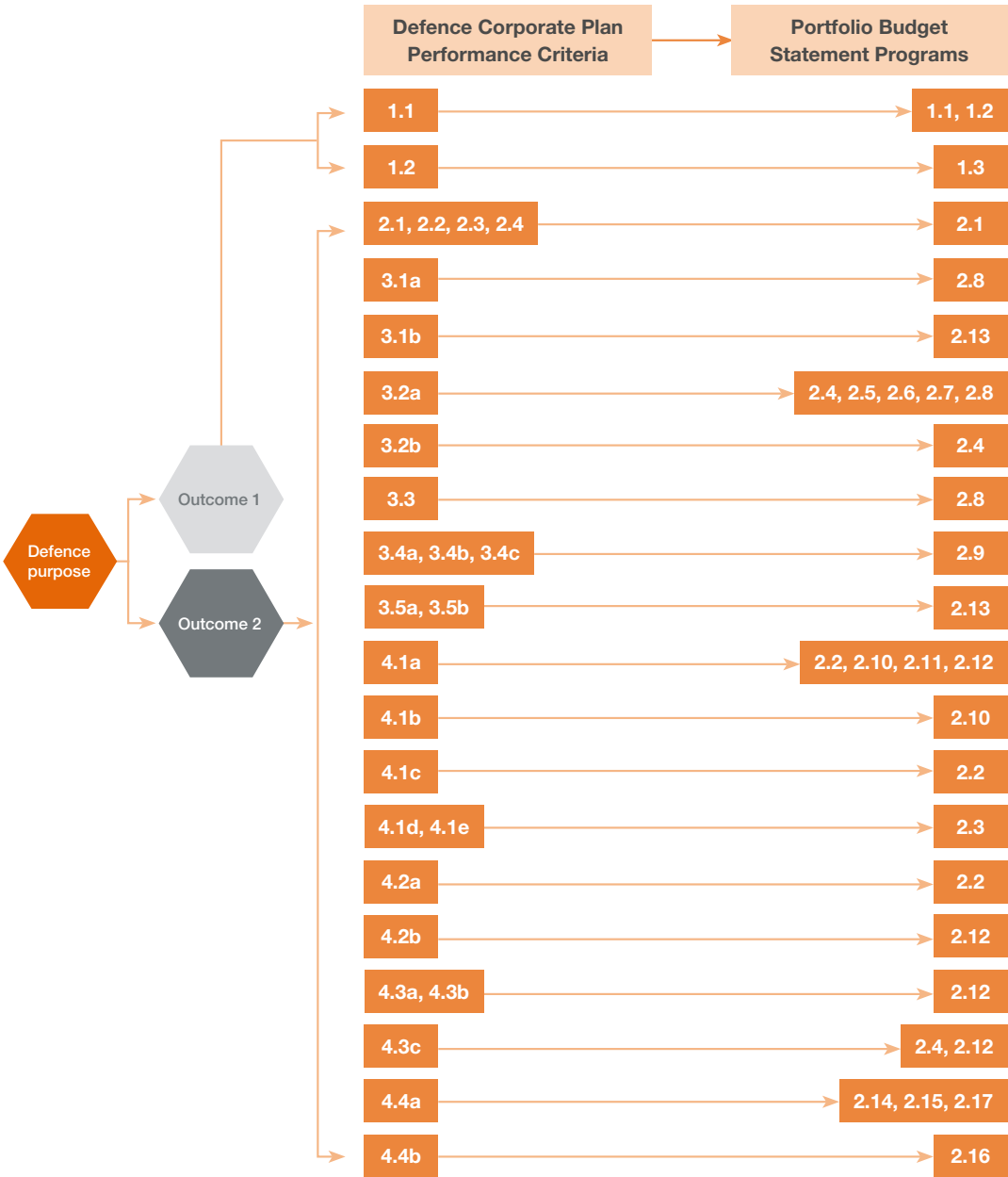
PBS2.16 Housing Assistance

PBS2.17 Other Administered

# Alignment between Defence’s Purpose, Outcomes, Corporate Plan Performance Criteria and Portfolio Budget Statement Programs

Defence maintains a clear line of sight between the Defence Corporate Plan, Portfolio Budget Statements, Portfolio Additional Estimates Statements and Annual Report. Figure 3.2 provides detail of the alignment.

Figure 3.2: **Linkages between Defence Purpose, Outcomes, Performance Criteria and Portfolio Budget Statements**



**Note:** An identifying character has been included where multiple criteria relate to the same activity in the 2019–20 Defence Corporate Plan. For example, the three performance criteria for Activity 4.3 will be referred to as 4.3a, 4.3b and 4.3c.

### Intended Result 1. Defence meets operational capability requirements and supports the Australian community as directed.

Defence operations and activities were successfully planned and executed as directed by Government, enabled by effective engagement across departments and agencies, and with global partners.

Domestically Defence provided both emergency and non-emergency assistance to the civil community, including in response to major bushfires and the COVID-19 pandemic. Continued support was provided to the nation’s civil maritime security through Defence’s contribution to Maritime Border Command for their operations in the Antarctic.

Internationally Defence contributed to a range of efforts to uphold global security and provide humanitarian assistance and disaster relief in Australia’s near region.

Impacts to operations and activities due to COVID-19, and the associated movement restrictions, were effectively minimised. A number of operations and activities were cancelled as a result of international travel and entry bans imposed by nations.

Defence also collaborated effectively with other departments and agencies on longer-term complex issues such as defeating terrorism, and on future operations requiring Government consideration.

Activity	1.1 Conduct and sustain operations where our interests are engaged	
Performance criterion	Assessment of operations against directed outcomes agreed with Government	
Target	All Government-directed tasks are met	
Source	2019–20 Defence Corporate Plan	Activity 1.1
	Portfolio Budget Statements 2019–20	Program 1.2
Results	Achieved	
Analysis	Despite the impact of the COVID-19 pandemic, Defence engaged effectively both internationally and domestically to successfully conduct and sustain operations and activities in accordance with Government direction.	
	Departmental submissions to Government in relation to Defence operations and activities were completed in line with expectations. Additional effort was invested in ensuring that advice to Government effectively and accurately fused policy and operational inputs and was delivered in a consistently timely manner. The use of verbal operational briefs has been expanded to augment written briefs and improve the efficiency and effectiveness of the briefing process.	
	<b>DEFENCE OPERATIONS IN 2019–20</b>  The number of personnel deployed for each operation is approximate, as personnel numbers fluctuate within the reporting period for various reasons, such as personnel rotations and changes to force structure.	
	<b>Operation ACCORDION (Middle East region)</b>  Support to operations in the Middle East region, including Operations HIGHROAD, MANITOU and OKRA.	
	<ul style="list-style-type: none"> <li>Personnel deployed: 600 including Air Task Group</li> </ul>	
	<b>Operation AUGURY (Philippines)</b>  Enhance the counter-terrorism and counter violent extremism capabilities of the Armed Forces of the Philippines.  Note: ceased and transitioned to Enhanced Defence Cooperation Program—Philippines arrangements with effect from 1 December 2019.	
	<ul style="list-style-type: none"> <li>Personnel deployed: 263 in 2019–20 noting the operation ceased on 1 December 2019</li> </ul>	

### **Operation ARGOS (North-East Asia)**

Provide an ADF contribution to a US-led multinational effort to enforce United Nations Security Council sanctions on the Democratic People's Republic of Korea.

- Personnel deployed: various (numbers commensurate with the platform assigned)

### **Operation ASLAN (South Sudan)**

Contribution of staff and military liaison officers to the UN mission in the Republic of South Sudan.

- Personnel deployed: 20

### **Operation BANNISTER (worldwide)**

Deployment of planning teams in support of local sensitivity assessments or other activities as required.

- Personnel deployed: various (numbers dictated by planning team requirements)

### **Operation CHARTER**

Contribution to the UN Peacekeeping Force in Cyprus.

- Personnel deployed: 3 (note: Major General Pearce, UN Force Commander, is filling a UN position, and is not deployed on Operation CHARTER as part of the ADF contingent, and therefore is not included as a part of the deployed force number of 3)

### **Operation FORTITUDE (Lebanon/Syria)**

Provide mentoring, training, advice and assistance to the Republic of Fiji Military Forces United Nations Disengagement Observer Force contingent in Camp Ziouani, Israeli-occupied Golan Heights.

- Personnel deployed: 1

### **Operation GATEWAY (North Indian Ocean/South China Sea)**

Maritime surveillance patrols in the North Indian Ocean and South China Sea.

- Personnel deployed: periodic deployment of 20

### **Operation HIGHROAD (Afghanistan)**

Contribution to the NATO Resolute Support Mission—Afghanistan.

- Personnel deployed: 200

### **Operation LINESMEN (Republic of Korea)**

Assist United Nations Command with verification activities associated with the withdrawal of Republic of Korea guard posts from the immediate area of the Military Demarcation Line and Demilitarized Zone.

- Personnel deployed: 3

### **Operation MANITOU (Middle East region / maritime area)**

ADF contribution to maritime security operations in the Middle East region and counter-piracy in the Arabian Gulf, the Gulf of Aden, the Red Sea and parts of the Indian Ocean. Includes support to the International Maritime Security Construct and Combined Maritime Forces.

- Personnel deployed: 200

### **Operation MAZURKA (Egypt)**

ADF contribution to the Multinational Force and Observers. ADF personnel in the Sinai are located at Forward Operating Base North (in the vicinity of El Gorah) and South Camp (in the vicinity of Sharm el-Sheikh). Positions are spread across operations, personnel, administration and support functions. From March 2017 to January 2020, Australia provided the two-star force commander.

- Personnel deployed: 27

### **Operation OKRA (Middle East region and Iraq/Syria)**

ADF operations in Iraq and Syria to support the coalition response to the Iraq crisis, including the deployment of forces to disrupt and degrade Daesh.

- Personnel deployed: 300

### **Operation ORENDA (Mali)**

ADF contribution to the United Nations Multidimensional Integrated Stabilization Mission in Mali.

- Personnel deployed: 1 member was to be deployed; however, COVID-19 restrictions prevented this from occurring within the reporting period

### **Operation PALADIN (Israel/Lebanon/Syria)**

ADF contribution of military observers and staff officers (in Lebanon, Syria and Israel) to the United Nations Truce Supervision Organization.

- Personnel deployed: 12

### **Operation RENDER SAFE (Solomon Islands)**

Deployment of specialist engineering, explosive ordnance disposal and supporting capabilities (including Royal Australian Navy platforms) as part of a multinational operation—planned and led by the ADF—to dispose of explosive remnants of war.

- Personnel deployed: various (numbers dictated by requirements of reactive or planned activity)

### **Operation RESOLUTE (border protection, including support to Operation SOVEREIGN BORDERS)**

Contribution to the whole-of-government effort to protect Australia's offshore maritime interests.

- Personnel deployed: 600

### **Operation SOLANIA (South-West Pacific)**

Provision of surveillance support to the Pacific Islands countries.

- Personnel deployed: various (numbers commensurate with the platform assigned)

### **Operation SOUTHERN DISCOVERY (Antarctica)**

ADF support to whole-of-government activities in the Antarctic region, including airlift and aeromedical evacuation support.

- Personnel deployed: up to 15 during the main summer period (19 December to 20 March)

### **Operation STEADFAST (Iraq)**

Deployment of staff to Headquarters NATO Mission Iraq supporting the continued capacity building of the Iraqi Security Forces.

- Personnel deployed: 2

All Defence operations achieved intended outcomes within the reporting period.

Activity	<b>1.2 Contribute to national security and support tasks</b>	
Performance criterion	<b>Assessment of Defence support provided to contribute to whole-of-Government outcomes</b>	
Target	All Government-directed tasks are met	
Source	2019–20 Defence Corporate Plan	Activity 1.2
	Portfolio Budget Statements 2019–20	Programs 1.1, 1.3
Results	<b>Achieved</b>	
Analysis	<p>Defence engaged effectively across departments and agencies to contribute to operations and activities in direct support of Australia's national security and whole-of-government outcomes.</p> <p>During 2019–20, Defence responded to both emergency and non-emergency requests for ADF assistance made by affected states and territories through Defence Assistance to the Civil Community (DACC) arrangements, the volume of which has increased significantly in recent years. Specific operations and activities included responses to significant bushfires and the COVID-19 pandemic, and the ongoing commitment to civil maritime security through Defence's contribution to Maritime Border Command for its activities in Antarctica.</p> <p><b>DEFENCE OPERATIONS ESTABLISHED UNDER THE DEFENCE ASSISTANCE TO THE CIVIL COMMUNITY FRAMEWORK IN 2019–20</b></p> <p><b>Operation BUSHFIRE ASSIST 2019–2020 (domestic)</b></p> <p>ADF support to the state and territory governments, under the provisions of DACC, to provide emergency assistance and initial recovery assistance over the 2019–2020 bushfire season.</p> <ul style="list-style-type: none"> <li>• Personnel deployed (approximate): 6,500</li> </ul> <p>From 6 September to 31 December 2019 Defence supported the state and territory authorities in fighting bushfires, through responding to nine DACC 1 (localised, short-term emergency responses) and 85 DACC 2 (large-scale and/or non-localised emergency responses) requests for assistance:</p> <ul style="list-style-type: none"> <li>• 55 in New South Wales</li> <li>• 14 in Victoria</li> <li>• 5 in Queensland</li> <li>• 10 in South Australia</li> <li>• 1 in Western Australia.</li> </ul> <p>After the establishment of Operation BUSHFIRE ASSIST 2019–2020, Defence responded to the following individual requests for assistance under the overarching DACC 2 requests:</p> <ul style="list-style-type: none"> <li>• 220 in New South Wales and the Australian Capital Territory</li> <li>• 123 in Victoria</li> <li>• 983 in South Australia.</li> </ul> <p>Notable ADF achievements include:</p> <ul style="list-style-type: none"> <li>• supporting 527 evacuees at Defence bases</li> <li>• returning 382 evacuees to their homes by fixed-wing aircraft</li> <li>• serving over 77,250 meals to locals, including evacuees, emergency service workers and firefighters</li> <li>• clearing over 4,800 km of roads</li> <li>• clearing/repairing over 1,250 km of damaged fencing</li> <li>• purifying around 10 million litres of water in Bega and on Kangaroo Island.</li> </ul>	

Defence also contributed to the Royal Commission into National Natural Disaster Arrangements. Our input will inform the Royal Commission's report and its recommendations for mitigating and responding to future natural disasters.

### **Operation COVID-19 ASSIST (domestic)**

ADF support to the federal and state and territory governments and jurisdiction agencies, to respond to the impacts of COVID-19.

- Personnel deployed (approximate): 2,200 at the peak of Operation COVID-19 ASSIST in March and April

Operation COVID-19 ASSIST was established on 1 April 2020, led by Major General Paul Kenny DSC DSM.

ADF members and Defence civilians were deployed across Australia on a range of tasks including:

- support to the Department of Foreign Affairs and Trade in the repatriation of Australian citizens from overseas
- planning support and liaison roles
- support to local law enforcement agencies in ensuring quarantine compliance and operating checkpoints
- frontline medical assistance
- support to the defence industry
- assistance to Australia's partners in the Indo-Pacific.

Notable achievements include:

- Defence reopened and operated the emergency department in Tasmania's North West Regional Hospital after staff were sent home for two weeks quarantine following an outbreak of COVID-19. This deployment was crucial to ensuring critical health services in Tasmania were maintained
- Defence personnel assisted health authorities to undertake frontline medical testing across Australia
- Defence personnel contributed to the production of surgical face masks and ventilators
- Chief Defence Scientist Professor Tanya Monro established a Rapid Response Group to research possible methods of repurposing non-invasive ventilators to perform as invasive ventilators
- Defence accelerated the payment of supplier invoices, fast-tracking over \$8 billion in payments to help mitigate the economic impacts of COVID-19 on defence industry
- Defence released \$870 million of estate works to the market early to provide new jobs and business opportunities across Australia.



**Intended Result 2: Defence strategic, international and industry policy guides the design, development, integration and preparedness of Defence capability.**

Defence keeps its policy settings and force structure under regular review through the Strategy Framework to ensure we can meet Government and Defence objectives, adapting to shifts in the strategic environment and new technology challenges. These trends include increasing US–China competition, the use of coercive statecraft, regional military modernisation and the emergence of potentially disruptive technologies.

Given these accelerating trends, Defence undertook a review of its policy settings. The *2020 Defence Strategic Update* sets out the challenges in Australia’s strategic environment and their implications for Defence planning. The Strategic Update provides a new strategic policy framework to guide all aspects of Defence planning: to shape our strategic environment, deter actions against Australia’s interests, and respond with military force when required.

The *2020 Force Structure Plan* builds on the major force structure changes initiated in the *2016 Defence White Paper*. Those changes have made the ADF more capable, agile and potent. But, as set out in the *2020 Defence Strategic Update*, further adjustments are now required to enhance the lethality of the ADF, expand Defence’s capability to respond to grey-zone challenges, and strengthen the ADF’s self-reliance and ability to deliver deterrent effects at longer ranges.

Defence has also reformed the Strategy Framework by enhancing the Strategic Risk Review process. This reform ensures that strategic policy is directly informed by risk and enables agile policy responses. The Defence Planning Guidance, our lead classified strategy document, was published in July 2019 and updated in 2020 to ensure the alignment of the new Defence strategy and the necessary capability and resources.

Defence is advancing a range of policy initiatives to help build a strong sovereign industrial base capable of supporting the delivery of a more agile and potent ADF. This includes maximising opportunities for small businesses in Defence materiel, non-materiel and infrastructure projects and giving certainty to industry through the development of implementation plans for the 10 Sovereign Industrial Capability Priorities. Additionally, we are connecting small and medium-sized businesses to opportunities in international markets through the Australian Defence Export Office; and supporting the Australian industrial base to develop the skilled workforce Defence will require over the coming decades. The Defence Innovation Hub continues to partner with Australian companies and research institutions to develop advanced technologies with the potential to enhance Defence capability.

Activity	2.1 Defence maintains future-focused strategic policy to guide Defence initiatives and address strategic risks	
Performance criterion	Our strategic policy is regularly reviewed and updated	
Target	Defence strategic policy and risk review informs decision making to ensure strategy, capability and resources are aligned to Government priorities	
Source	2019–20 Defence Corporate Plan	Activity 2.1
	Portfolio Budget Statements 2019–20	Program 2.1
Results	Achieved	
Analysis	Defence strategic policy and risk review has been regularly reviewed throughout 2019–20 to ensure that strategy, capability and resources are aligned to Government priorities. This has been demonstrated through the development and release of the <i>2020 Defence Strategic Update</i> and the <i>2020 Force Structure Plan</i> . The publication of the Defence Planning Guidance and the conduct of Strategic Risk Reviews during the period further ensured that Government direction was implemented across Defence and that policy and risk analysis activities remain timely, relevant and responsive to the needs of Defence leaders and Government decision-makers.	

Activity	<b>2.2 Defence protects and advances Australia's interests globally to address current and future challenges</b>	
Performance criterion	<b>Defence international engagement meets Defence International Engagement Policy objectives</b>	
Target	Australia's strategic position is enhanced through international engagement by Defence	
Source	2019–20 Defence Corporate Plan	Activity 2.2
	Portfolio Budget Statements 2019–20	Program 2.1
Results	<b>Achieved</b>	
Analysis	<p>Although global COVID-19 restrictions had an impact in 2020, Defence continued to strengthen and deepen its engagement in the South-West Pacific, South-East Asia, North-East Asia and the Indian Ocean region. This has occurred across multiple functional domains, including military exercises; bilateral and multilateral dialogues; personnel training and exchanges; information sharing; capability development and cooperation; infrastructure development; defence industry, science and technology; and women, peace and security. The links between military forces were strengthened through other national forces deploying to Australia to help with Operation BUSHFIRE ASSIST 2019–2020 in January 2020.</p> <p>Some Defence Cooperation Program activities were disrupted by COVID-19. Defence Cooperation Program funding was reallocated to assist Pacific and South-East Asian responses to the pandemic, including provision of air and sea lift to provide medical and food supplies to vulnerable populations, and support for defence organisations in South-East Asia to contribute to their national COVID-19 responses.</p> <p>In the South-West Pacific, Defence focused on advancing the Government's Pacific Step-Up initiative, including through ongoing investments in infrastructure development in Papua New Guinea, Fiji, Vanuatu, Solomon Islands and Timor-Leste, both in response to bilateral security requests and to support the rollout of the \$2 billion Pacific Maritime Security Program. Defence delivered new Guardian class Patrol Boats to Samoa, Solomon Islands and Fiji. These vessels are being used, alongside contracted aerial surveillance, to enhance regional maritime security.</p> <p>In South-East Asia, Defence advanced key relationships in significant ways. Australia set out its vision for engagement with Association of Southeast Asian Nations (ASEAN) at the inaugural ASEAN–Australia Informal Defence Ministers' Meeting in February 2020. Australia and Indonesia expanded information sharing and exercises and agreed to a UN peacekeeping co-deployment.</p> <p>Australia and Singapore signed a treaty on military training, which underpins the largest training arrangement Australia has with any country beyond the United States. Defence enhanced cooperation with the Philippines to support vital counter-terrorism efforts; boosted regional peacekeeping capabilities, including through training and airlift support to Vietnam; and increased personnel exchanges with Malaysia.</p> <p>In North-East Asia, Defence increased bilateral cooperation with Japan, including via major precedent-setting activities such as the first-ever Australia–Japan fighter jet exercise, Bushido Guardian, held in Japan in September 2019. Such activities have added another pillar to enhance interoperability and ultimately improve our capability to respond to regional contingencies. Defence also maintained its contribution to multilateral enforcement of UN Security Council sanctions with respect to North Korea's illegal nuclear weapons programs; and deepened bilateral cooperation with South Korea, including contributing to the inter-Korean peace process through support activities in the Demilitarized Zone.</p> <p>In the Indian Ocean region, Defence made significant strides in expanding bilateral ties with India via agreements to expand cooperation in the areas of information sharing, defence industry, access, and defence science and technology.</p>	

Defence deepened regional alliance cooperation with the United States. In major activities like the Marine Rotational Force—Darwin, we were able to modify the deployment to mitigate COVID-19 risks and send an important signal about the alliance's firm commitment to regional security. Such activities have enhanced our forces' abilities to confront shared challenges alongside our allies and partners. We conducted the first-ever defence strategy and policy talks as part of a restructured and regularised senior policy dialogue to better inform the annual ministerial-level US–Australia consultations (AUSMIN).

Activity	<b>2.3 Defence engages industry to enhance support of sovereign capability</b>	
Performance criterion	<b>Defence industry engagement meets requirements of the Defence Industry Policy Statement</b>	
Target	Defence capability is enabled through industry and innovation	
Source	2019–20 Defence Corporate Plan	Activity 2.3
	Portfolio Budget Statements 2019–20	Program 2.1
Results	<b>Achieved</b>	
Analysis	<p>Defence has increased its engagement with industry during the COVID-19 pandemic. Since March 2020, ministers and senior Defence representatives have held regular teleconferences with state and territory defence industry advocates, prominent industry leaders and industry association groups. These engagements have provided updates on Government support to industry and enabled states and territories to raise issues or concerns on behalf of companies in their jurisdictions.</p>	
	<p>Defence has fast-tracked invoice payments throughout the pandemic to support industry, sustain jobs and help develop sovereign capability. Additionally, 28 grants with a total value of over \$11.5 million (excluding GST) were awarded to Australian small businesses under the Sovereign Industrial Capability Grants program in 2019–20. Implementation plans for the 10 Sovereign Industrial Capability Priorities are progressing, with two plans publicly released and the remaining plans to be released as scheduled by the end of 2020. More than 300 industry representatives were consulted in the development of the implementation plans.</p>	
	<p>Defence continued to work closely with the Centre for Defence Industry Capability (CDIC) to build industrial capability in the defence sector. In 2019–20 the CDIC awarded 119 Capability Improvement Grants totalling over \$3.775 million (excluding GST), an increase of 55 grants over the previous year; and 21 Defence Global Competitiveness Grants totalling over \$2.2 million (excluding GST), an increase of 12 grants over the previous year.</p>	
	<p>In support of the Defence Export Strategy, in 2019–20 the Australian Defence Export Office led Australian defence industry delegations to seven international tradeshow as part of the Team Defence Australia program, and a trade mission to Japan.</p>	
	<p>In 2019–20 the Defence Innovation Hub continued to invest in developing Australian technologies, awarding 51 innovation contracts totalling more than \$95.7 million (excluding GST). The Hub's portfolio of innovation projects is valued at more than \$222 million (excluding GST). Eighty-four per cent of its contracts are with Australian micro, small and medium-sized businesses.</p>	

Activity	<b>2.4 Defence maintains intelligence analysis and capability to deliver Government and Defence strategic objectives</b>	
Performance criterion	<b>Defence intelligence outputs align with Government intelligence priorities</b>	
Target	Intelligence services and capabilities are delivered according to Government priorities	
Source	2019–20 Defence Corporate Plan	Activity 2.4
	Portfolio Budget Statements 2019–20	Program 2.1
Results	<b>Achieved</b>	
Analysis	<p>Over the 2019–20 period, Defence met intelligence priorities and legislated requirements through delivering accurate and timely support to the organisation, the National Intelligence Community and the Government. Defence's geospatial-intelligence production effort included foundation geospatial and mapping support, hydrographic services, and capability development activities that directly supported the planning and conduct of ADF operations and domestic and regional security priorities, including Defence assistance to bushfire fighting.</p>	
	<p>While managing the impact of some staff undertaking remote work during the COVID-19 pandemic, Defence maintained mission-critical priorities and increased capability through online training.</p>	
	<p>In 2019–20 Defence provided timely, high-quality strategic-level intelligence assessments in support of ADF operations, the organisation and whole-of-government policy, and capability development.</p>	
	<p>From March to June 2020 the organisation produced 19 per cent more intelligence products than in the same period in 2019. This increase is attributed to additional COVID-19 related intelligence tasking combined with reduced international travel and engagement, allowing fewer disruptions to analyst availability.</p>	

### **Intended Result 3: The generation and sustainment of Defence capabilities achieves strategic planning objectives and preparedness requirements.**

In 2019–20 Defence successfully generated and sustained capabilities required to support its operations and preparedness objectives. With the support of enabling service delivery groups, Defence Capability Managers achieved the required preparedness levels and operational outcomes. Where schedule slippage occurred, Capability Managers and enablers worked together to manage impacts.

In 2019–20 Defence conducted a review of the Capability Program Architecture established in the *2016 Defence White Paper* and Integrated Investment Program. The new Capability Program Architecture has clearer responsibilities and accountabilities and gives Capability Managers greater ability to manage risk and drive improvements in effectiveness and efficiency.

Defence continued to implement the Government's vision of continuous naval shipbuilding through the National Naval Shipbuilding Enterprise, as articulated in the *2017 Naval Shipbuilding Plan*. Work across the enterprise is underway and broadly on track, with a new shipyard at Osborne South in South Australia now complete, patrol boats and offshore patrol vessels under construction in Western Australia and South Australia, and the design of new Hunter class frigates and Attack class submarines progressing. Defence is working with industry and the education and training sector to ensure there is a pipeline of highly skilled workers available to meet the projected workforce needs of shipbuilders in the years ahead.

Science and technology activities supported Defence operations, sustainment and capability development through the reporting period, including release of the Defence Science and Technology Strategy in May 2020. Strategic research programs undertaken through the Next Generation Technologies Fund matured with extensive engagement from Australia's innovation community.

Risks and issues were identified and managed during the reporting period, including the unprecedented requirement to support Operation BUSHFIRE ASSIST 2019–2020 and Operation COVID-19 ASSIST, and the impact of COVID-19 on Defence business. The COVID-19 pandemic has changed Defence's operating environment. It has significantly impacted how capability is generated and changed the operating profile for deployed units. Despite the challenging circumstances, Defence was successful in managing risk, fatigue and endurance closely to ensure that capability was maintained. These events did not negatively affect our achievement of the overall Intended Result.



5th Aviation Regiment CH-47F Chinook helicopter crewman Warrant Officer Class 2 Darryl Rowe observes the Shoalwater Bay Training Area during a sortie as part of Exercise TALISMAN SABRE 2019, Rockhampton, Queensland.

Activity	<b>3.1a Defence designs the future force to address strategic risks</b>	
Performance criterion	<b>Our Future Joint force is designed, integrated and developed through the analysis of the future operating environment, development of potential responses and Government direction</b>	
Target	The force-in-being and future force are designed and developed in accordance with strategic policy and risk	
Source	2019–20 Defence Corporate Plan	Activity 3.1a
	Portfolio Budget Statements 2019–20	Program 2.8
Results	<b>Achieved</b>	
Analysis	<p>In 2019–20 Defence developed an updated Capability Life Cycle Manual incorporating improved business processes to streamline the complexity of major acquisitions and give assurance to decision-making and accountable delivery. The manual contains a capability program architecture to give Domain Leads and Capability Managers visibility and accountability in analysing, managing and reporting on capabilities. The architecture recognises the emergence of two new discrete domains—space; and information and cyber—and that some capabilities need to be managed as multi-domain programs to ensure their coordinated development.</p> <p>A revised Defence Capability Assessment Program, based on lessons from the last few years, has been implemented. The purpose of this program is to provide a method for Defence to deliver ‘an integrated Joint Force by design’. While continuing to support biannual updates to Government on the implementation of the Integrated Investment Program, the updated Defence Capability Assessment Program improves the force design process to ensure it is responsive to changed opportunities and risks.</p> <p>A major achievement in the period is the <i>2020 Force Structure Plan</i>. In 2019, Force Structure Plan development activities were supported by extensive joint experimentation and assessments from Australian intelligence organisations and Five Eyes partners.</p> <p>Governance of Defence’s force design processes continued through the actions of the Defence Investment Committee and Joint Warfare Committee. Force design was supported by the Emerging Threats and Response Group and in the further development of concepts that identify future opportunities and challenges in the longer term and the potential capability of solutions to military problems.</p>	



Activity	3.1b Defence designs the future force to address strategic risks	
Performance criterion	Strategic research enables Defence to anticipate and exploit advances in science and technology for future Defence capability	
Target	Strategic research investments (including the Next Generation Technologies Fund) are creating disruptive scientific and technological opportunities for Defence	
Source	2019–20 Defence Corporate Plan	Activity 3.1b
	Portfolio Budget Statements 2019–20	Program 2.4
Results	Achieved	
Analysis	<p>Strategic research activities continue to create opportunities to provide Defence with a capability edge and to enhance its science and technology capability.</p> <p><i>More, Together: Defence Science and Technology Strategy 2030</i> was released in May 2020 and is refocussing the future of Defence strategic research. Central to the strategy is the introduction of the Science, Technology and Research (STaR) Shots concept. The eight initial STaR Shots are strategy-led, mission-directed programs designed to focus strategic research and drive the development of future Defence capabilities.</p> <p>The eight STaR Shots are Agile Command and Control; Quantum-Assured Position, Navigation and Timing; Remote Undersea Surveillance; Battle-Ready Platforms; Operating in CBRN Environments; Disruptive Weapon Effects; Resilient Multi-Mission Space; and Information Warfare. Implementation of the Strategy is underway, with initial efforts focused on establishing the governance arrangements and identifying partners from the national science and technology community.</p> <p>In 2019–20 research and prototype development occurred across various aspects of a representative intelligence, surveillance and reconnaissance enterprise, with outputs integrated and fielded in Defence and international trials to demonstrate enhanced situational awareness. A prototype has been developed that simulates realistic cybersecurity scenarios for the training of autonomous cyber systems.</p> <p>Physics-based models of ocean circulation processes affecting acoustic propagation have been improved and verified using at-sea oceanographic measurements. This work has improved our understanding of the undersea environment and is helping shape the conduct of anti-submarine warfare.</p> <p>The Defence Operations Research Network was launched for modelling complex warfighting. Regular calls to market are building the analysis capability underpinning Defence decision-making. In addition, a new concept of Team Defence Australia, which provides a platform for companies to showcase products and services, has been used to demonstrate simulations where a team of low-cost defender missiles use collaborative guidance to defend against faster and more agile threat missiles.</p> <p>The EpiFX influenza forecast tool was improved by adding the ability to adjust for evolving testing practices throughout an influenza season. During the COVID-19 outbreak, EpiFX has been further developed with academic partners to cope with forecasting in an environment where there are large numbers of imported cases and significant macro and micro social distancing shifts. It has been serving as the main COVID-19 forecast tool for state and federal health departments.</p> <p>Strategic research investments were implemented through the Next Generation Technologies Fund. New theme plans were developed and a new approach to benefits management was agreed by the Defence Investment Committee in May 2020. Recent outcomes from the Next Generation Technologies Fund include the exploration of novel sensor and effector technologies, which resulted in a mission planning tool being delivered. The Counter Improvised Threat Grand Challenge was used to facilitate this activity and demonstrate the capability of the technology.</p>	

Activity	<b>3.2a Raise, train and sustain Defence capabilities through the coordination of fundamental inputs to capability</b>	
Performance criterion	<b>Defence's integrated capabilities, including workforce, are generated, trained and sustained to meet preparedness requirements</b>	
Target	Forces meet preparedness requirements and are available for the conduct of operations and national support tasks	
Source	2019–20 Defence Corporate Plan	Activity 3.2a
	Portfolio Budget Statements 2019–20	Programs 2.4, 2.5, 2.6, 2.7, 2.8, 2.9
Results	<b>Achieved</b>	
Analysis	<p>Defence successfully generated capabilities to meet preparedness requirements. Preparedness is managed through a classified system ensuring that preparedness settings address short-term to long-term strategic requirements and coordinating the work of Defence leaders in meeting those requirements. In the <i>2016 Defence White Paper</i> the Government directed the ADF to increase its preparedness levels by raising its overall capability and improving its sustainability on operations.</p> <p>Over the last year, Defence managed challenges to preparedness resulting from increased Defence Aid to the Civil Community through Operation BUSHFIRE ASSIST 2019–2020 and Operation COVID-19 ASSIST, and the more widespread impact of COVID-19 on Defence and our community, industry and international partners. Through this time, Defence maintained sufficient preparedness, and was able to re-role capability to provide support through all phases of the separate crises. Preparedness was enhanced ahead of the summer bushfire and cyclone season by exercising the compulsory call out of Defence Reserves. Effective preparedness management ensured that the demands of Operations BUSHFIRE ASSIST 2019–2020 and COVID-19 ASSIST had only limited impact on the requirement to be prepared for other contingencies.</p> <p>The COVID-19 pandemic has fundamentally changed Navy's operating environment. It has significantly impacted how capability is generated and has changed the operating profile for deployed units. Navy has been successful in managing the risk and, with reduced opportunity for deployed ships to undertake port visits for an operational pause, is managing fatigue and endurance closely to ensure that capability is maintained. As restrictions are relaxed, opportunities are being taken to regenerate capability.</p> <p>Army's capacity to generate land capability was demonstrated during Operation BUSHFIRE ASSIST 2019–2020, where it deployed approximately 4,500 personnel while remaining prepared for other response options. Army has remediation plans to address deficiencies, and manages operational demand in consultation with Headquarters Joint Operations Command.</p> <p>Air Force also maintained the required level of preparedness status while supporting Operation BUSHFIRE ASSIST 2019–2020 and Operation COVID-19 ASSIST. Air Force applies appropriate risk mitigation to address workforce deficiencies in Force-in-Being, Objective Force and Future Force. Air Force Capability Workforce Plans capture the Air Force workforce growth and skills required by new capabilities.</p> <p>Preparedness management enabled Defence to address challenges to the operation of the Defence enterprise relating to acquisition, sustainment and workforce. COVID-19 has posed particular risks which were, and continue to be, actively managed in concert with community, industry and international partners.</p>	

Activity	<b>3.2b Raise, train and sustain Defence capabilities through the coordination of fundamental inputs to capability</b>	
Performance criterion	<b>Joint enabling elements are generated and sustained at the required rate and standard to support the delivery of Defence capability</b>	
Target	Joint enabling elements support the delivery of Defence capability	
Source	2019–20 Defence Corporate Plan	Activity 3.2b
	Portfolio Budget Statements 2019–20	Program 2.4
Results	<b>Achieved</b>	
Analysis	<p>This performance criterion relates to activities undertaken to raise, train and sustain joint enabling elements to ensure forces are available to meet Government direction. Joint enabling elements that contributed to the achievement of this activity include the following:</p> <ul style="list-style-type: none"> <li>• The Australian Defence College contributes to joint enabling elements through the delivery of Joint Professional Military Education at the required quality standards, academic research activities, and short courses to support intellectual mastery of future warfare and maintain Defence's status as a registered training organisation. The Australian Defence College achieved its activities in the first half of the performance period despite the risk from potential impacts from COVID-19, the requirement to upgrade the infrastructure at the Australian Defence Force Academy and ongoing workforce challenges. While the Australian Defence College's activities are currently on track, they remain susceptible to these challenges.</li> <li>• Joint Logistics Command achieved its target of effectively supporting the delivery of Defence capability by developing and delivering a strong Defence Logistics Enterprise, and maintaining compliance with radiation legislation and licensing requirements. Its key reform activities—including the Defence Fuel Transformation Program, the Explosive Ordnance Logistics Reform Program and support to the Enterprise Resource Planning Program—made significant progress in improving future Defence capability requirements, and the delivery and sustainment of capability elements.</li> <li>• The Joint Military Police Unit generates a professional and focused Military Police capability that protects Defence's people, values, resources and reputation. The successful implementation of Military Police reform has enabled the Joint Military Police Unit to rapidly achieve an initial operating capability that can generate and sustain joint enabling elements at the required rate and standard to support the delivery of Defence capability.</li> <li>• The Information Warfare Division supported the delivery of Defence capability by delivering Joint Projects within the Integrated Investment Program. This included securing Government approval of JP2221 (Multi-National Information Sharing), JP9347 (Joint Data Networks), JP9102 (Defence SATCOM System), JP9141 (COMSEC Modernisation), JP9131 (Defensive Cyber Operations for Deployed Systems) and JP9321 (Joint Electronic Warfare Self-Protection Sub-program). JP2008 (SATCOM) is progressing through the new programmatic approach to a mid-2023 combined final operating capability. These capabilities will significantly increase interoperability across the Joint Force.</li> </ul>	

Activity	<b>3.3 Manage the investments required to realise the future force design through the Integrated Investment Program</b>	
Performance criterion	<b>Biannual Integrated Investment Program updates are agreed by Government</b>	
Target	The Integrated Investment Program is delivered as agreed with Government	
Source	2019–20 Defence Corporate Plan	Activity 3.3
	Portfolio Budget Statements 2019–20	Program 2.8
Results	<b>Achieved</b>	
Analysis	<p>During the reporting period, Defence continued to refine and prioritise essential changes to the Integrated Investment Program through the program's biannual updates to Government. In addition, 2019–20 was the final year of the first quadrennial Force Design cycle. This culminated in the <i>2020 Force Structure Plan</i>, which presented a substantial update to the portfolio of future investments outlined in the <i>2016 Defence White Paper</i>. Extensive analysis and experimentation underpinned the development of the Force Structure Plan, producing a portfolio of capability investments informed by and responsive to the rapidly changing strategic environment.</p>	

Activity	<b>3.4a Manage the acquisition and sustainment of Defence equipment, supplies and services to meet Government and Defence requirements</b>	
Performance criterion	<b>Assessment of acquisition projects delivery to meet Government and Defence requirements</b>	
Target	Deliver Government approved acquisition projects to budget, schedule and agreed capability scope	
Source	2019–20 Defence Corporate Plan	Activity 3.4a
	Portfolio Budget Statements 2019–20	Programs 2.5, 2.9
Results	<b>Achieved</b>	
Analysis	<p>As at 30 June 2020, the Capability Acquisition and Sustainment Group was managing 192 major and 14 minor acquisition projects at various phases in the Capability Life Cycle, worth a total life cycle cost of \$130.5 billion. The 2019–20 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, the Capability Acquisition and Sustainment Group is working with the Capability Managers to manage any impacts.</p> <p>Of the 192 Government-approved major acquisition projects, two had issues with capability, schedule or cost that were significant enough to be included in the Projects of Concern report. A further 15 projects were identified as warranting internal senior management attention, with risks associated with capability, schedule or cost. 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 2019–20, eight major and minor acquisition projects closed. The eight closed projects had a final spend over their life of \$5.6 billion against a budget of \$5.7 billion. The \$0.1 billion difference was spread across all the closed projects. Five of the projects had some variation to delivery—two in relation to the approved scope, two to the approved scope and schedule, and one to the schedule.</p> <p>Further information on acquisition projects can be found in Appendix D, 'Supplementary online material', web tables D.3 to D.5.</p>	

Activity	<b>3.4b Manage the acquisition and sustainment of Defence equipment, supplies and services to meet Government and Defence requirements</b>	
Performance criterion	<b>Progress to deliver a sustainable, sovereign shipbuilding enterprise, as detailed in the Naval Shipbuilding Plan</b>	
Target	The naval shipbuilding enterprise is designed and developed in accordance with the Naval Shipbuilding Plan and biannual updates to Government	
Source	2019–20 Defence Corporate Plan	Activity 3.4b
	Portfolio Budget Statements 2019–20	Program 2.9
Results	<b>Achieved</b>	
Analysis	<p>Defence continues to deliver on the objectives of the <i>2017 Naval Shipbuilding Plan</i>. Construction of the new Cape class and Guardian class patrol boats and Arafura class offshore patrol vessels is on track. Both the Hunter class frigate and Attack class submarine programs are progressing through their design phases. Notwithstanding some impact flowing from the COVID-19 pandemic, all capabilities are expected to be introduced into service on or close to schedule. All three Hobart class destroyers are now in service with the Royal Australian Navy, with the third and final vessel, HMAS <i>Sydney</i>, commissioned into service on 18 May 2020.</p> <p>The construction of new shipyard facilities at Osborne South is complete and the handover is underway, ahead of the commencement of Hunter class frigate prototyping at the end of 2020. Works at the new submarine construction yard at Osborne North are underway to support the Attack class submarine program entering the build phase in 2023. Defence has been consulted on and has provided input to the Strategic Infrastructure and Land Use Plan for the Henderson Maritime Precinct, which is under development by the Western Australian Government. A joint Defence and Western Australian Government taskforce will provide further strategic guidance.</p> <p>Across the National Naval Shipbuilding Enterprise there is a coordinated approach to workforce development through the implementation of initiatives to transition and grow the shipbuilding workforce. Key initiatives include the Naval Shipbuilding College's national network of education and training providers, which helps ensure a coordinated national approach to skilling.</p> <p>Defence continues to work with Government and industry partners to grow the motivated, innovative, cost-competitive and sustainable Australian industrial base envisioned in the Naval Shipbuilding Plan. Initiatives such as the pre-qualification of Australian companies and the finalisation of Australian Industry Capability Plans continue to advance. The Dassault Systèmes Virtual Shipyard Training Program is now complete. This program helped to improve the digital supply chain literacy of small to medium enterprises and improve their readiness to participate in global supply chains, including major future defence-related manufacturing opportunities.</p>	

Activity	<b>3.4c Manage the acquisition and sustainment of Defence equipment, supplies and services to meet Government and Defence requirements</b>	
Performance criterion	<b>Assessment of sustainment products delivery to meet Capability Manager requirements</b>	
Target	Deliver sustainment products to meet Capability Manager requirements	
Source	2019–20 Defence Corporate Plan	Activity 3.4c
	Portfolio Budget Statements 2019–20	Program 2.9
Results	<b>Achieved</b>	
Analysis	<p>As at 30 June 2020, the Capability Acquisition and Sustainment Group was managing 110 sustainment products with a total annual budget of \$6.7 billion. The 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 availability of sustainment products can be found in Table 3.1.</p> <p>Of the 110 sustainment products, nine have demonstrated variances in the areas of availability and cost performance that warrant senior management attention, and are being managed closely.</p> <p>Further information on sustainment products can be found in Appendix D, 'Supplementary online material', web table D.1.</p>	





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

Source	Deliverable			2018–19 Actual	2019–20 Revised estimate	2019–20 Actual
Navy	2018–19	2019–20				
Portfolio Budget Statements	17	18	Major Combatants <sup>2</sup>	3,080.0	2,833	2,736
2019–20 Program 2.5: Navy Capabilities (Unit Availability Days <sup>1</sup> )	21	21	Minor Combatants <sup>3</sup>	3,601.0	3,897	3,621
	5	4	Amphibious and Afloat Support <sup>4</sup>	1,295.0	919	924
	7	10	Maritime Teams <sup>5</sup>	2,416.0	3,637	3,637
	7	7	Hydrographic Force <sup>6</sup>	1,535.0	1,670	1,670
Navy						
Portfolio Budget Statements	24	24	MH-60R	5,380.0	4,900	4,657.3
2019–20 Program 2.5: Navy Capabilities (Flying Hours)	–	–	MRH-90 <sup>7</sup>	–	–	–
	1	1	Laser airborne depth sounder aircraft (LADS) <sup>8</sup>	1,243.0	390	390
Army						
Portfolio Budget Statements	10	10	CH-47F Chinook <sup>9</sup>	2,057.0	2,400	2,307.3
2018–19 Program 2.6: Army Capabilities (Rate of Effort—Flying Hours)	34	34	S-70A-9 Black Hawk <sup>10</sup>	3,158.0	2,500	2,055.7
	22	22	ARH Tiger <sup>11</sup>	4,205.0	4,542	3,456.4
	47	47	MRH-90 Taipan <sup>12</sup>	7,246.0	9,270	5,168.4

**Notes:**

- 1 A Unit Availability Day (UAD) 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 (FFG), Anzac class Frigates (FFH), Hobart class Air Warfare Destroyers (DDG) and Collins class Submarines (CCSM). HMAS *Melbourne* was decommissioned on 26 Oct 2019. UAD under-achievement due to maintenance and Anzac class Mid-life Capability Assurance Program (AMCAP) periods being extended.
- 3 Minor Combatants comprises Armidale class Patrol Boats (ACPB), Cape class Patrol Boats (CCPB) and Coastal Minehunters (MHC). UAD under-achievement due to emerging defects across platforms and extensions to planned maintenance periods.
- 4 Amphibious and Afloat Support comprises the Landing Ship Dock (LSD), the Landing Helicopter Dock ships (LHD), and Oil Tanker (AO). Additional UAD following support to Operation BUSHFIRE ASSIST 2019–2020.
- 5 Maritime Teams comprises Clearance Diving, Deployable Geospatial Support and Mobile Meteorological and Oceanographic (METOC) teams.
- 6 Hydrographic Force comprises the hydrographic ships, survey motor launches and meteorological and oceanographic centres.
- 7 Navy is operating MRH-90s; however, their flying hours have been included under Army Aviation, as Army is joint capability manager for the aircraft.
- 8 LADS capability was decommissioned on 6 Nov 2019.
- 9 The minor variance in Rate of Effort in 2019-20 for CH-47F can be attributed to workforce capacity limitation within the operational unit.
- 10 The minor variance in Rate of Effort in 2019-20 for S-70A-9 can be attributed to workforce capacity in 6 Avn Regt. As the aircraft approaches Planned Withdrawal Date the workforce is progressively transitioned to MRH90.
- 11 The variance in Rate of Effort in 2019-20 for ARH can be attributed to ongoing issues with supply of repairable aircraft spares, limited restrictions within the operational unit brought on by COVID-19 and a fleet wide failure of a crucial part in the Main Rotor Head of the aircraft that resulted in reduced aircraft availability.
- 12 The significant under fly of Rate of Effort in 2019-20 for MRH 90 is a result of technical issues and a poorly performing supply chain and support system limiting the availability of aircraft to the operational units

Source	Deliverable			2018–19 Actual	2019–20 Revised estimate	2019–20 Actual <sup>13</sup>
Air Force	2018–19	2019–20 <sup>14</sup>				
Portfolio Budget Statements	45	0	PC-9/A <sup>15</sup>	13,461.0	3,700.0	3,714.5
2019–20 Program 2.7	36	49	PC-21 <sup>16</sup>	3,984.0	19,626.0	12,873.1
(Flying Hours)	12	12	KA350 King Air <sup>17</sup>	5,722.0	8,300.0	4,556.0
	12	12	C-130J Hercules	7,357.0	7,800.0	6,948.1
	8	8	C-17A Globemaster III <sup>18</sup>	6,549.0	7,000.0	5,350.0
	10	10	C-27J Spartan <sup>19</sup>	2,595.0	4,000.0	3,014.0
	6	7	KC-30A MRTT	4,836.0	5,780.0	4,674.0
	2	2	737 BBJ <sup>20</sup>	1,288.0	1,400.0	995.0
	2	0	CL-604 Challenger <sup>21</sup>	1,584.4	2,000.0	116.0
	2	3	Falcon F7X <sup>22</sup>	131.0		1,102.0
	2	2	AP-3C(EW) Orion	1,751.0	700.0	540.5
	8	12	P-8A Poseidon <sup>23</sup>	4,564.0	5,400.0	4,847.5
	6	6	E-7A Wedgetail	3,199.0	3,600.0	3,254.9
	69	38	F/A-18A/B Hornet <sup>24</sup>	10,129.0	8,100.0	6,458.3
	24	24	F/A-18F Super Hornet <sup>25</sup>	3,540.0	4,050.0	3,110.0
	33	33	Hawk 127 <sup>26</sup>	5,938.0	6,500.0	4,488.1
	11	11	E/A-18G Growler <sup>27</sup>	1,654.0	2,400.0	1,675.5
	14	22	F-35A Lightning II <sup>28</sup>	2,036.0	4,564.0	3,096.8

13. Most Air Force fleet actual flying hours have been less than the Revised Estimate due to COVID-19 impacts.

14. Fleet sizes represent totals at end of FY2019-20.

15. The decrease in PC-9/A aircraft numbers reflects the phased withdrawal of the aircraft due to transition to the new PC-21 Pilot Training System. Minor variance in flying hours are due to reduced aircraft availability during fleet drawdown.

16. The increase in PC-21 aircraft numbers reflects the phased transition from the PC-9/A to the new PC-21. Increased planned PC-21 hours reflect increase in PC-21 aircraft. Variance in flying hours due to aircraft availability, COVID-19 and impacts of Operation BUSHFIRE ASSIST 2019–2020 flying operations and related weather at East Sale.

17. Variance in flying hours due to COVID-19, changes in operational tasking and reduced aircraft availability.

18. Variance in flying hours due to COVID-19 and reduction in demand to support operations.

19. Variance in flying hours due to aircraft availability issues, reduction in demand to support operations and COVID-19.

20. Variance in flying hours due to reduction in demand to support Government.

21. The decrease in CL-604 aircraft numbers reflects the phased withdrawal of the aircraft due to transition to the F7X. Variance in flying hours due to reduction in demand to support Government.

22. Variance in flying hours due to the reduction in demand to support Government.

23. Variance in flying hours due to COVID-19 and slight reduction in aircraft availability.

24. F/A-18A/B aircraft numbers are reducing due to transition from F/A-18A/B to the F-35. Variance in flying hours due mostly to COVID-19 impact on flying operations, with some attribution to aircraft availability and adverse weather conditions created by bushfire and storms.

25. Variance in flying hours due to COVID-19 and reduction in aircraft availability.

26. Variance in flying hours due to aircraft availability following a temporary suspension of operations for technical reasons.

27. Variance in flying hours due to increased simulator usage and reduction in aircraft and aircrew availability.

28. F-35A aircraft numbers are increasing as Air Force transitions from the F/A-18A/B to the F-35A. Variance in flying hours due to reduction in aircraft availability.

Source	Deliverable	2018–19 Actual	2019–20 Revised estimate	2019–20 Actual
<b>Strategic Policy and Intelligence</b>				
Portfolio Budget Statements	Maritime Safety Updates	100%	100%	100%
2019–20 Program 2.1	Charting Projects	15	12	9 <sup>29</sup>
(Hydrographic Products and Services)	Nautical Publications	30	30	30
	Survey Projects	13	13	13
	Australian Hydrographic Office Availability	247	249	249

29. In FY 2019–20, nine charting projects were completed, with a further five projects reaching 95 per cent completion.



Activity	<b>3.5a Deliver science and technology research and development to enhance Defence capability</b>	
Performance criterion	<b>Science and technology research supports Defence operations, sustainment and enhancement of current capability, and the development and acquisition of future capability</b>	
Target	The balance of investments in science and technology activities are delivering outcomes in line with agreed Capability Manager priorities	
Source	2019–20 Defence Corporate Plan	Activity 3.5a
	Portfolio Budget Statements 2019–20	Program 2.13
Results	<b>Achieved</b>	
Analysis	<p>Specialist technical support was provided to Operation RENDER SAFE, Operation RESOLUTE and Operation BUSHFIRE ASSIST 2019–2020. Support to Operation COVID-19 ASSIST is ongoing. It includes diagnostic platform development, virus survivability and fate research, pandemic modelling, trials of a potential COVID-19 prophylactic, production of personal protective equipment, and ventilator repurposing.</p> <p>The annual Defence science and technology investment process ensures that research activities are aligned with Defence strategic guidance and Capability Manager priorities.</p> <p>Science and technology support was provided for the acquisition of the future submarine and Hunter class frigate. Studies of human systems integration and combat system architecture were completed for the Integrated Ship System enterprise. As part of an Australia–US armaments cooperative program for the Mk 48 torpedo and AN/BYG-1 combat system, Defence and its US counterparts created an at-sea-ready reduced space, weight and power prototype of the jointly developed Submarine Combat Control System.</p> <p>Support for land vehicle modernisation is ongoing, with robotic vehicle trials completed in August 2019. The success of the TORVICE Trial 3 collaboration resulted in the development of a second series of experiments under a new agreement endorsed by Australia and the US. Defence was also involved in international trials focused on novel threat agent characterisation, leading to greater understanding of the hazards around toxic aerosol challenges.</p> <p>Specialist support to aerospace capabilities has also continued. Monitoring of the Super Hornet cockpit environment has led to safe operation of the ejection seat. The US is now taking the Australian data and using it to reduce the maintenance burden while retaining the same high level of safety. The sensors are also being placed in Australian F-35 cockpits.</p> <p>Defence modelling and verification activities have enabled the life of ballistic armour stocks for the Armed Reconnaissance Helicopter to be extended. This is estimated to have saved around \$4.5 million over the life of the platform.</p> <p>A range of science and technology support was provided for the development of the <i>2020 Force Structure Plan</i>. This included developing a portfolio optimisation tool used to automate the programming of capability options. Other outcomes include the demonstration and deployment of prototype automated cloud-hosted development operations infrastructure to leverage rapidly developing technology.</p> <p>Enhanced sovereign capabilities in the areas of network operations, analytical capabilities and sensing and collecting were delivered during the reporting period, in addition to technical intelligence and analytical capabilities to improve indication and warning times for Defence.</p> <p>Science and technology support was also provided for broader national security support tasks. This included technical support to the Australian Federal Police for explosive forensic and search capabilities, advice on facial recognition capabilities for border management at Australian airports, and development of the Emergency Response Decision Support System. Defence was also closely involved in developing the National Security Science and Technology Strategy.</p>	

Activity	<b>3.5b Deliver science and technology research and development to enhance Defence capability</b>	
Performance criterion	<b>Defence capability is enhanced by outreach and partnerships with the broader community, including publicly funded research agencies, academia, industry and allied international research agencies</b>	
Target	Collaboration and outreach activities are delivering Defence capability in line with agreed Defence priorities	
Source	2019–20 Defence Corporate Plan	Activity 3.5b
	Portfolio Budget Statements 2019–20	Program 2.13
Results	<b>Achieved</b>	
Analysis	<p>Science and technology partnerships are integral to providing the capability necessary to deliver innovative solutions for Defence and national security.</p> <p>Defence's response to COVID-19 was enhanced by information available through the rapidly established Five Nation Research and Development Council. This was supplemented by leveraging other links, such as CSIRO's involvement in the Biosafety Level 4 Zoonotic Laboratory Network.</p> <p>During the reporting period, Defence engagement with industry, academia and publicly funded research agencies increased. This was facilitated by 607 agreements established during the period, representing a 15 per cent increase from the previous financial year.</p> <p>Defence's academic partnerships have been expanded to include all 37 public Australian universities under the new Defence Science Partnerships framework implemented in April 2020. Theme-based research networks have also been established with academia to increase collaboration and sovereign capability.</p> <p>The Defence Science and Technology Group is trialling for Defence a new security framework to safeguard sensitive technologies and capabilities associated with collaborative research activities. The security framework will help ensure that technology advantages being developed for Defence are not compromised or lost to competitors and adversaries.</p> <p>A new strategic relationship has been agreed with CSIRO, and Defence's engagement with industry continues to progress through the strategic alliance partnerships. A new governance framework for technology transfer activities has been developed, with over 135 instances of intellectual property evaluated for potential transfer to industry.</p> <p>The Defence Science and Technology Implementing Arrangement with India was ratified in June 2020 as part of the Australia–India Comprehensive Strategic Partnership. Partnerships with the United States, United Kingdom, Japan, Republic of Korea, Singapore and France were also advanced during the reporting period.</p> <p>Defence has developed a STEM Outreach and Engagement Plan, with implementation expected to commence towards the end of 2020. The plan builds on the Defence STEM Workforce Strategic Vision and provides a roadmap for developing our STEM workforce pipeline.</p> <p>With the launch of <i>More, Together: Defence Science and Technology Strategy 2030</i> in May 2020, Defence is transforming the way it partners with the national science and technology enterprise. Potential partners are being engaged from the outset to ensure early buy-in, remove disconnects in innovation pathways and shorten the time it takes to translate research into Defence capability.</p> <p>Specific partnering initiatives are being developed to shape the national science and technology enterprise. This includes growing national capabilities in critical areas of science and technology, leveraging research networks and encouraging multi-party collaboration.</p>	

**Intended Result 4: Strategy, capability, workforce and resources are balanced and aligned through One Defence systems, enabling Defence to anticipate, adapt and respond to changing priorities.**

Building on the foundation of the First Principles Review, the initial stage of a continuous reform and improvement agenda was implemented through Defence 2022—Embedding One Defence. The Defence 2022 program is strengthening our strategic centre to ensure Defence is capable of delivering on its objectives and outcomes effectively and efficiently with a continued focus on workforce reform, business transformation, integrated service delivery and support to Australian defence industry.

In 2019–20 key workforce achievements included identifying workforce capability requirements to inform the *2020 Force Structure Plan*. This in turn required consideration of workforce requirements, which has commenced with a review of the Defence Strategic Workforce Plan that is expected to be completed in 2021.

In our service delivery reform space several key integration initiatives and Service Delivery Framework milestones were completed, including streamlining on-boarding and off-boarding processes, reducing the number of forms used to do business, and increasing the use of digital workflows. Work continues in this area, as several milestones require further time to implement.

Business transformation continued as processes were streamlined and improved in advance of the implementation of the Enterprise Resource Planning (ERP) program. Release 1A of the ERP has undertaken design work during 2019–20 to establish a new protected cloud environment, a new chart of accounts to support finance reform, a new set of master data management capabilities, and a finance structure and human resources organisation structure. These initiatives place Defence in good stead to achieve organisational transformation in the coming years.

Defence’s enterprise reform agenda has an overarching focus on supporting the implementation of its strategy and the delivery of capability. The detail of the reform program will continue to evolve. Work has commenced to determine the reforms necessary to deliver the outcomes required by the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, including improving Defence’s accountability and reporting frameworks. This will further strengthen the strategic centre to achieve a higher level of organisational performance, agility and integration.

Activity	4.1a Deliver integrated, secure and fit-for-purpose enabling services	
Performance criterion	The delivery of services by enabling Groups is progressively integrated	
Target	Services are delivered in accordance with agreed measures	
Source	2019–20 Defence Corporate Plan	Activity 4.1a
	Portfolio Budget Statements 2019–20	Programs 2.2, 2.3, 2.10, 2.11
Results	Partially achieved	
Analysis	A sustained focus on improving the service delivery experience of Defence personnel and greater collaboration in service design is continuing to evolve Defence’s service delivery framework. Integrated Service Delivery aims to reduce complexity for staff within the organisation through a more connected service delivery system, improving the efficiency and effectiveness of the services that Defence delivers.	
	Defence has made progress towards aligning enabling capabilities to the Service Delivery Framework. Key milestones for 2019–20 were achieved, such as commencing an ICT Service Desk continuous improvement program, progressing process improvement, and establishing customer engagement forums. However, some milestones were not achieved, such as endorsement of a single service delivery brand and 30 per cent reduction in ICT procurement processing times. These milestones will be achieved next financial year.	



	<p>Achievements include:</p> <ul style="list-style-type: none"> <li>• co-locating enabling services in service hubs at bases throughout Australia. This initiative is delivering positive results and continues to expand, with 46 service hubs established by 30 June 2020</li> <li>• launching an improved, simpler and more modern Defence Intranet home page</li> <li>• enabling single sign-on functionality for Defence credit card acquittal</li> <li>• reducing by 21 per cent the total number of forms needed to do business, and transitioning into use of digital workflows</li> <li>• simplifying and aligning processes for new and departing employees.</li> </ul>	
Activity	4.1b Deliver integrated, secure and fit-for-purpose enabling services	
Performance criterion	The management and sustainment of the Estate meets the requirements of the Capability Managers	
Target	The Defence Estate Strategy implementation plan is delivered as agreed	
Source	2019–20 Defence Corporate Plan	Activity 4.1b
	Portfolio Budget Statements 2019–20	Program 2.10
Results	Achieved	
Analysis	<p>Implementation of the 2016–36 Defence Estate Strategy is in its fourth year, with Defence remaining on track to deliver the 2016–21 Defence Estate Strategy Implementation Plan.</p> <p>Defence estate investment, divestment and acquisition programs are being delivered to align the estate to support current and future Defence capability requirements. Approved Facilities and Infrastructure Project expenditure by state/territory and federal electorate for 2019–20 can be found at Web Table D.9.</p> <p>Development of the Defence Estate Asset Management Framework and the Estate Engineering, Governance and Integrity System has progressed to the implementation stage. When mature, 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.</p> <p>Defence continued to undertake environmental management to support capability, particularly in remediation and decontamination. The third year of the Regional Contamination Investigation Program 2017–2020 is in delivery. Unexploded Ordnance and Exploded Ordnance waste demilitarisation and clearance works continue on priority training areas to support estate development. To increase the efficiency of construction project delivery, Construction Environmental Management Plan reforms are progressing to streamline consideration of environmental matters for capability facilities projects.</p> <p>The Local Industry Capability Plan initiative seeks to maximise the opportunities for local businesses to be involved in Defence's capital facilities and infrastructure projects. Work has commenced on further initiatives to support this activity.</p> <p>Defence is ensuring that infrastructure projects being delivered by Australia support our international partners and meet our bilaterally agreed outcomes. To support these initiatives, Defence has acquired additional land around the Shoalwater Bay Training Area. The expansion of this training area will enhance the training environment for Defence and international personnel.</p>	

Activity	<b>4.1c Deliver integrated, secure and fit-for-purpose enabling services</b>	
Performance criterion	<b>Defence's strategic centre sets priorities, manages resources and steers the organisation to implement Government policy and legislative requirements</b>	
Target	Defence senior committees and accountable officers undertake informed decision-making to ensure strategy, capability and resources are aligned to highest priorities	
Source	2019–20 Defence Corporate Plan	Activity 4.1c
	Portfolio Budget Statements 2019–20	Program 2.2
Results	<b>Achieved</b>	
Analysis	<p>The Enterprise Committee Governance Framework matured through 2019–20 with further work undertaken to improve and refine processes related to the effective functioning of the committees. Improvements included standardising templates, updating guidance and charters, and streamlining meeting outcomes.</p> <p>There were 83 enterprise committee meetings in 2019–20. These committees were used by the strategic centre to set priorities, manage resources and steer the organisation. For example, the enterprise committee framework was used to progress, prioritise and finalise decisions on changes to Defence strategy and capability in developing the <i>2020 Defence Strategic Update</i> and <i>2020 Force Structure Plan</i>.</p>	

Activity	<b>4.1d Deliver integrated, secure and fit-for-purpose enabling services</b>	
Performance criterion	<b>Quality and timeliness of financial advice to the Minister, the Secretary and Chief of the Defence Force</b>	
Target	Financial advice meets the Minister, Secretary and Chief of the Defence Force's requirements	
Source	2019–20 Defence Corporate Plan	Activity 4.1d
	Portfolio Budget Statements 2019–20	Program 2.3
Results	<b>Achieved</b>	
Analysis	<p>Defence provided professional and timely strategic advice to the Minister for Defence, the Secretary and the Chief of the Defence Force. This included:</p> <ul style="list-style-type: none"> <li>• ministerial and Cabinet submissions</li> <li>• responses to parliamentary questions on notice</li> <li>• support to Senate Estimates and other public accountability activities</li> <li>• internal reporting and briefings.</li> </ul> <p>Defence provided financial information and advice based on an understanding of the underlying cost drivers of the business. 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.</p>	

Activity	4.1e Deliver integrated, secure and fit-for-purpose enabling services	
Performance criterion	Production of Defence's Budget and annual Financial Statements	
Target	Defence meets legislated financial requirements and timeframes	
Source	2019–20 Defence Corporate Plan	Activity 4.1e
	Portfolio Budget Statements 2019–20	Program 2.3
Results	Achieved	
Analysis	<p>Defence met the agreed statutory time frames for producing its 2019–20 budget deliverables, including:</p> <ul style="list-style-type: none"> <li>• the Defence Portfolio Budget Submission</li> <li>• the Defence Portfolio Budget Statements</li> <li>• the Defence Portfolio Additional Estimates Statements</li> <li>• input to the Commonwealth Budget Management System.</li> </ul> <p>Defence produced audited Defence Financial Statements for publication in this Annual Report. The Australian National Audit Office determined that the Defence Financial Statements:</p> <ul style="list-style-type: none"> <li>• complied with the Australian Accounting Standards—Reduced Disclosure Requirements and the <i>Public Governance, Performance and Accountability (Financial Reporting) Rule 2015</i></li> <li>• presented fairly the financial position of Defence as at 30 June 2020 and its financial performance and cash flow for the year.</li> </ul>	



Australian Army soldier Trooper Trish Nguyen stands at attention alongside Army and Air Force colleagues while conducting quarantine compliance management at a hotel near Sydney Harbour.

Activity	<b>4.2a Resource, implement and review Defence's reform programs</b>	
Performance criterion	<b>Agreed reform programs, including legal services, enterprise resource management, security services, information management and strategic communications, are progressed as planned</b>	
Target	Reform implementation plan milestones are met	
Source	2019–20 Defence Corporate Plan	Activity 4.2a
	Portfolio Budget Statements 2019–20	Program 2.2
Results	<b>Achieved</b>	
Analysis	<p>The Defence 2022 program is strengthening Defence's strategic centre to ensure that we are capable of delivering on our objectives and outcomes effectively and efficiently, with a continued focus on workforce reform, business transformation, integrated service delivery and support to Australian defence industry.</p> <p>Defence progressed agreed reforms as planned in 2019–20. These enterprise-level reforms build on the foundational reforms of the First Principles Review, which created a more efficient and integrated One Defence organisation with strong leadership and accountability.</p>	
	<p><b>Legal services</b></p> <p>Defence continued to deliver high-quality legal services across its complex and diverse operating environment through a more integrated legal service that includes a joint military law capability. Following the black summer of 2020 and the COVID-19 pandemic, Defence Legal Division has progressed reforms to the <i>Defence Act 1903</i> to enhance Defence's response to natural disasters and emergencies. Defence Legal Division continues to identify legal reforms to better enable Defence's response to current and emerging strategic challenges.</p>	
	<p><b>Enterprise resource management</b></p> <p>Defence's Enterprise Resource Planning Program achieved its target milestones in the reporting period. Release 1A design has been undertaken during 2019–20. Release 1A initiatives include establishing a new protected cloud environment, a new chart of accounts to support finance reform, a new set of master data management capabilities, and a finance structure and human resources organisation structure.</p>	
	<p><b>Security services</b></p> <p>Defence progressed work to transform its security business processes to deliver greater assurance and timeliness of security vetting services for Defence, industry and the whole-of-government workforce. Defence also worked with industry in growing the Defence Industry Security Program to provide industry with more opportunities to work with Defence and easier access to Defence security services.</p>	
	<p><b>Information management</b></p> <p>The Enterprise Information Management Centre of Expertise is working to deliver the essential governance, standards and change management needed to transform how Defence information is managed.</p>	
	<p><b>Strategic communications</b></p> <p>The reform of Defence's media and communications function saw the introduction of a shared service model operating under a strategic centre. The reform is now embedded across Defence and has generated a number of efficiencies that have strengthened support to ministers, shortened response times for media enquiries and improved the management of communication resources. Defence is focused on continual improvement of this function and has published a communication strategy that better aligns communication with organisational objectives, and provides a coherent narrative to reinforce Defence's strategic priorities.</p>	

Activity	4.2b Resource, implement and review Defence's reform programs	
Performance criterion	Implementation of the six key cultural priorities	
Target	Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22 strategy	
Source	2019–20 Defence Corporate Plan	Activity 4.2b
	Portfolio Budget Statements 2019–20	Program 2.2
Results	Partially achieved	
Analysis	<p>Defence's focus has remained on reforming, refining and reinforcing culture through the six key cultural reform priorities of Pathway to Change: Evolving Defence Culture 2017–2022:</p> <ul style="list-style-type: none"> <li>• Leadership accountability</li> <li>• Capability through inclusion</li> <li>• Ethics and workplace behaviours</li> <li>• Health, wellness and safety</li> <li>• Workplace agility and flexibility</li> <li>• Leading and developing integrated teams.</li> </ul> <p>In 2019–20, a review of Defence's cultural reform initiatives confirmed that there has been progress against each of the six priorities, both within Groups and Services and at the enterprise level. Groups and Services are leveraging enterprise-level initiatives for their local environment, with the majority capturing their efforts in a cultural plan. The cultural programs of the three Services are well established:</p> <ul style="list-style-type: none"> <li>• Navy—Next Generation Navy</li> <li>• Army—Good Soldiering</li> <li>• Air Force—New Horizon.</li> </ul> <p>Cultural reform progress is measured through a number of internal surveys, which capture organisational climate indicators and the workforce's shared experience of the One Defence Leadership Behaviours. Defence's organisational climate indicators are overall positive, with employees and personnel indicating moderate workplace morale, very high team productivity and high workplace engagement in 2019. Survey data from 2019 also indicates that the One Defence Leadership Behaviours are being positively demonstrated in the workplace.</p> <p>Implementation of the six key cultural reform priorities for 2019–20 is assessed as partially complete, as expected in the third year of a five-year plan. The development of a measurement framework (underway) will further support our efforts to monitor achievement of the activity target over the remaining two years.</p>	

Activity	<b>4.3a Develop and support the Defence workforce to enable required capability</b>	
Performance criterion	<b>Defence's workforce has the agility and skills to meet current and future demand to deliver capability</b>	
Target	Milestones within the Defence Strategic Workforce Plan and Total Workforce Model are implemented and critical skillset levels achieved	
Source	2019–20 Defence Corporate Plan	Activity 4.3a
	Portfolio Budget Statements 2019–20	Program 2.12
Results	<b>Partially achieved</b>	
Analysis	<p>The Defence Strategic Workforce Plan is reviewed annually for achievement against milestones and to ensure alignment with Defence planning guidance. This review also includes a refreshed environmental scan of influences on the Defence workforce. The 2020 assessment of progress against Defence Strategic Workforce Plan milestones indicated that Defence continued to maintain momentum in most areas of the workforce system, while also identifying actions to achieve the required reform, reshaping and rebalancing of the workforce.</p> <p>The partially achieved result for this activity pertains to the continuing workforce pressures in critical categories such as cyber, intelligence, engineering, health and information and communication specialists, as Defence grows its demand in these occupations.</p> <p>Defence will continue to build its capacity to identify future skills requirements, which is critical to acquiring and developing the workforce required to deliver and operate new capabilities and technologies. The Job Family renewal project was successfully implemented and a related body of work is now underway to enhance the assessment of critical occupations within Job Families. A program of work to better capture the skills and expertise Defence has across a large and diverse workforce is another area of focus.</p> <p>We continue to pursue a capable, agile and resilient workforce that will deliver Defence outcomes in a dynamic strategic environment. Strategic workforce planning has been a significant body of work throughout the year to inform the force structure planning process. The future workforce requirements established through that process will inform a comprehensive update of the Defence Strategic Workforce Plan that commenced during the reporting period and is expected to be released in the latter part of 2021.</p>	



Navy's MRH-90 Taipan helicopters based at HMAS Albatross in Nowra evacuated residents from Fishermans Paradise and North Sassafras on the South Coast, New South Wales on 21 December 2019.



Activity	<b>4.3b Develop and support the Defence workforce to enable required capability</b>	
Performance criterion	<b>The workforce is safe and supported</b>	
Target	Defence is compliant with Work Health and Safety legislation, regulations and standards to ensure the wellbeing of its workforce and members of the broader Australian community	
Source	2019–20 Defence Corporate Plan	Activity 4.3b
	Portfolio Budget Statements 2019–20	Program 2.12
Results	<b>Partially achieved</b>	
Analysis	<p>Defence remains committed to providing a compliant work health and safety environment to ensure the wellbeing of the Defence workforce and the broader Australian community.</p> <p>The number of notifiable incidents per 1,000 Defence personnel reduced from 4.0 in 2018–19 to 3.8 in 2019–20.</p> <p>Defence also saw a slight improvement in notifications to Comcare. In 2019–20, 64 per cent of initial notifications to Comcare were made within 24 hours of the incident occurring, up from 63 per cent in 2018–19. Written notification time frames also improved, with 57 per cent of notifiable incidents in 2019–20 being reported to Comcare within 48 hours, compared to 54 per cent in 2018–19. To further improve our notification time frames we are streamlining our processes, designing communication campaigns and improving supporting ICT platforms.</p> <p>The partially achieved result for this activity reflects the ambition of our target, which is to continuously strive towards zero injuries or illnesses while also satisfying legislative requirements. Any injuries to our people are unacceptable. However, injuries are likely to occur due to the nature of Defence's business. This means we need to make our safety culture the highest priority.</p> <p>Defence has increased its involvement in innovative mental health initiatives, including the Comcare lead indicators program and the Australian Public Service (APS) Mental Health Capability Taskforce initiatives.</p> <p>To support the health and safety of personnel, the New Starters Program has been extended to the broader Defence organisation, including ADF members and the families of APS employees.</p>	

Activity	<b>4.3c Develop and support the Defence workforce to enable required capability</b>	
Performance criterion	<b>Appropriate support and services are provided to Defence people and their families</b>	
Target	Delivery meets appropriate standards, including welfare support, transition services and health services	
Source	2019–20 Defence Corporate Plan	Activity 4.3c
	Portfolio Budget Statements 2019–20	Programs 2.12, 2.4
Results	<b>Achieved</b>	
Analysis	<p>Defence delivers a range of support services and measures of practical assistance to members and their families. These are across the themed areas of mobility and absence from home support, support during critical incidents, support to commanders managing their people, and transition support.</p> <p>A number of mobility support related programs and services are available, including the Partner Employment Assistance Program; the Defence Childcare Program; the Dependents With Special Needs Program; resilience programs, including the SMART suite of programs for Defence families; the Education Assistance Scheme; and regular engagement with families.</p>	

In 2019–20 Defence provided 310 ADF partners with employment-related support through the Partner Employment Assistance Program. This includes 26 partners who were able to access support due to expanded eligibility criteria in response to the COVID-19 health crisis.

Defence has 16 childcare centres and three out-of-school-hours care centres across Australia, each providing priority access to ADF families. As of 30 June 2020, 859 children from 679 ADF families were enrolled in Defence childcare centres.

The Defence School Mentor Program provides annual funding and governance support to schools to employ Defence School Mentors to help ADF children to integrate and be actively involved in their school community, improve resilience, strengthen relationships and improve or maintain overall wellbeing. In 2019–20, a total of 248 schools received support under the program.

The Family Support Funding Program provides grant funding and governance support to community organisations that deliver support programs and services to Defence families and the communities in which they live. In 2019–20, 48 not-for-profit community organisations received grant funds under the program.

A total of 950 applications for the Education Assistance Scheme were processed in 2019–20.

The Community Support Coordinator Program provides funding and governance support to Defence community groups to manage the operations of community centres. In 2019–20, 35 Defence community support coordinators were engaged through the program. Defence community centres provide opportunities for Defence members and their families to engage with their local communities, foster friendships, support wellbeing and provide access to information on managing the demands of military life.

Defence also offers assessment, crisis intervention and brief counselling services, and provides referrals to outside services. Services are available 24/7 through the Defence Family Helpline and are complemented by regionally based staff.

Defence also provides individualised, needs-based support to ADF members and their families as they transition from permanent service to civilian life under the Defence Force Transition Program. Defence supported the transition of 5,982 members and their families in 2019–20.

Activity	<b>4.4a Deliver on the outcomes of its administered programs</b>	
Performance criterion	<b>Timely and accurate administration of the Administered Programs</b>	
Target	Administration meets agreed requirements	
Source	2019–20 Defence Corporate Plan	Activity 4.4a
	Portfolio Budget Statements 2019–20	Program 2.14, 2.15, 2.17
Results	<b>Achieved</b>	
Analysis	The determination of the nominal interest transactions for Defence Forces Retirement Benefits, Defence Force Retirement and Death Benefits and the Military Superannuation and Benefits Scheme were correctly made and recorded in compliance with the monthly financial reporting timetable set by Defence.	
	'Other Administered' transactions 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.	

<b>Activity</b>	<b>4.4b Deliver on the outcomes of its administered programs</b>	
<b>Performance criterion</b>	<b>Eligible ADF members continue to access the scheme</b>	
<b>Target</b>	The scheme is consistently identified in surveys as a contributor to the retention of ADF personnel	
<b>Source</b>	2019–20 Defence Corporate Plan	Activity 4.4b
	Portfolio Budget Statements 2019–20	Program 2.16
<b>Results</b>	<b>Achieved</b>	
<b>Analysis</b>	<p>Australian Defence Force members have consistently identified in surveys that the Defence Home Ownership Assistance Scheme is a key factor influencing them to remain serving. Interest in the scheme remained positive throughout 2019–20. The bushfires and COVID-19 had a negligible impact on numbers, which remained consistent with previous reporting periods.</p> <p>During 2019–20 the Department of Veterans' Affairs processed 5,967 Defence Home Ownership Assistance Scheme applications, and 3,273 Defence Home Ownership Assistance Scheme subsidy payments commenced.</p>	

## Changes to performance criteria for the 2020-21 Annual Performance Statements

Defence has reviewed performance criteria for clarity, reduced duplication and ensured appropriateness to its Purpose during preparation of the 2020-24 Defence Corporate Plan. This has resulted in reducing the number of performance criteria from 28 to 21 for the 2020-21 Annual Performance Statements.

The following performance criteria will remain the same in the next reporting period: 2.1, 2.2, 2.3, 2.4, 3.1a, 3.1b, 3.2a, 3.2b, 3.4b, 4.2a, 4.3b, 4.3c, 4.4a and 4.4b.

The following performance criteria have been merged to reduce duplication;

- 1.1 and 1.2 (consolidated Operations and national support tasks)
- 3.3, 3.4a and 3.4c (consolidated acquisition and sustainment activities)
- 3.5a and 3.5b (consolidated science and technology activities)
- 4.1a, 4.1b and 4.1c (consolidated integrated service delivery activities)
- 4.1d and 4.1e (consolidated financial management activities)
- 4.2b and 4.3a (consolidated workforce capability building and cultural reform activities)

Defence has also added a new performance criteria; "Appropriate support and services are provided to Defence Families."



Air Force air liaison officers Flight Lieutenant Mike Holding (left) and Flight Lieutenant Joal McCutchen conduct planning at Keswick Barracks.

## Operation COVID-19 ASSIST

**The COVID-19 pandemic presented extraordinary challenges for Defence in terms of both supporting the whole-of-government response and maintaining the continuity of our operations.**

At the peak of the pandemic in March and April 2020, more than 2,200 personnel supported the state and territory authorities as part of Operation COVID-19 ASSIST, in line with Defence's mission to 'defend Australia and its national interests'.

The organisation deployed to all states and territories while managing the complexities of physical distancing, border closures, and enabling more employees to work from home. All Groups and Services rose to the challenges together and supported the Government's response to COVID-19.

Defence rapidly embraced the changes to the workplace to protect our personnel and their families from the risks of transmission. We successfully provided remote ICT capabilities to much of the workforce as personnel moved to working from home, and distributed essential information on security, work health and safety, and mandatory quarantine leave.

More than anything else, the crisis demonstrated Defence's ability to deliver significant outcomes for the Australian Government and the Australian people and respond to diverse situations in an agile and coordinated manner.

The Defence COVID-19 Strategy articulated four lines of effort to enable the Australian Government to protect Australians and secure Australia's national interests as the pandemic evolved:

- Safeguard national security
- Support public health
- Support the economy
- Support the near region.

On 9 March 2020, Defence established its COVID-19 Taskforce, led by Lieutenant General John Frewen DSC AM. Lieutenant General Frewen was supported by the First Assistant Secretary Governance and Reform, Megan Lees. This leadership combination embodied the collaborative, integrated relationship between Defence's Australian Public Service (APS) workforce and the Australian Defence Force (ADF)—a partnership that made Defence uniquely



Australian Army soldier Craftsman Jayden Middenway holds one of the face shield frame components manufactured by members of the 20th Regiment, Royal Australian Artillery.

able to coordinate the operational and policy aspects of its response.

The COVID-19 Taskforce was established to coordinate Defence's contribution to the whole-of-government response, ensure departmental resilience and support Defence capabilities with advice, policy initiatives and communications so that our business could continue in a rapidly changing situation.

The health and wellbeing of our personnel was the highest priority, to ensure that we could continue to provide essential Defence capability throughout the developing crisis.

### **Safeguarding national security— Operation COVID-19 ASSIST**

Operation COVID-19 ASSIST was established on 1 April 2020. Led by Major General Paul Kenny DSC DSM, it was an operation built on partnership as the ADF supported the Commonwealth, state and territory governments to protect public health.

ADF members and Defence civilians were deployed across Australia on a range of tasks, including:

- repatriating Australian citizens from overseas
- planning support and liaison roles

- ensuring quarantine compliance with local law enforcement agencies
- providing frontline medical assistance
- supporting the defence industry
- assisting Australia's partners in the Indo-Pacific.

Defence found ways to support the national effort in ways it had never done before. For example, we provided customised support to Tasmania, where Defence personnel reopened and operated the emergency department at North West Regional Hospital, whose staff were sent home for two weeks quarantine following an outbreak of COVID-19. This deployment was crucial to maintaining critical health services in Tasmania.

As the response to COVID-19 in Australia progressed, Defence personnel assisted health authorities to undertake frontline medical testing across Australia. We provided planning assistance, medical personnel and support personnel to testing centres across Melbourne, New South Wales and Queensland. Defence personnel acted in concert with the rapid whole-of-government measures to control the virus across Australia, providing flexible and willing support where needed.



Royal Australian Navy officer Lieutenant Jessica Kuk at the NSW Health COVID-19 contact tracing centre.





Australian Army soldier Lance Bombardier Brock Rawson working on COVID-19 contact tracing. Australian Defence Force contact tracing teams work with authorities in states and territories to help track and understand the spread of COVID-19 in the community.

### Supporting public health—pandemic health policy

Joint Health Command led Defence's COVID-19 health response. Headed by Rear Admiral Sarah Sharkey, Commander Joint Health and Surgeon General of the Australian Defence Force, it became the central point for health information within Defence, providing expert policy advice and guidance for the wider organisation.

This included:

- establishing a COVID-19 Operations Cell within Joint Health Command to coordinate the policy effects of the pandemic
- ensuring the ADF had access to the latest medical and policy advice from the Australian Health Protection Principal Committee and a clear view of how the broader healthcare sector was responding
- establishing 29 COVID-19 assessment stations at bases across Australia
- assessing the health risks and communicating them to commanders and leaders to help minimise COVID-19 transmission risks
- rapidly actioning health policy to ensure the organisation aligned with the whole-of-government response
- prioritising services to optimise on-base health care and minimise the impact on the civilian health sector

- providing subject matter expertise and staff support to other government agencies, including the National Incident Room
- conducting COVID-19 tests on 5,867 uniformed personnel as at 21 June 2020—processing 460 tests per day at the peak of the pandemic.

The efforts of Joint Health Command minimised the impacts of COVID-19 on Defence and ensured that Defence personnel remained job ready.

### Supporting critical health research—Rapid Response Group

At the request of the Minister for Industry, Science and Technology in response to concerns about Australia's supply of invasive ventilators, the Chief Defence Scientist, Professor Tanya Monro, formed a Rapid Response Group to research possible methods of repurposing non-invasive ventilators to perform as invasive ventilators.

The Rapid Response Group consisted of Commonwealth, state and territory representatives, as well as key industry and university experts.

Defence scientists and engineers quickly pivoted from developing military hardware to designing precision medical equipment and learning about ventilator operation and oxygen requirements for critical COVID-19 patients.





The Secretary of the Department of Social Services, Kathryn Campbell AO CSC (left); the Deputy Secretary of Defence People Group, Justine Greig (centre); and the Commander of the Defence COVID-19 Taskforce, Lieutenant General John Frewen DSC AM meeting Defence civilians redeployed to Services Australia in Canberra.

They developed a conversion system—the first of its kind—that can be installed on the two most popular non-invasive ventilators in Australia to allow for a controlled amount of oxygen to be delivered to an intubated patient.

Defence also contributed its scientific expertise to a number of national efforts to research the SARS-CoV-2 (COVID-19) virus and how to mitigate it.

Defence was involved in pandemic modelling to investigate the effectiveness of physical distancing measures and the influence of environmental factors. The results were provided to the Australian Health Protection Principal Committee.

In collaboration with CSIRO and members of the Five Nation Research and Development Council, Defence investigated how the COVID-19 virus survived on various surfaces such as metal, glass, plastic and banknotes.

Also in partnership with CSIRO, Defence began work with two Australian companies on the development and manufacture of a rapid point-of-care diagnostic device. This device, which is the size of a shoebox, could allow people to be tested for the virus in their own homes.

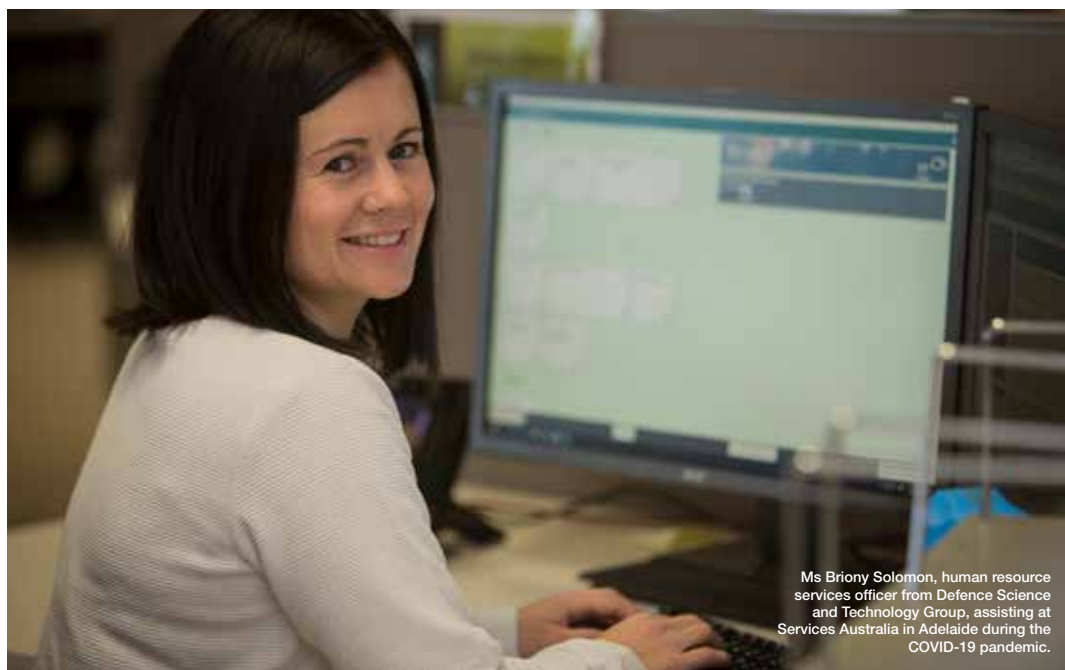
## Supporting the economy — Defence industry

The COVID-19 pandemic demonstrated a true partnership between government and industry. Defence industry worked extremely hard to keep businesses operating safely and continued to invest in and deliver capability to Defence. In turn, Defence invested in industry, maintaining cash flow in the economy and supporting business growth by linking companies with opportunities across Australia.

The Minister for Defence and the Minister for Defence Industry spoke regularly to chief executives, defence industry bodies, and state and territory defence advocates. The Defence COVID-19 Taskforce Industry Support Cell provided a single contact point for defence industry to engage on a range of issues, from cross-border-restrictions to airfreight delays.

Defence was an exemplar in accelerating the payment of supplier invoices, fast-tracking more than \$8 billion to help mitigate the impacts of COVID-19. We also released \$870 million of estate works to the market early to open up new jobs and business opportunities, providing a steady pipeline of work for thousands of Australians during the pandemic recovery phase.

Industry and Defence will continue to work together to strengthen Australia's sovereign



Ms Briony Solomon, human resource services officer from Defence Science and Technology Group, assisting at Services Australia in Adelaide during the COVID-19 pandemic.

defence industrial and manufacturing base to meet the challenges of the changing strategic environment.

<https://www.defence.gov.au/covid-19/>

<https://www.defence.gov.au/covid-19/defence-industry/>

### Contact tracing

Small teams of ADF personnel performed critical roles supporting contact tracing teams around Australia.

Full-time and Reserve members were embedded with local health agencies to trace potential paths of infection from confirmed COVID-19 cases. Members with medical and planning backgrounds made particularly effective contributions in the initial stages of establishing contact-tracing operations.

Members without previous specialist skills in the area quickly learned how to interview members of the public about their travel histories, their interactions with other people and the potential symptoms they were experiencing.

This ADF assistance allowed local health agencies to identify thousands of cases of

COVID-19 and helped Australians to access tens of thousands of coronavirus tests.

### Defence civilians at Services Australia

Defence APS personnel volunteered for redeployment to assist with critical whole-of-government priorities during the pandemic. More than 200 deployed to Services Australia—most based in Canberra and a small number in Melbourne, Brisbane and Adelaide.

After training by Services Australia, these Defence personnel worked on critical tasks such as processing income support payments for the many Australians who were losing their jobs because of the pandemic. Many took on roles in a call centre environment, speaking with customers over the phone and processing their JobSeeker claims.

This exposure to a social policy agency, outside their regular environment, was a valuable experience for Defence personnel. Many reported back that it was very rewarding to be able to assist someone in the community directly, particularly to process critical payments.

Corporal Brodie McIntyre, a Military Working Dog Handler, and Military Working Dog Kesha, providing security to an Air Force C-17A Globemaster aircraft at RAAF Base Darwin.



## FINANCIAL SUMMARY

# 4

# Summary

Defence looks to two major indicators to measure its financial performance – its cash based result against its annual appropriation funding and other cash inflows and its departmental operating result presented in the Statement of Comprehensive Income contained within its financial statements.

## Cash result

As outlined in Table 4.1 below, the annual ordinary annual service appropriations (\$34.3 billion) and annual other services non-operating appropriation (\$4.0 billion) available to Defence for 2019-20 totalled \$38.3 billion, an increase of 4.8 per cent in comparison with the prior year. Additional cash inflows in relation to retainable receipts added a further \$1.4 billion to funds available to support cash expenditure during the year. Cash payments made across the year totalled \$39.4 billion, resulting in a cash underspend of \$349.4 million or 0.9 per cent compared to total cash available including appropriations.

## Departmental operating result

The second indicator is the 2019-20 accrual based result reported in the annual financial statements. After allowing for own-source income, the net cost of services for the year totalled \$34.0 billion resulting in a surplus of \$0.3 billion or 0.7 per cent of variance to the budgeted net cost of services. Defence is primarily funded through operating departmental appropriation of \$34.3 billion. Refer to Appendix A for the 2019-20 Financial Statements.

## Net assets

Defence's net asset position of \$100.8 billion increased by \$4.4 billion compared to \$96.4 billion in 2018-19. The increase is largely driven by Specialist Military Equipment (SME) asset procurement of \$8.8 billion and the adoption of AASB 16 Leases. The new accounting standard brought \$1.4 billion on to the Balance Sheet as Right of Use Assets.

## Administered items

In 2019-20 Defence Administered had net cost of services of \$8.5 billion, compared to \$7.0 billion in 2018-19. The additional expenses are primarily due to an increase in the superannuation defined benefit expense of \$1.4 billion to \$9.8 billion. Defence recognised \$25.6 million in dividends and \$41.1 million in competitive neutrality revenue on behalf of the Australian Government from Defence Housing Australia.

In 2019-20, Defence paid \$3.0 billion in Defence Force Superannuation payments and the Defence Home Ownership Assistance Scheme.

Table 4.1: Defence resource statement, 2019–20

	Actual available appropriation for 2019–20 \$'000	Payments made 2019–20 \$'000	Balance remaining 2019–20 \$'000
<b>Departmental Annual Appropriations</b>			
Prior year departmental appropriation available	40,085 <sup>1</sup>	40,085	–
Annual appropriations—ordinary annual services	34,334,948 <sup>1</sup>	33,945,490 <sup>2</sup>	389,458 <sup>2</sup>
Receipts retained under PGPA Act - section 74	1,394,851	1,394,851	–
<b>Total departmental annual appropriations</b>	<b>35,769,884</b>	<b>35,380,426</b>	<b>389,458</b>
<b>Departmental Other Services—Non-Operating Appropriations</b>			
Prior year—other services—non-operating available	–	–	–
Annual appropriations—other services—non-operating	4,015,029	4,015,029	–
<b>Total departmental other services</b>	<b>4,015,029</b>	<b>4,015,029</b>	<b>–</b>
<b>Total departmental resourcing</b>	<b>39,784,913</b>	<b>39,395,455</b>	<b>–</b>



	Actual available appropriation for 2019–20 \$'000	Payments made 2019–20 \$'000	Balance remaining 2019–20 \$'000
<b>Special Appropriations</b>			
<i>Defence Force Retirement Benefits Act 1948 Part 1, s.15D; and VIC, s.82ZJ</i>	–	38,375	–
<i>Defence Force Retirement and Death Benefits Act 1973 Part XII, s.125</i>	–	1,608,370	–
<i>Military Superannuation and Benefits Act 1991 Part V, s.17</i>	–	1,212,418	–
<i>Defence Force (Home Loan Assistance) Act 1990 Part IV, s.38</i>	–	207	–
<i>Australian Defence Force Cover Act 2015</i>	–	12,508	–
<i>Defence Home Ownership Assistance Scheme Act 2008 Part VI, s.84</i>	–	108,933	–
Other administered	–	–	–
<b>Total special appropriations</b>	–	<b>2,980,811</b>	–
<b>Special accounts</b>			
Opening balance	115,458	–	–
Non-appropriation receipts to special accounts	326,669	–	–
Payments made	–	289,042	–
<b>Total special accounts</b>	<b>442,127</b>	<b>289,042</b>	<b>153,085</b>
<b>Less departmental appropriations drawn from annual/special appropriations and credited to special accounts</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total resourcing and payments</b>	<b>40,227,040</b>	<b>42,665,308</b>	<b>–</b>

**Notes:**

1. Appropriation amounts disclosed exclude amounts withheld under section 51 of the PGPA Act, amounts transferred to Defence Special Accounts or appropriation acts which have been repealed.
2. Includes No Win No Loss amounts in relation to Operations of \$129 million.



Australian Army soldier Lance Corporal Lauren McConnell at work in the Main Operating Base in the Middle East Region.

## Expenses by outcomes

Table 4.2: Total cost of Defence outcomes and programs on an accrual basis, 2019–20

	2019–20 Budget estimate <sup>1</sup> \$'000	2019–20 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>				
<b>Program 1.1 Operations Contributing to the Security of the Immediate Neighbourhood</b>				
<b>Departmental expenses</b>				
Departmental appropriation	5,007	8,389	3,382	68%
s74 external revenue	–	–	–	–
<b>Departmental total</b>	<b>5,007</b>	<b>8,389</b>	<b>3,382</b>	<b>68%</b>
<b>Total expenses for Program 1.1</b>	<b>5,007</b>	<b>8,389</b>	<b>3,382</b>	<b>68%</b>
<b>Program 1.2 Operations Supporting Wider Interests</b>				
<b>Departmental expenses</b>				
Departmental appropriation	657,080	545,508	(111,572)	(17%)
s.74 external revenue	27,557	10,242	(17,315)	(63%)
<b>Departmental total</b>	<b>684,637</b>	<b>555,750</b>	<b>(128,887)</b>	<b>(19%)</b>
<b>Total expenses for Program 1.2</b>	<b>684,637</b>	<b>555,750</b>	<b>(128,887)</b>	<b>(19%)</b>
<b>Program 1.3 Defence Contribution to National Support Tasks in Australia</b>				
<b>Departmental expenses</b>				
Departmental appropriation	137,670	205,497	67,827	49%
s.74 external revenue	–	–	–	–
<b>Departmental total</b>	<b>137,670</b>	<b>205,497</b>	<b>67,827</b>	<b>49%</b>
<b>Total expenses for Program 1.3</b>	<b>137,670</b>	<b>205,497</b>	<b>67,827</b>	<b>49%</b>
<b>Total expenses for Outcome 1</b>				
Total departmental appropriation	799,757	759,394	(40,363)	(5%)
Total s74 external revenue	27,557	10,242	(17,315)	(63%)
<b>Total expenses for Outcome 1</b>	<b>827,314</b>	<b>769,636</b>	<b>(57,678)</b>	<b>(7%)</b>



	2019–20 Budget estimate¹ \$'000	2019–20 Actual result \$'000	Variation \$'000	Variation %
<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>				
<b>Program 2.1 Strategic Policy and Intelligence</b>				
<b>Departmental expenses</b>				
Departmental appropriation	864,577	877,561	12,984	2%
s.74 external revenue	5,225	5,326	101	2%
<b>Departmental total</b>	<b>869,802</b>	<b>882,887</b>	<b>13,085</b>	<b>2%</b>
<b>Total expenses for Program 2.1</b>	<b>869,802</b>	<b>882,887</b>	<b>13,085</b>	<b>2%</b>
<b>Program 2.2 Defence Executive Support</b>				
<b>Departmental expenses</b>				
Departmental appropriation	278,220	426,521	148,301	53%
s.74 external revenue	31,847	36,955	5,108	16%
<b>Departmental total</b>	<b>310,067</b>	<b>463,476</b>	<b>153,409</b>	<b>49%</b>
<b>Total expenses for Program 2.2</b>	<b>310,067</b>	<b>463,476</b>	<b>153,409</b>	<b>49%</b>
<b>Program 2.3 Defence Finance</b>				
<b>Departmental expenses</b>				
Departmental appropriation	164,433	30,331	(134,102)	(82%)
s.74 external revenue	7,315	175,555	168,240	2,300%
<b>Departmental total</b>	<b>171,748</b>	<b>205,886</b>	<b>34,138</b>	<b>20%</b>
<b>Total expenses for Program 2.3</b>	<b>171,748</b>	<b>205,886</b>	<b>34,138</b>	<b>20%</b>
<b>Program 2.4 Joint Capabilities</b>				
<b>Departmental expenses</b>				
Departmental appropriation	1,877,979	1,479,353	(398,626)	(21%)
s.74 external revenue	303,907	122,185	(181,722)	(60%)
<b>Departmental total</b>	<b>2,181,886</b>	<b>1,601,538</b>	<b>(580,348)</b>	<b>(27%)</b>
<b>Total expenses for Program 2.4</b>	<b>2,181,886</b>	<b>1,601,538</b>	<b>(580,348)</b>	<b>(27%)</b>
<b>Program 2.5 Navy Capabilities</b>				
<b>Departmental expenses</b>				
Departmental appropriation	6,574,886	6,520,630	(54,256)	(1%)
s.74 external revenue	267,642	180,724	(86,918)	(32%)
<b>Departmental total</b>	<b>6,842,528</b>	<b>6,701,354</b>	<b>(141,174)</b>	<b>(2%)</b>
<b>Total expenses for Program 2.5</b>	<b>6,842,528</b>	<b>6,701,354</b>	<b>(141,174)</b>	<b>(2%)</b>
<b>Program 2.6 Army Capabilities</b>				
<b>Departmental expenses</b>				
Departmental appropriation	7,685,546	7,951,265	265,719	3%
s.74 external revenue	97,784	77,675	(20,109)	(21%)
<b>Departmental total</b>	<b>7,783,330</b>	<b>8,028,940</b>	<b>245,610</b>	<b>3%</b>
<b>Total expenses for Program 2.6</b>	<b>7,783,330</b>	<b>8,028,940</b>	<b>245,610</b>	<b>3%</b>
<b>Program 2.7 Air Force Capabilities</b>				
<b>Departmental expenses</b>				
Departmental appropriation	7,577,175	7,091,445	(485,730)	(6%)
s.74 external revenue	170,910	47,683	(123,227)	(72%)
<b>Departmental total</b>	<b>7,748,085</b>	<b>7,139,128</b>	<b>(608,957)</b>	<b>(8%)</b>
<b>Total expenses for Program 2.7</b>	<b>7,748,085</b>	<b>7,139,128</b>	<b>(608,957)</b>	<b>(8%)</b>

	2019–20 Budget estimate¹ \$'000	2019–20 Actual result \$'000	Variation \$'000	Variation %
<b>Program 2.8 Australian Defence Force Headquarters</b>				
<b>Departmental expenses</b>				
Departmental appropriation	145,584	176,414	30,830	21%
s.74 external revenue	722	4,921	4,199	582%
<b>Departmental total</b>	<b>146,306</b>	<b>181,335</b>	<b>35,029</b>	<b>24%</b>
<b>Total expenses for Program 2.8</b>	<b>146,306</b>	<b>181,335</b>	<b>35,029</b>	<b>24%</b>
<b>Program 2.9 Capability Acquisition and Sustainment</b>				
<b>Departmental expenses</b>				
Departmental appropriation	660,392	638,754	(21,638)	(3%)
s.74 external revenue	23,001	40,891	17,890	78%
<b>Departmental total</b>	<b>683,393</b>	<b>679,645</b>	<b>(3,748)</b>	<b>(1%)</b>
<b>Total expenses for Program 2.9</b>	<b>683,393</b>	<b>679,645</b>	<b>(3,748)</b>	<b>(1%)</b>
<b>Program 2.10 Estate and Infrastructure</b>				
<b>Departmental expenses</b>				
Departmental appropriation	4,949,479	5,068,054	118,575	2%
s.74 external revenue	312,844	602,686	289,842	93%
<b>Departmental total</b>	<b>5,262,323</b>	<b>5,670,740</b>	<b>408,417</b>	<b>8%</b>
<b>Total expenses for Program 2.10</b>	<b>5,262,323</b>	<b>5,670,740</b>	<b>408,417</b>	<b>8%</b>
<b>Program 2.11 Chief Information Officer</b>				
<b>Departmental expenses</b>				
Departmental appropriation	1,751,969	1,941,046	189,077	11%
s.74 external revenue	51,678	42,602	(9,076)	(18%)
<b>Departmental total</b>	<b>1,803,647</b>	<b>1,983,648</b>	<b>180,001</b>	<b>10%</b>
<b>Total expenses for Program 2.11</b>	<b>1,803,647</b>	<b>1,983,648</b>	<b>180,001</b>	<b>10%</b>
<b>Program 2.12 Defence People</b>				
<b>Departmental expenses</b>				
Departmental appropriation	508,794	547,397	38,603	8%
s.74 external revenue	6	100	94	1,567%
<b>Departmental total</b>	<b>508,800</b>	<b>547,497</b>	<b>38,697</b>	<b>8%</b>
<b>Total expenses for Program 2.12</b>	<b>508,800</b>	<b>547,497</b>	<b>38,697</b>	<b>8%</b>
<b>Program 2.13 Defence Science and Technology</b>				
<b>Departmental expenses</b>				
Departmental appropriation	509,405	532,027	22,622	4%
s.74 external revenue	4,279	6,514	2,235	52%
<b>Departmental total</b>	<b>513,684</b>	<b>538,541</b>	<b>24,857</b>	<b>5%</b>
<b>Total expenses for Program 2.13</b>	<b>513,684</b>	<b>538,541</b>	<b>24,857</b>	<b>5%</b>

	2019–20 Budget estimate <sup>1</sup> \$'000	2019–20 Actual result \$'000	Variation \$'000	Variation %
<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</i> Part XII, s.125(3)	121,000	124,000	3,000	2%
<i>Military Superannuation and Benefits Act 1991</i> Part V, s.17	5,485,476	5,543,566	58,090	1%
<i>Australian Defence Force Cover Act 2015</i>	688,900	662,300	(26,600)	(4%)
<b>Total administered expenses</b>	<b>6,295,376</b>	<b>6,329,866</b>	<b>34,490</b>	<b>1%</b>
Administered revenue from other sources	1,244,386	1,351,453	107,067	9%
<b>Total expenses for Program 2.14</b>	<b>5,050,990</b>	<b>4,978,413</b>	<b>(72,577)</b>	<b>(1%)</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)	6,937	6,900	(37)	(1%)
<i>Defence Force Retirements and Death Benefits Act 1973</i> Part XII, s.125(3)	1,031,122	1,031,000	(122)	0
<i>Military Superannuation and Benefits Act 1991</i> Part V, s.17	2,432,016	2,430,000	(2,016)	0
<i>Australian Defence Force Cover Act 2015</i>	20,390	20,200	(190)	0
<b>Total administered expenses</b>	<b>3,490,465</b>	<b>3,488,100</b>	<b>(2,365)</b>	<b>0</b>
Administered revenue from other sources	–	–	–	–
<b>Total expenses for Program 2.15</b>	<b>3,490,465</b>	<b>3,488,100</b>	<b>(2,365)</b>	<b>0</b>
<b>Program 2.16 Housing Assistance</b>				
<i>Defence Force (Home Loan Assistance) Act 1990</i> Part IV, s.38	312	–	(312)	(100%)
<i>Defence Home Ownership Assistance Scheme Act 2008</i> Part VI, s.84	121,944	110,648	(11,296)	(9%)
<b>Total administered expenses</b>	<b>122,256</b>	<b>110,648</b>	<b>(11,608)</b>	<b>(9%)</b>
Administered revenue from other sources	16,852	17,384	532	3%
<b>Total Program 2.16</b>	<b>105,404</b>	<b>93,264</b>	<b>(12,140)</b>	<b>(12%)</b>
<b>Program 2.17 Other Administered</b>				
Total administered expenses	–	–	–	–
Administered revenue from other sources	98,303	101,324	3,021	3%
<b>Total Program 2.17</b>	<b>(98,303)</b>	<b>(101,324)</b>	<b>3,021</b>	<b>3%</b>
<b>Total expenses for Outcome 2</b>				
<b>Departmental total</b>	<b>34,825,599</b>	<b>34,624,615</b>	<b>(200,984)</b>	<b>(1%)</b>
<b>Administered total</b>	<b>9,908,097</b>	<b>9,928,614</b>	<b>20,517</b>	<b>0%</b>
<b>Total</b>	<b>44,733,696</b>	<b>44,553,229</b>	<b>(180,467)</b>	<b>(0%)</b>

**Note:**

1. As published in the *Portfolio Additional Estimates Statements 2019–20*.

# Cost of Operations

Table 4.3: Net additional cost of operations from 1999–2000 to 2021–22

	1999–2000 to 2019–20 Actual result \$m	2019–20 Actual result \$m	2020–21 Forward estimate <sup>1</sup> \$m	2021–22 Forward estimate <sup>1</sup> \$m	Total \$m
Operation MANITOU	222.3	64.1	23.9	25.8	336.1
Operation ACCORDION	861.9	207.3	28.8	21.0	1,119.0
Operation HIGHROAD	526.4	76.7	1.1	–	604.2
Operation RESOLUTE <sup>2</sup>	397.3	57.0	–	–	454.3
Operation OKRA	1,319.1	200.5	30.8	19.6	1,570.0
Operation AUGURY – PHILIPPINES	20.0	2.8	–	–	22.8
Defence support to the 2018 Commonwealth Games	8.2	–	–	–	8.2
Operation BUSHFIRE ASSIST 2019-20	–	68.4	–	–	68.4
<b>Total net additional costs</b>	<b>3,355.2</b>	<b>676.8</b>	<b>84.6</b>	<b>66.4</b>	<b>4,183.0</b>
<b>Sources of funding for operations</b>					
Government supplementation	3,339.5	676.8	84.6	66.4	4,167.3
Department of Defence (absorbed)	15.7	–	–	–	15.7
<b>Total cost</b>	<b>3,355.2</b>	<b>676.8</b>	<b>84.6</b>	<b>66.4</b>	<b>4,183.0</b>

**Notes:**

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

1. As published in the Portfolio Additional Estimates Statements 2019-20, Table 7.
2. Includes funding for activities under Operation Sovereign Borders.

Table 4.4: Net additional cost of operations, 2019–20

	2019–20 Budget estimate <sup>1</sup> \$m	2019–20 Estimated actual <sup>2</sup> \$m	2019–20 Actual result \$m	Variation \$m
Operation MANITOU	72.4	73.6	64.1	(9.5)
Operation ACCORDION	215.8	215.8	207.3	(8.5)
Operation HIGHROAD	86.8	86.8	76.7	(10.1)
Operation RESOLUTE <sup>3</sup>	59.3	59.3	57.0	(2.3)
Operation OKRA	269.3	279.2	200.5	(78.7)
Operation BUSHFIRE ASSIST 2019-20	–	87.9	68.4	(19.5)
<b>Total net additional costs</b>	<b>703.6</b>	<b>802.6</b>	<b>674.0<sup>4</sup></b>	<b>(128.6)</b>

**Notes:**

This table reflects operations funded under No Win, No Loss arrangements in 2019-20.

1. As published in the *Portfolio Budget Statements 2019–20*, Table 3.
2. As published in the *Additional Estimates Statements 2019-20* Table 7.
3. Includes funding for activities under Operation SOVEREIGN BORDERS.
4. Does not include Operation AUGURY – PHILIPPINES which was not funded under the No Win, No Loss arrangements in 2019-20.

## Grants

Information on grants awarded by the Department during 2019–20 is available on the Australian Government's grant information system, GrantConnect ([www.grants.gov.au](http://www.grants.gov.au)).

## Advertising and market research

During 2019–20, 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 at [www.finance.gov.au](http://www.finance.gov.au).

Table 4.5 shows total advertising and market research expenditure by Defence during 2019–20. Table 4.6 shows Defence spending on advertising and market research by Service and Group.

**Table 4.5: Total advertising and market research expenditure, by type, 2018–19 and 2019–20**

Type	2018–19 Expenditure (\$)	2019–20 Expenditure (\$)
Advertising	13,783,288	12,797,399
Market research	1,737,957	1,728,567
Polling	–	–
Direct mail	397	1,830
Media advertising	44,255,875	45,425,387
<b>Total</b>	<b>59,777,516</b>	<b>59,953,183</b>

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

**Table 4.6: Total advertising and market research expenditure, by Service and Group, 2018–19 and 2019–20**

Service or Group	2018–19 Expenditure (\$)	2019–20 Expenditure (\$)
Strategic Policy and Intelligence	661,227	41,102
Defence Executive Support	10,470	486,112
Defence Finance	1,404	11,428
Joint Capability	90,655	111,713
Navy	95,772	132,953
Army	78,659	111,467
Air Force	161,556	221,445
Australian Defence Force Headquarters	47,464	4,365
Capability Acquisition and Sustainment	77,164	77,966
Estate and Infrastructure	121,140	147,818
Chief Information Officer	–	15,022
Defence People	58,283,656	58,437,297
Defence Science and Technology	148,348	154,495
<b>Total</b>	<b>59,777,516</b>	<b>59,953,183</b>

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



Wing Commander Michael Gan on board a C-27J Spartan during an artificial intelligence search and rescue training mission.

## Artificial intelligence enhances the impact of air and space power for the Joint Force

**Defence faces a significant evolution of technology that will dramatically change the speed and character of warfare. Success in this environment depends on the ability to withstand constant grey-zone competition, command a data-enriched algorithmic battlespace, and exploit transient capability advantages in agile ways.**

Artificial intelligence (AI) and autonomous systems will enable Defence to analyse masses of data in complex operating environments. The Joint Capabilities Group established the Defence Artificial Intelligence Centre to build the capability foundations and accelerate the understanding and implementation of AI across Defence.

Air Force's Plan Jericho continues to work with partners to explore and rapidly prototype AI systems across combat, support, maintenance and enterprise administrative functions to support this understanding. Plan Jericho artificial intelligence driven collaborations include:

- **AI Search:** a collaboration with the Warfare Innovation Navy Branch and Air Mobility Group's No. 35 Squadron that has prototyped an AI-enhanced search and rescue system that in initial trials demonstrated a detection rate 29 per cent better than humans
- **SARAH** (Supply Assistance Robot — Autonomous Hardware): a collaboration with No. 36 Squadron that prototyped the automation of low-skilled and sometimes labour-intensive tasks to free valuable human capital to increase the effectiveness of a unit

- **AIMEE:** a virtual cognitive assistant developed with Deloitte to accelerate the use of natural language processing, providing an enhanced user experience for Defence personnel undertaking routine processes while increasing their overall efficiency and effectiveness.

Plan Jericho has partnerships with forward-thinking Australian companies to build sovereign capability, including:

- a successful 'queryable sensor' concept prototype with Trellis Data. The system's edge processing can automate the intelligence, surveillance and reconnaissance (ISR) process and provide 'ISR on demand' to the warfighter
- an open, scalable unclassified sensor experimentation environment developed in collaboration with Sigma Bravo to prototype networked multi-sensor devices for use in future warfighting scenarios.

Defence Science and Technology Group, in conjunction with Plan Jericho and the Trusted Autonomous Systems Defence Cooperative Research Centre, led an 'Ethical AI' workshop in Canberra from 30 July to 1 August 2019 that brought together Australian and international experts in law, ethics, science and technology to address ethics across a range of military AI applications. The principles discussed in the workshop may inform future AI experimentation.

The Defence Artificial Intelligence Centre, supported by Plan Jericho, contributed to Operation COVID-19 ASSIST by developing data visualisation and analytical tools for use by the Australian Defence Force COVID-19 Taskforce in support of state and territory governments.



Table 4.7 provides details of individual payments of more than \$14,000 (GST inclusive) to persons or organisations for advertising campaigns and market research.

**Table 4.7: Individual payments of more than \$14,000 to advertising and market research agencies, by Service and Group, 2019–20**

Service/Group and agency name	2019–20 expenditure (\$)	Purpose
<b>Navy Capabilities</b>		
<b>Market research</b>		
Data Analysis Australia Pty Ltd	40,150	Market research for longitudinal survey
<b>Air Force Capabilities</b>		
<b>Advertising</b>		
Universal McCann	33,129	Advertising of Edinburgh Air Show
<b>Estate and Infrastructure Group</b>		
<b>Advertising</b>		
Universal McCann	17,713	Public notices—Defence field firing ranges
<b>Defence People</b>		
<b>Advertising</b>		
George Patterson Y&R	10,079,021	ADF recruitment advertising
Havas Worldwide Australia	32,384	ADF recruitment advertising
Story Lab Pty Ltd	20,499	ADF recruitment advertising
<b>Market research</b>		
Chat House Research Pty Ltd	39,285	Qualitative and quantitative research to maximise ADF recruitment targets
Digital Transformation Agency	27,500	Qualitative and quantitative research to maximise ADF recruitment targets
Hall & Partners	571,368	Qualitative and quantitative research to maximise ADF recruitment targets
Helmsman Services Pty Ltd	107,570	Qualitative and quantitative research to maximise ADF recruitment targets
Taylor Nelson Sofres Australia	523,178	Qualitative and quantitative research to maximise ADF recruitment targets
Universal McCann	204,600	Qualitative and quantitative research to maximise ADF recruitment targets
<b>Media advertising</b>		
Australian Public Service Commission	233,215	Public Service Gazette
Universal McCann	92,073	Defence graduate marketing package
Universal McCann	200,922	ADF recruitment advertising
Universal McCann	42,966,596	Planning and placement of campaign advertising
<b>Defence Science and Technology Group</b>		
<b>Market research</b>		
News Limited	16,500	Australian research—Defence report
<b>Media advertising</b>		
Universal McCann	16,014	News media article

Service/Group and agency name	2019–20 expenditure (\$)	Purpose
<b>Capability Acquisition and Sustainment</b>		
<b>Media advertising</b>		
Universal McCann	21,673	Advertising of Defence Industry Conference
<b>Defence Executive Support</b>		
<b>Advertising</b>		
Universal McCann	466,893	Army Reserve bushfire announcement

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

## Legal expenses

Expenditure on internal and external legal services in 2019–20 is shown in tables 4.8, 4.9 and 4.10. 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 4.8: Estimated expenditure on internal and external legal services, 2018–19 and 2019–20**

Type of legal expenditure	2018–19 \$m	2019–20 \$m
Internal	49.20	47.48
External	60.68	59.98
<b>Total</b>	<b>109.88</b>	<b>107.46</b>

**Table 4.9: Estimated cost breakdown of internal legal expenses, 2018–19 and 2019–20**

Type of legal expenditure	2018–19 \$m	2019–20 \$m
Salaries for military lawyers	21.39	19.02
Salaries for civilian staff	17.73	16.82
ADF Reserve legal officers	6.42	7.03
Operating costs of the division	3.37	4.32
Military justice disbursements	0.29	0.29
<b>Total</b>	<b>49.20</b>	<b>47.48</b>

**Table 4.10: Estimated cost breakdown of external legal expenses, 2018–19 and 2019–20**

Items	2018–19 \$m	2019–20 \$m
Professional fees—Defence legal panel	55.14	49.75
Disbursements	5.34	10.13
Legal assistance at Commonwealth expense	0.20	00.10
<b>Total</b>	<b>60.68</b>	<b>59.98</b>

# Payment of accounts

In 2019–20, Defence met 98.7 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 76 per cent of all payments, which continued to have a positive effect on the paid-by-due-date result (Table 4.11).

Table 4.11: Accounts paid by due date, 2018–19 to 2019–20

	2018–19	2019–20
Number of accounts paid	2,610,782	2,188,743
Accounts paid by due date	2,575,848	2,160,523
Percentage of accounts paid by due date	98.6%	98.6%

# Tactical payments scheme

The tactical payments 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 2019–20, four individual payments totalling \$2,458 were made under the scheme. All payments were a consequence of damage to property from motor vehicles.



Royal Australian Air Force Air Commodore Philip Gordon AM, Australian Regular Army Colonel Graeme Goodwin CSC, and Royal Australian Navy Commander Alastair Cooper ADC RAN arrive at Parliament House for the opening of the second session of the 54th Parliament of South Australia

## Building the Australian Defence Force's cyber capability

Defence is investing in the future of its cyber capability by recruiting the best candidates today to lead the fight tomorrow.

The cyber threats faced by the Australian Defence Force (ADF) are not dissimilar to the threats faced by business and industry. We are protecting networks and missions systems. In an increasingly connected world, that extends to equipment used in training and on operations, as well as personal cybersecurity.

The ADF's entire inventory of aircraft, ships and combat vehicles will soon be digital and therefore extensions of the network. The digital hygiene of those systems is critical.

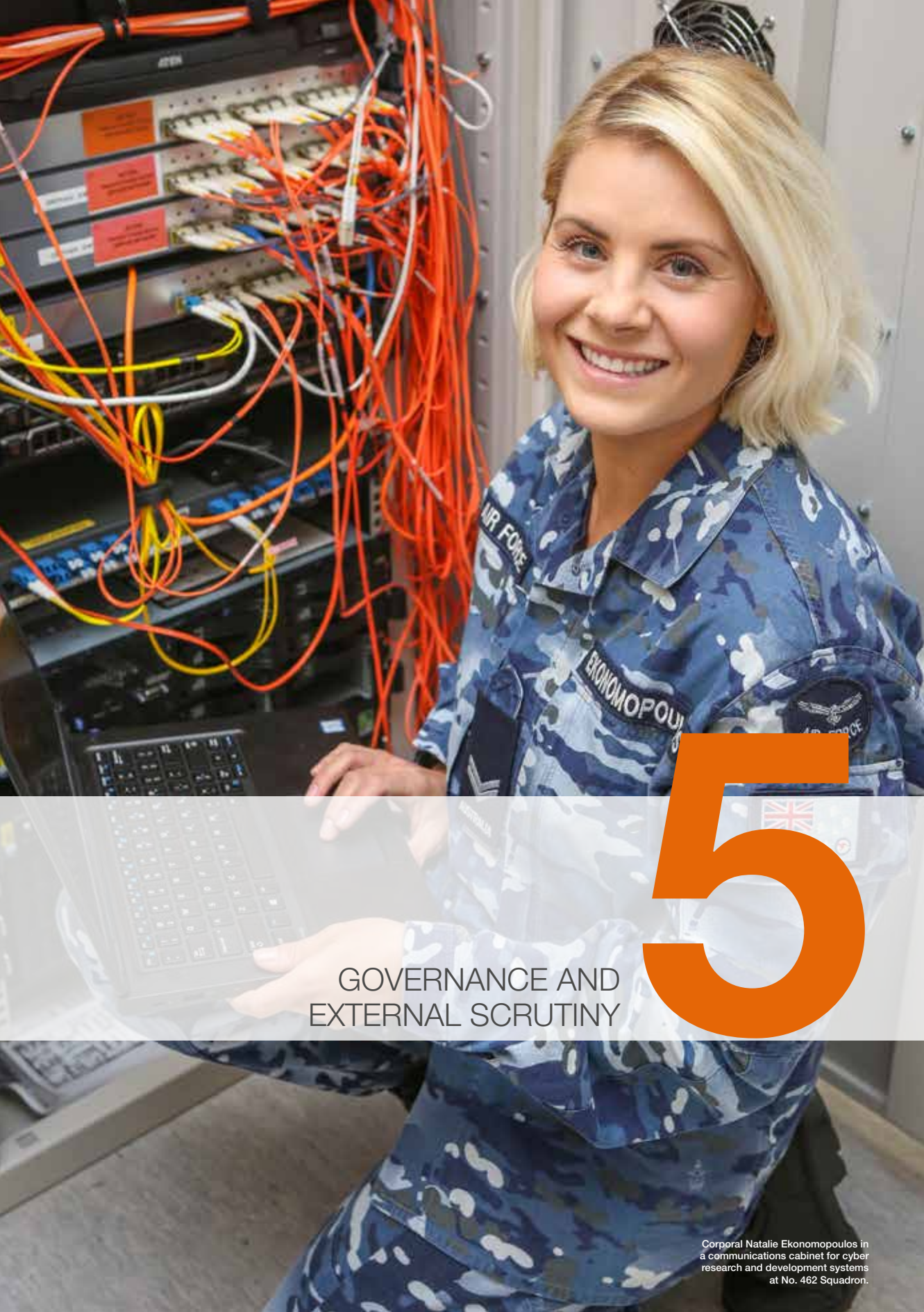
The ADF is investing in building and training a diverse and agile cyber workforce. In 2019–20 an ADF first was achieved when the Defence Force Remuneration Tribunal aligned remuneration across the cyber trades in Navy, Army and Air Force. We also adopted a policy that permits, on a case-by-case basis, consideration of waivers to traditional ADF entry standards to help attract the best and brightest cyber operators.

Recognising the need to unearth new talent, Defence launched the Cyber Gap Year Program in 2020, with up to 50 students offered financial support, mentoring and work experience with Defence while they study for an impressive cyber qualification. While the participants are not obligated to join Defence at the end of the program, they will be exposed to the extensive employment opportunities available in the Defence cyber domain. The nation will benefit in other ways from the skills and expertise of those who choose not to join.

The Cyber Gap Year program was initially established to support 400 students but will open more widely in 2021. It is expected that up to 800 students will graduate over the next four years.

These steps are important but they are not taken in isolation. Working closely with the Australian Signals Directorate, Five Eyes partners, Defence industry, businesses and academic institutions is vital to understanding the current and emerging information warfare threats the ADF faces. In today's digital world where connectivity extends to the battlefield, that has never been more important.





## GOVERNANCE AND EXTERNAL SCRUTINY

Corporal Natalie Ekonomopoulos in  
a communications cabinet for cyber  
research and development systems  
at No. 462 Squadron.

# ONE DEFENCE

Our continuing reform journey



## *Defence 2022* reform focus



### Enduring

Defence enterprise reform program drives transformational reform and enables a culture of continuous improvement, innovation and adaptation within Defence



## Role of reform

Defence is focused on building an enduring enterprise reform program on the strong foundation of the First Principles Review. Through this approach, Defence will drive and enable an organisational culture of continuous improvement, innovation and adaptation.

The role of **reform** is important in ensuring Defence is a fully integrated system that continuously adjusts its **strategy**, improves its ability to develop **capability**, and delivers on its mission for Government within available **resources**.



## Achievements in 2019–20

Defence progressed a range of reforms in 2019–20 under the Defence 2022 program, including:

- delivering high-quality legal services across its complex and diverse operating environment, through a more integrated legal service that includes a joint military law capability
- transforming its security business processes to deliver greater assurance and timeliness of security vetting services for Defence, industry and the whole-of-government workforce
- achieving the milestones to remain on track for delivery of the Enterprise Resource Management and Enterprise Information Management programs—the largest information and communications technology (ICT) transformation projects ever undertaken by Defence
- enhancing strategic communications through the development of focused and fit-for-purpose communications guidance.

## Future of reform

Defence is committed to the alignment of strategy, capability, and resources—underpinned by reform—to ensure it has the capacity to deliver on its mission for Government and the Australian people into the future.

Defence will continue to focus on ensuring it is a single strategy-led and centrally directed organisation. In response to our rapidly changing strategic environment, Defence must be agile, proactive and adaptive to effectively shape Australia's strategic environment, deliver credible deterrence, and respond to challenges to our interests when required.

Defence will continue to improve its capacity and drive further reforms to achieve the outcomes required by the *2020 Defence Strategic Update* and *2020 Force Structure Plan*.



Telescopic docking system in No. 36 Squadron hangar facility (photo courtesy of CPB).

## New C-17 infrastructure telescopic docking capability at RAAF Base Amberley

**The Air Force's \$219.4 million C-17 infrastructure project has provided a maintenance facility, working accommodation, an aircraft apron and associated facilities at RAAF Base Amberley.**

The project includes a state-of-the-art telescopic docking system, the first of its kind in Australia, which was successfully commissioned in the new No. 36 Squadron hangar facility in 2019.

The system comprises two telescoping masts with working platforms that are suspended from a special crane trolley. The platforms are lowered to the hangar floor to allow maintenance personnel to enter, and can then be moved to any required position on the aircraft exterior.

These 'tele-platforms' can be used on a wide variety of aircraft, making them much more versatile than traditional hangar platforms. They can carry six personnel and their equipment, and are fitted with breathing air, pneumatic air and electrical power to support a broad range of maintenance tasks. Their design enables significantly better access to the C-17A than legacy elevated work platforms, thanks to their

size, stability, removable barriers and built-in harnesses. A range of safety systems prevent the platforms from striking the aircraft, significantly reducing the risk of inadvertent damage.

The hangar itself has state-of-the-art services including in-ground power, aircraft cooling air, and ground support equipment exhaust extraction. The facility also includes a new tool store, a logistics warehouse, avionics and mechanical workshops, storage for spare engines and ground support equipment, a new paint booth and surface preparation facility, a new welding bay, a metal and composite fabrication workshop, and additional office space and briefing rooms. No. 36 Squadron now has permanent protection from the elements when conducting maintenance, providing a welcome boost to productivity, efficiency, safety and morale.

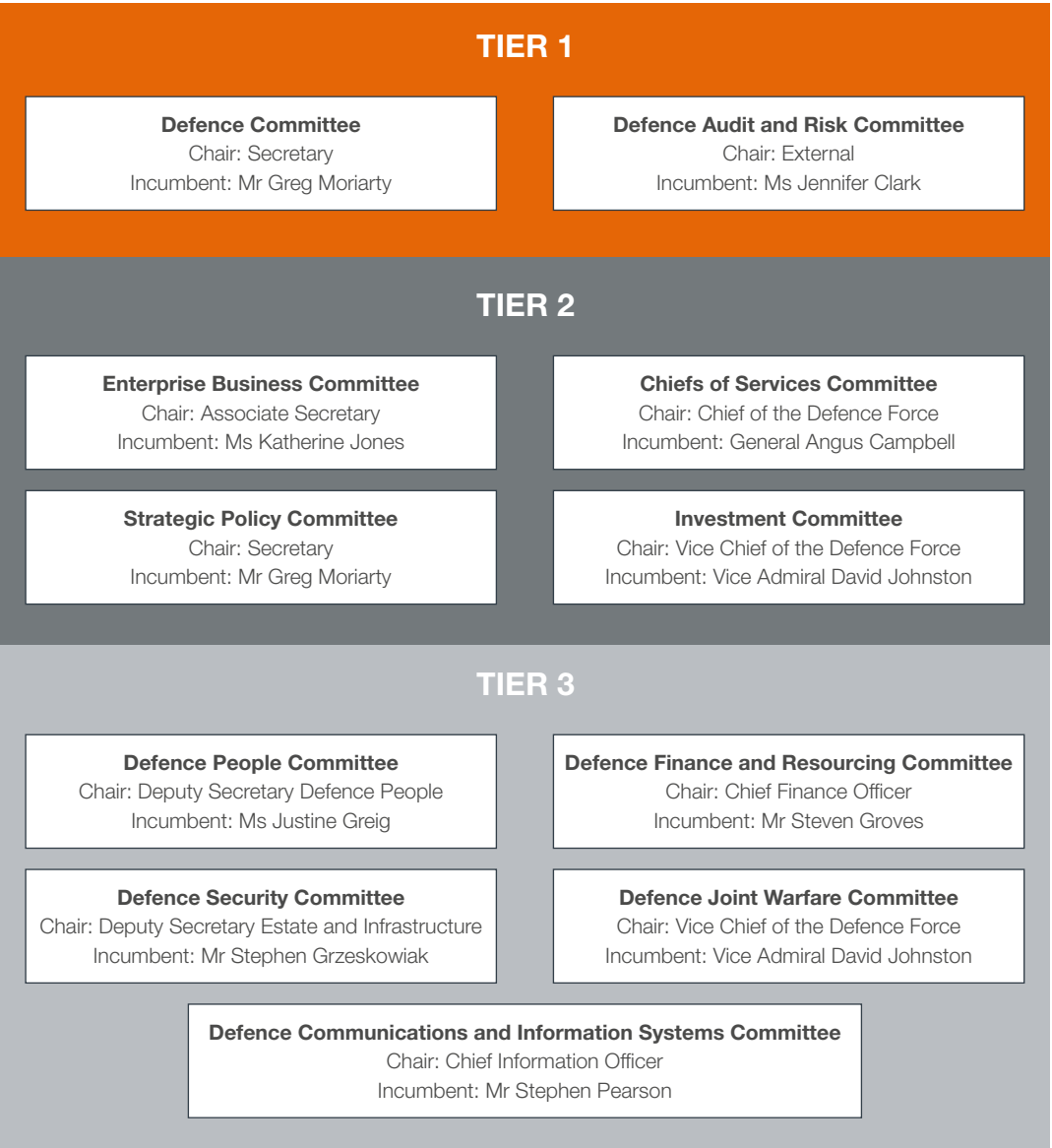
This project, including the tele-platform system, gives No. 36 Squadron an enhanced functionality and maintenance capability that will continue well into the future. It has been delivered through Defence industry partners RPS Group and CPB Contractors.

# Senior enterprise committees and their roles

Defence's enterprise decision-making 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 our achievement of enterprise-level governance, reform, risk and reporting requirements.

Figure 5.1: Defence enterprise committee structure and roles, indicating incumbent Chairs as at 30 June 2020



## Defence Audit and Risk Committee

The Defence Audit and Risk Committee has been established in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). Consistent with subsection 17(2) of the PGPA Rule, the committee reviews and provides independent written advice to the Secretary and the Chief of the Defence Force on the appropriateness of Defence's financial reporting, performance reporting, system of risk oversight and management, and system of internal control.

The committee has five members, three of whom are external to Defence, including the Chair and Deputy Chair. The Vice Chief of the Defence Force and the Associate Secretary are also members of the committee.

During 2019–20 the Audit and Risk Committee met formally nine times. Other committee activities during the year included workshops in relation to Defence's performance information and the financial statements, attendance at Independent Assurance Reviews, and intersessional review of documents and information to address the requirements of the committee. The external members also chaired and were members of the Financial Reporting Sub-Committee.

An electronic version of the charter of the Defence Audit and Risk Committee is available from the Defence website at [www.defence.gov.au/Decisions.asp](http://www.defence.gov.au/Decisions.asp).

Table 5.1 provides information in accordance with audit committee disclosure requirements for Commonwealth entities (sections 17AG(2A) and 17BE(taa) of the PGPA Rule).

**Table 5.1: Audit committee disclosure requirements**

Member's name	Qualifications, knowledge, skills or experience	Committee meetings attended / total	Total annual remuneration (exclusive of GST)
Ms Jennifer Clark	<p>Ms Clark has an extensive background in business, finance and governance through a career as an investment banker, where her role included Defence major projects, and as a non-executive director since 1991.</p> <p>She has been the chair or deputy chair or a member of over 20 audit committees and boards in the Commonwealth and private sectors over the past 30 years. She is a Fellow of the Australian Institute of Company Directors and has substantial experience in financial and performance reporting, audit, risk management and project management.</p>	9/9	\$107,404
Ms Elizabeth Montano	<p>Ms Montano holds the degrees of Bachelor of Arts and Bachelor of Laws (UNSW) and is a Fellow of the Australian Institute of Company Directors.</p> <p>She has over 20 years of experience as chair, deputy chair and member of boards and audit committees across a range of government and not-for-profit entities. She has broad-ranging experience in governance and the machinery of government, including in financial and performance reporting, risk, assurance, and program and project management and oversight.</p> <p>She is a former chief executive officer in the Commonwealth government and senior financial services lawyer with King &amp; Wood Mallesons.</p>	9/9	\$60,910
Mr Mark Ridley	<p>Mr Ridley is a Fellow of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors, with bachelor's degrees in commerce and accounting.</p> <p>He has served as independent member and chair of audit and risk committees for several large and medium-sized Commonwealth agencies since 2011, and also assists some entities in the oversight of ICT projects. He was formerly a senior partner of PricewaterhouseCoopers with leadership roles in risk advisory, internal audit and ICT project assurance for large companies in financial services and other industries and for state and federal governments.</p>	9/9	\$60,910

Member's name	Qualifications, knowledge, skills or experience	Committee meetings attended / total	Total annual remuneration (exclusive of GST)
Ms Rebecca Skinner	<p>Ms Skinner was the Associate Secretary of the Department of Defence from September 2018 until March 2020. She has held numerous senior leadership positions within Defence, including with the Australian Signals Directorate and the Defence Intelligence Organisation.</p> <p>Ms Skinner is a graduate member of the Australian Institute of Company Directors. She has a Bachelor of Science degree and a Graduate Diploma in Education from the University of Melbourne, and a Graduate Diploma in Applied Science (Computer Science) from Swinburne University.</p> <p>Note: for three meetings from March 2020, the acting Associate Secretary was Mr Steven Groves.</p>	9/9	Not applicable. Remuneration is detailed in Appendix B
Vice Admiral David Johnston	<p>Vice Admiral David Johnston AO RAN is the Vice Chief of the Defence Force. He has an extensive military background, including operational naval tours as Commanding Officer of HMAS Adelaide and HMAS Newcastle. Between 2014 and 2018 he performed the role of Chief of Joint Operations. He was appointed Vice Chief of the Defence Force in July 2018.</p> <p>Since 2018, he has been the chair of the Investment Committee and Joint Warfare Committee.</p> <p>Vice Admiral Johnston holds a Master of Science in Operations Research from the United States Naval Postgraduate School in Monterey, California, and a Master of Arts in Strategic Studies from Deakin University.</p> <p>Note: for one meeting, Vice Admiral Johnston was represented by Major General Kathryn Toohey.</p>	8/9	Not applicable. Remuneration is detailed in Appendix B

## 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 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.

Defence's performance reporting for 2019–20 aligns with 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. We maintain 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 PGPA Act.

In 2019–20, Defence reviewed and updated its system of enterprise risk management to improve alignment of risk management with corporate planning and to enhance enterprise risk reporting. Key achievements included:

- publication of the updated Defence Risk Management Policy, which outlines a principles-based approach to the management of risk
- development of guidelines to support Defence's risk management framework
- reporting to senior committees on the effectiveness of enterprise risk management
- a pilot program of deep dives into enterprise risk and control management
- a review of legislative compliance arrangements to enhance visibility of significant legislative compliance issues across the Defence enterprise.

In 2019–20, Defence continued to mature its business continuity program to enable delivery of key outcomes for Government during a disruptive incident, including planning in response to COVID-19.

# Major Projects Report

The Major Projects Report provides transparency on the progress of Defence's largest and most complex acquisition projects managed by the Capability Acquisition and Sustainment Group. It reviews overall issues, risks, challenges and complexities affecting major projects and also reviews the status of each of the selected major projects in terms of project cost, schedule and forecast scope delivery. The report was first published in 2008.

The Major Projects Report is an independent limited assurance review coordinated by the Australian National Audit Office (ANAO) and supported with Defence input. The report is prepared in accordance with guidelines endorsed by the parliamentary Joint Committee of Public Accounts and Audit. The latest guidelines, endorsed in September 2019, provide information on the process and projects to be reported on as at 30 June 2020.

The Major Projects Report is scheduled for publication within five months after the end of the financial year. The tabling date is dependent on the resolution of issues that may arise at any given time. The latest report (Auditor-General report No 19 of 2019–20) was published on 16 December 2019. All published reports are available on the ANAO website.

## Capability delivery

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 ICT.

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 which is being further improved by incorporating process lessons from the *2020 Force Structure Plan*. Together these enable the Integrated Investment Program to be agile and responsive to Defence and Government priorities.

As part of Defence's commitment to ongoing reform, in 2019–20 we conducted a review of the capability program architecture established in the *2016 Defence White Paper* and Integrated Investment Program. This resulted in a new capability program architecture, based on five domains, 35 programs and a number of multi-domain programs, which was agreed by Government in January 2020. The new capability program architecture has clearer responsibilities and accountabilities and provides Capability Managers with greater ability to manage risk and drive improvements in effectiveness and efficiency.

Overall, the implementation of the Capability Life Cycle is enabling Defence to deliver on the recapitalisation of Australia's defence capability outlined originally in the *2016 Defence White Paper* and now in the *2020 Defence Strategic Update* and associated *2020 Force Structure Plan*. 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 departmental controls and the effectiveness of those controls in mitigating strategic enterprise risks. During 2019–20 a total of 50 internal audit tasks were completed. This comprised 36 tasks from the 2019–20 audit program and 14 commenced in 2018–19. In addition, two management-directed audit tasks were completed: MDT19-048 Review of ADF Sports Governance and Reform; and 20-042 Defence's Management of Recommendations.

Defence also supported audit activities undertaken by the ANAO. In 2019–20, the Auditor-General completed eight performance audits on Defence, the audit of the Defence financial statements for the period ended 30 June 2020, and the priority assurance review (Major Projects Report).

Defence also monitors the implementation of recommendations from internal audits and ANAO audits, and reports on these 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 2019–20, there were 257 fraud investigations registered within Defence, with 198 investigations completed during the year (some of those completed were registered in previous years). Approximately 52 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, approximately 21 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*.

Table 5.2: **Determined fraud losses and cash recoveries, 2015–16 to 2019–20<sup>1</sup>**

	2015–16 (\$)	2016–17 (\$)	2017–18 (\$)	2018–19 (\$)	2019–20 (\$)	Total
Loss	535,766	608,593	605,351	445,422	992,515	3,187,647
Cash recovery	269,728	426,007	817,811	823,453	435,920	2,772,919

**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 that agencies notify their responsible Minister of any significant issue that has affected the entity. In 2019–20, Defence advised the Minister of 36 instances of significant non-compliance with finance law; in 2018–19 there were 53 instances of significant non-compliance with finance law.

Table 5.3: Instances of significant non-compliance with finance law, 2019–20

Description of non-compliance	Remedial action
<b>Credit Card or Cheque (15 cases)</b> —Defence experienced loss due to Credit Card non-compliance, primarily related to credit card misuse.	Defence undertook remedial actions ranging from administrative sanctions or disciplinary action to criminal prosecutions. To reduce the risk of future credit card misuse, the Department introduced a range of controls, including establishing a dedicated financial compliance team and developing a travel card e-learning course.
<b>Deception (1 case)</b> —Defence experienced deception that resulted in loss to the Department, or an inappropriate benefit being obtained.	In this case remedial action was taken under the Defence Force Disciplinary Act. To reduce the recurrence of deceptive conduct resulting in loss, the Department instituted financial sanctions for deterrent effect and provided formal counselling.
<b>Entitlement (12 cases)</b> —Defence experienced losses relating to entitlements due to personnel failing to disclose information when required to do so, or inappropriately claiming benefits.	Defence undertook remedial action ranging from administrative sanctions or disciplinary action to criminal prosecutions in response to entitlement fraud. To reduce the recurrence of entitlement fraud the Department introduced a range of controls including planned compliance activities to provide additional assurance around Defence entitlements.
<b>Misuse of property (1 case)</b> —Defence experienced misuse of Commonwealth assets, equipment or facilities resulting in a loss to the Department.	In this case remedial action was taken under the Defence Force Disciplinary Act. To reduce the risk of property being misused in the future, the Department introduced a range of controls including educational and managerial action in relation to the accountability and governance of Commonwealth assets.
<b>Theft (6 cases)</b> —Defence experienced theft of Commonwealth resources, assets or equipment.	Defence undertook remedial action ranging from administrative sanctions to disciplinary action in response to the theft of Commonwealth resources, assets or equipment. To reduce the risk of future theft, the Department introduced a range of controls including initiating a review of relevant operating procedures around securing Commonwealth assets, increased staff training and enhancements to physical security controls.
<b>Unethical conduct (1 case)</b> —Defence experienced a loss due to unethical conduct such as abuse of position.	Defence undertook remedial action by way of administrative sanctions in response to unethical conduct. To reduce the risk of future unethical conduct, the Department introduced a range of additional controls. These included the provision of targeted guidance in response to unethical conduct by Defence personnel at the managerial level, compliance activity to provide assurance of Defence personnel attendance, and undertaking an awareness campaign to assist Defence personnel declare and actively manage conflicts of interest.

## 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 2019 to 30 June 2020, the Minister for Defence exercised the powers pursuant to Division 1AA of the Act on one occasion.



HMAS *Adelaide* and her sister ship HMAS *Canberra* steam in company through heavy seas in the East Australian Exercise Area, off the coast of New South Wales.

## Navy's amphibious force at full strength

**The Royal Australian Navy is now one of the world's premier amphibious forces, after the fleet's two Canberra class Landing Helicopter Docks and landing craft achieved final operational capability in November 2019.**

By achieving this milestone, the entire amphibious capability acquired under Joint Project 2048—including HMAS *Adelaide* and HMAS *Canberra*, their 12 landing craft and amphibious supporting organisations—confirmed its ability to deliver and deploy the full scope of amphibious operations.

The Canberra class, the centrepiece of Australia's amphibious force, has the ability to complete operations from amphibious warfare through to humanitarian assistance and disaster relief. At 230 metres long and with a possible speed of more than 20 knots, the 27,500 tonne Landing Helicopter Docks are highly reliable and effective

ships with capabilities that include six helicopter positions and four integral ship-to-shore connectors that can carry all of Army's in-service vehicles, including the M1A1 main battle tank.

Since the Rizzo Review in 2011, Navy has strengthened its governance and management systems to support seaworthiness and ultimately deliver all maritime outcomes required by the Government. The Canberra class milestone brings this objective even closer.

Navy's preparedness in responding to recent events highlights a stark improvement in the management and associated availability of fleet assets. This has been enabled through the Defence Seaworthiness Management System and the development of strong industry partnerships.

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

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

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.

Despite domestic natural disasters and the COVID-19 pandemic, the operating tempo in the Office of the IGADF remained relatively high in 2019–20 and was comparable with previous reporting periods.

In May 2016, under the direction of the CDF, the 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. By the end of the reporting period, significant progress had been made towards completion of the inquiry. Substantial effort continued during the reporting period to ensure all persons involved in the inquiry were provided with relevant information on access to legal assistance and welfare support services.

Between July 2019 and March 2020, the IGADF conducted 39 military justice performance audits and 19 focus group activities. One unit was subject to a re-audit, because the previous audit identified material deficiencies in the unit's military justice arrangements. Material deficiencies were also identified in two other units. During the conduct of military justice performance audits in the reporting period, 3,179 ADF personnel participated in focus group discussions.

After the introduction of travel restrictions in March 2020 due to COVID-19, the remaining audit schedule for 2019–20 was cancelled. The planned re-audit of units with material deficiencies was postponed; the re-audits will be scheduled as soon as feasible.

The IGADF received 66 new submissions alleging military justice failures in 2019–20. As at 30 June 2020, 73 submissions had been finalised based on the results of an IGADF inquiry or assessment.

In addition the IGADF received 25 complaints of possible breaches of Military Police professional standards. During the reporting period 25 such complaints were finalised; 16 of these were submitted in 2019–20 and the remaining nine in previous reporting periods.

There were 318 new applications for redress of grievance in 2019–20, a decrease of approximately 12 per cent from the 360 received in 2018–19. The IGADF finalised 336 applications (some of which were received in previous reporting periods) during the reporting period.

In 2019–20 the IGADF initiated 44 new reviews and finalised 28 inquiries into the death in service of ADF members. Approximately 30 inquiries were ongoing at the end of the reporting period. In addition, IGADF staff worked closely with key Australian Government stakeholders to support the establishment of the new National Commissioner for Defence and Veteran Suicide Prevention.

At the end of each financial year, under section 110R of the *Defence Act 1903*, the IGADF prepares an annual report on the operations of the Office of the IGADF for the Minister and for presentation to the Parliament. 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).

# Defence engagement with parliamentary committees

In 2019–20, Defence provided evidence at seven public hearings, two Senate estimates hearings and three private briefings.

Defence provided 10 submissions and one government response to parliamentary committee inquiries, including input to six government responses led by other departments.

Defence took 699 questions on notice. Of these, 412 were from estimates hearings; 152 were from parliamentary committee hearings and briefings; 134 were submitted in writing from senators and members; and one was asked through the Parliamentary Library.

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

Table 5.4 lists Defence's involvement in inquiries and reviews by parliamentary committees between 1 July 2019 and 30 June 2020.

**Table 5.4: Defence's involvement with parliamentary committees, 2019–20**

## SENATE STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

### Opportunities to strengthen Australia's relationship with the Republic of France

Defence provided a submission and participated in a public hearing.

## JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

### Inquiry into Australia's Defence relationships with Pacific Island nations

Defence provided a submission and participated in a public hearing and a private briefing.

### Remediation of PFAS-related impacts and ongoing scrutiny and review

Defence participated in a public hearing.

## PARLIAMENTARY JOINT COMMITTEE ON INTELLIGENCE AND SECURITY

### Inquiry into the impact of the exercise of law enforcement and intelligence powers on the freedom of the press

Defence participated in a public hearing.

### Review of Administration and Expenditure No. 18 (2018–2019)

Defence provided a submission.

### Review of Administration and Expenditure No. 17 (2017–2018)

Defence participated in a classified hearing.

## SENATE SELECT COMMITTEE ON THE EFFECTIVENESS OF THE AUSTRALIAN GOVERNMENT'S NORTHERN AUSTRALIA AGENDA

### Inquiry into the effectiveness of the Australian Government's Northern Australia agenda

Defence provided a submission and participated in a public hearing.

## SENATE SELECT COMMITTEE ON COVID-19

### Inquiry into the Australian Government's response to the COVID-19 pandemic

Defence provided a submission and participated in a private briefing.

## SENATE STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

### Lessons to be learned in relation to the Australian bushfire season 2019–20

Defence provided a submission.

## JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

### Report 475: Defence First Principles Review, Naval Construction and Mental Health in the AFP

Defence provided a Government response.

### Inquiry into the 2018–19 Defence Major Projects Report and the Future Submarine Project—Transition to Design (Auditor-General's Reports 19 and 22 (2019–20))

Defence provided a submission and participated in a public hearing.

## SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS

### Impact of changes to service delivery models on the administration and running of Government programs

Defence provided a submission.

## SENATE STANDING COMMITTEE ON ECONOMICS

### Australia's sovereign naval shipbuilding capability

Defence provided a submission and participated in a public hearing.

## HOUSE OF REPRESENTATIVES SELECT COMMITTEE ON REGIONAL AUSTRALIA

### Inquiry into Regional Australia

Defence provided a submission.

## Parliamentary Standing Committee on Public Works

In 2019–20, Defence witnesses appeared at six hearings of the Parliamentary Standing Committee on Public Works. Defence referred eight major projects and notified nine medium works projects to the committee. Parliamentary approval was achieved for seven major projects and nine medium works projects.

The Point Wilson Waterside Infrastructure Remediation project, originally referred in June 2018 and the subject of a hearing in 2018–19, was required to be referred again in 2019–20 as a result of the 2019 federal election dissolving the 45th Parliament before the committee's report was tabled and approved. Point Wilson did not require a second hearing, as the existing report was adopted by the incoming committee and approved by Parliament in 2019–20.

**Table 5.5: Defence projects that achieved parliamentary approval through the Parliamentary Standing Committee on Public Works, 2019–20**

Project	Location	Value (\$m)
Point Wilson Waterside Infrastructure Remediation	Point Wilson (VIC)	218.9
HMAS Watson Redevelopment	HMAS Watson (NSW)	430.5
Navy Capability Infrastructure Sub-program (combining facilities for SEA 5000 Phase 1 Future Frigates and SEA 1180 Phase 1 Offshore Patrol Vessels Project)	Multiple	1,800
Shoalwater Bay Training Area Remediation	Shoalwater Bay Training Area (QLD)	135.4
RAAF Base Redevelopment Stage 6 and United States Force Posture Initiative RAAF Airfield Tindal Works and Associated Infrastructure Project	RAAF Base Tindal (NT)	1,174
Armoured Fighting Vehicle Facilities Program: Stage One	Multiple	235.1
LAND 121 Stage 5B Unit Sustainment Facilities	Multiple	183.3
<b>Total</b>		<b>4,177.2</b>

**Table 5.6: Defence notifications to the Parliamentary Standing Committee on Public Works, 2019–20**

Project	Location	Value (\$m)
Singleton Mid-Term Refresh	Singleton Military Area (NSW)	42.2
Facilities to Support SEA 1442 Phase 6 Protected Satellite Communications	HMAS Harman (ACT) HMAS Stirling (WA)	24.4
Defence Technology Acceleration Collab Fit-out Project	Fairbairn (ACT)	7.03
Facilities to Support the LAND 154 Phase 2 Weapons Technical Intelligence Capability	Gallipoli Barracks (QLD) DSTG Edinburgh (SA)	5.9
Facilities to Support LAND 555 Phase 6 Force Level Electronic Warfare, Signals Intelligence and Vehicles Project	Borneo Barracks (QLD)	29.6
Phase One Mulwala Decontamination and Demolition Project	Mulwala (NSW)	47.3
Holsworthy Mid-Term Refresh	Holsworthy Barracks (NSW)	29.49
Puckapunyal Health and Well Being Centre	Puckapunyal Military Area (VIC)	39.8
Oakey Mid-Term Refresh	Swartz Barracks (QLD)	31.3
<b>Total</b>		<b>257.02</b>



## Judicial and administrative tribunal decisions

In *Smith v Commonwealth of Australia (No 2)* [2020] FCA 837, the Federal Court approved the settlement of three class actions (*Gavin Smith & Ors v Commonwealth of Australia* [NSD1908/2016], *Bradley James Hudson & Ors v Commonwealth of Australia* [NSD1155/2017] and *Kirsty Jane Bartlett & Anor v Commonwealth of Australia* [NSD1388/2018]), brought on behalf of a number of individuals located in and around Williamstown (NSW), Oakey (QLD) and Katherine (NT), relating to damages the group members alleged to have suffered by reason of the historical use of a firefighting foam containing per- and poly-fluoroalkyl substances. The Federal Court found that the settlements were fair and reasonable and in the interests of the group members in all three proceedings.

## 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 2019–20, the Auditor-General published eight performance audit reports in relation to Defence and one priority assurance review.

**Table 5.7: Auditor-General's performance audit reports on Defence, 2019–20**

Report	Date presented to Parliament	Audit objective
Defence's Administration of Travel Allowances Paid to APS Employees	22 July 2019	To assess the effectiveness of Defence's administration of allowances and entitlements paid to its Australian Public Service employees.
Defence's Quarterly Performance Report on Acquisition and Sustainment	23 July 2019	To examine the effectiveness of Defence's quarterly performance report as a mechanism to inform senior stakeholders about risks and issues in the delivery of capability to the Australian Defence Force.
OneSKY: Contractual Arrangements	31 July 2019	To assess whether the contract for the acquisition of the Civil Military Air Traffic Management System demonstrably represents value for money.
Commonwealth Resource Management Framework and the Clear Read Principle	27 November 2019	To examine the effectiveness of the design and implementation of the clear read principle under the Commonwealth Resource Management Framework.
Future Submarine Program — Transition to Design	14 January 2020	To examine the effectiveness of Defence's administration of the Future Submarine program to date.
Defence's Management of its Public Communications and Media Activities	28 January 2020	To assess the effectiveness and appropriateness of the Department of Defence's management of its public communications and media activities.
Aboriginal and Torres Strait Islander Participation Targets in Major Procurements	20 February 2020	To assess the effectiveness of the administration of the mandatory minimum requirements for Aboriginal and Torres Strait Islander employment targets in government procurement contracts and intergovernmental funding agreements in achieving policy objectives.
Management of Defence Housing Australia	9 April 2020	To assess whether Defence Housing Australia administers its functions efficiently and effectively, and in accordance with the Government Business Enterprise guidelines.

Table 5.8: Auditor-General's priority assurance review involving Defence, 2019–20

Report	Date presented to Parliament	Review objective
2018–19 Major Projects Report	16 December 2019	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 2019–20.

## Freedom of information

During 2019–20, Defence finalised 1,054 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 with other government agencies.

Defence received 619 requests for information under the *Freedom of Information Act 1982* and finalised 611, including requests carried over from 2018–19. Of these, 256 were for personal information and 28 were for amendment or annotation of records of personal information, managed under section 48 of the Freedom of Information Act.

Defence managed 443 requests for information which did not proceed to a formal freedom of information decision. Of these requests, 235 were for access to personnel records 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 also received 63 courtesy consultations from other government agencies in 2019–20.

Defence managed 143 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. Of these review requests, 61 were internal reviews of freedom of information decisions. Defence finalised 63 reviews, including cases carried over from the previous financial year.

Defence also managed 82 external review cases submitted to the Office of the Australian Information Commissioner; 25 of these reviews were completed and 57 are awaiting a decision from the Information Commissioner. Defence also managed three cases before the Administrative Appeals Tribunal, of which one was completed.

One external complaint relating to a Defence freedom of information case was received by the Office of the Australian Information Commissioner during 2019–20.

## Contracts exempt from publication on AusTender

In 2019–20, Defence reported a total of 148 contracts, standing offers or variations, with a total value of \$470,585,459 (GST inclusive), subject to an exemption under the *Freedom of Information Act 1982*. 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.

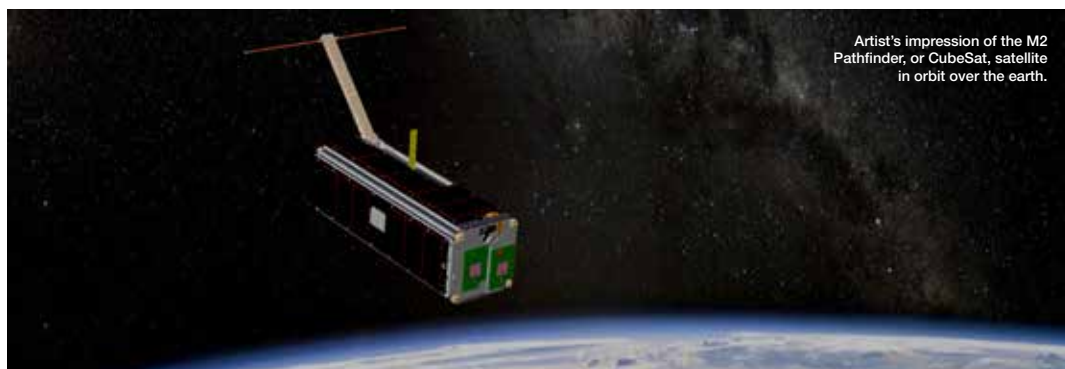
Further information is available on Defence's Information Publication Scheme website, detailed in Appendix D.

# Defence Public Interest Disclosure Scheme

The Defence Public Interest Disclosure Scheme is underpinned by 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 2019–20, Defence received a total of 194 matters reported under the Defence Public Interest Disclosure Scheme. Of these, Defence accepted 118 matters as public interest disclosures and allocated them for investigation.





Artist's impression of the M2 Pathfinder, or CubeSat, satellite in orbit over the earth.

## Defence embraces the space domain

**Space is becoming an increasingly congested and contested environment. Defence recognises the importance of this environment as both an essential enabler of military operations and a warfighting domain in its own right.**

Air Force has been designated as the Domain Lead and is responsible for coordinating Defence's space activities and integrating space effects across all operational domains.

This role will be critical as Defence transitions from being a space 'user' to being a space 'contributor'.

Over the next decade, Defence will invest \$7 billion in sovereign space capabilities. This investment will be across all aspects of space, including assured position, navigation and timing information in a contested environment; upgrades and support to existing and future satellite communications systems, including communications satellites and ground control stations that will be under sovereign Australian control; Space Domain Awareness capabilities that will enable better tracking and identification of space objects and threats; and capabilities to assure Australian access to critical space missions.

Space is already keeping Defence very busy. The M2 Pathfinder Satellite (pictured), a collaboration between Air Force and UNSW Canberra, was launched on 13 June 2020 from New Zealand's Mahia Peninsula. M2 Pathfinder is a type of small satellite, around the size of a loaf of bread, known as a CubeSat. It allows high-technology capabilities to be tested in space at a lower cost than larger (typically fridge sized) satellites. The M2 Pathfinder space mission will test communications architecture and other technologies that, with ongoing Defence

collaboration, will inform future Australian Defence Force capability design. It has already enabled UNSW Canberra to develop space courses and programs to benefit Defence personnel.

The new Space Surveillance Telescope (SST) in Western Australia achieved the significant milestone 'first light', meaning the completion of calibration to allow the first images of objects in orbit to be seen using the telescope. Once it is operational, the SST will join the C-Band radar as a jointly operated US–Australian capability providing object information to the global Space Surveillance Network (SSN). The C-Band radar has been contributing to the SSN since 2015, supporting a variety of missions including the first manned SpaceX launch to the International Space Station in May 2020.

Since late 2019, Defence has been using its new commercial imagery satellite infrastructure, which allows the Australian Geospatial-Intelligence Organisation to send tasking commands and receive imagery directly from satellites in orbit. The network of antennas is controlled remotely from an operations centre at RAAF Base Edinburgh.

Complementing these new capabilities, the Defence Innovation Hub has invested over \$16.5 million in space domain technologies over the last 24 months, and Defence continues to invest in the SmartSat Cooperative Research Centre as a foundation partner. These early investments in Australian technology advancement are critical to building the foundation of the Australian space industry and Defence's space capability.

Space-based capabilities are integral to modern life in Australia and are an indispensable component of Australian and allied military power. Space is hard, but continued investments in sovereign capabilities will help us reach for the stars.



## STRATEGIC WORKFORCE MANAGEMENT

Left to right: Royal Australian Air Force  
Warrant Officer Janet O'Dea, Defence Civilian  
Sailesh Rao, Navy Commander Lara Fowler  
and Lieutenant Colonel Phillip Ellsmore at the  
Department of Defence in Canberra.



## Workforce summary

Defence continues to pursue a capable, agile and resilient workforce that will deliver Defence outcomes in a highly dynamic strategic environment. The development of the *2020 Defence Strategic Update* and accompanying *2020 Force Structure Plan* throughout 2019–20 provides further impetus to pursue reform, rebalancing and reshaping of Defence's workforce.

Defence is in the fourth year of implementing the Defence Strategic Workforce Plan 2016–2026. The actions in the plan are designed to best enable the workforce and provide an integrated, enterprise approach to recruitment, career and talent management; workforce mobility; education and professionalisation; 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, along with initiatives to implement a more contemporary Australian Defence Force (ADF) employment model and remuneration framework. An updated workforce plan will be released late 2021, to support the workforce growth needed for the complex capabilities outlined in the *2020 Force Structure Plan* and to respond to changes in Australia's strategic, social and economic circumstances.

Defence is leading workforce transformation to support the \$270 billion Integrated Investment Program and position the Defence workforce to meet rapidly evolving national security challenges. Defence is building its skill base through training and education, targeted recruitment and balancing our integrated workforce to effectively deliver capability requirements.

In 2019–20, efforts continued with the recruitment and retention of the shipbuilding; cyber; science, technology, engineering and mathematics (STEM); intelligence; and information and communications technology workforces.

Defence now has a more versatile approach to managing its ADF total workforce to provide greater flexibility and agility, through its Total Workforce System. This enables Defence to utilise its workforce more effectively and offers opportunities for employment in key growth areas, including by leveraging offers to provide more work to part-time and standby components of the ADF workforce.

Retention of our workforce and their skills and experience is critical to the effective delivery of Defence capability. The Pathway to Change strategy, evolving a workforce culture, embedding the right Defence leadership behaviours and developing a safety culture are critical to our operational effectiveness and to both attraction and retention of a potent Defence workforce.

The Defence workforce rose to the challenges presented by COVID-19. We delivered outcomes in support of the Australian community and also focused on ensuring the safety and wellbeing of our people and their families. By exemplifying the One Defence Leadership Behaviours and focusing on teamwork and innovation, our workforce successfully supported of whole-of-government COVID-19 response efforts.

- More than 2,000 ADF personnel took part in Operation COVID-19 ASSIST in a variety of roles including repatriation of Australian citizens from overseas; planning support and liaison; ensuring quarantine compliance with local law enforcement agencies; frontline medical assistance; support to the defence industry; and assisting Australia's partners in the Indo-Pacific.
- More than 240 Australian Public Service (APS) personnel were redeployed to Services Australia and other Government departments to assist in the delivery of critical government functions.

A summary of key initiatives is below.

### Recruiting of ADF personnel

In 2019–20 Defence recruited more than 7,500 personnel to permanent and Reserve roles in the ADF, resulting in 93 percent of permanent force targets being filled. Defence recruited 526 Indigenous Australians, representing 72 per cent of the target for Indigenous recruitment. Challenges remain in recruiting Army Reserves, officer entry submariners and women in STEM roles. In the fourth quarter of the year, the implementation of online testing and the enhancement of telephony systems broadened our ability to identify the right talent and progress candidates more quickly through the recruitment process.



## Families and transition support

In 2019–20 Defence continued reform of its transition programs to provide tailored support to transitioning members and their families using a needs-based approach, including targeted support for at-risk members to achieve civilian employment or meaningful engagement. Defence delivered more support for families, including expanding eligibility for the Partner Employment Assistance Program and surge support to families of members deployed to Operation BUSHFIRE ASSIST 2019–2020.

Transition support was successfully delivered to 3,611 members participating in Operation BUSHFIRE ASSIST 2019–2020 and affected by COVID-19 circumstances. This included 3,297 Reservists on continuous full-time service (Service Option C) and 314 full-time service members (Service Category 6 and 7).

## 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 its implementation continue to embed work health and safety into the thinking and behaviours of personnel and in all Defence business and management systems.

## Defence 2022 reforms

In 2019–20 Defence built on the First Principles Review and Defence 2022 reforms in respect of leadership capability. Our leadership programs maintained a focus on One Defence Leadership Behaviours, ensuring that our current and future leaders are equipped to lead integrated teams in times of change. Accessibility and quality of learning experiences has been enhanced through the development of Defence's online academy.

## Defence 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.

The 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.

Defence has undertaken work on a new single set of unifying Values underpinned by an updated set of Defence Behaviours. This work will culminate in the next reporting period with an updated set of values and behaviours for the Defence organisation.

## Cultural reform

Pathway to Change: Evolving Defence Culture 2017–2022 underpins Defence's ongoing commitment to driving authentic, sustainable organisational change and creating an environment where all individuals are accountable for a more positive and inclusive culture. In 2019–20, Defence continued to progress its work on the six key cultural reform priorities: leadership accountability, capability through inclusion, ethics and workplace behaviours, health, wellness and safety, workplace agility and flexibility, and leading and developing integrated teams

## Sexual misconduct prevention and response

During 2019–20, 19,994 Defence personnel completed Sexual Misconduct Prevention and Response Office education sessions through a mix of face-to-face and online delivery. This represents a notable increase on the previous year's total of 13,355. The Sexual Misconduct Prevention and Response Office was focused on maximising access to Defence's values and expected behaviours messages and 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.

- The Total Workforce System (formerly the Total Workforce Model) continued to mature. The application of an integrated workforce, drawing on the diverse skills and strengths in both the permanent and Reserve elements, was demonstrated during Defence's contribution to the national responses to the bushfire emergency and the COVID-19 pandemic.
- The ADF Cyber Professional Framework was developed to support a common workforce taxonomy and foundational job requirements for cyberspace operator roles. A Cyber Professional Development Blueprint and roadmap outlines key activities to continue professionalisation of the cyber workforce.
- By bringing intelligence capabilities from across the enterprise together into a new Defence Intelligence Group, there will be improved coordination of Defence intelligence to support ADF operations and Defence activities and take advantage of emerging capabilities. Implementation will be phased over 2020, with initial Defence Intelligence Group capability operating from 1 September 2020 and full establishment by 1 January 2021.
- The Defence STEM Council is leading a collaborative approach across Defence and other agencies to develop the talent pipeline for careers in science, technology, engineering and mathematics in the national security sector.
- The Defence Enterprise Learning Strategy 2035 was launched to provide strategic guidance across Defence's education and training domain, which will improve access to learning and further develop Defence's intellectual edge.
- Targeted ADF recruitment activities in relation to engineering, health, naval, and intelligence related roles were undertaken. This included 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 were conducted in Cairns, Darwin, Kapooka and Wagga Wagga. In addition, the Defence Work Experience Program hosted 437 Indigenous students across Australia.
- In delivering on the Naval Shipbuilding Plan, demand and supply strategies have been developed. This includes a dedicated Maritime Engineering and Naval Construction APS graduate stream, supported by a mentoring program to best develop the technical and professional skills of this foundation workforce. Recruitment is currently underway for the fifth intake of graduates.
- Services to support ADF families continued to expand, including through the Defence Childcare Program Individual Case Management Service, which assisted 86 families in 2019–20 to source appropriate childcare arrangements when a Defence childcare centre was not available.
- To raise awareness of family and domestic violence, we provided a targeted training and education program for supervisors and commanders.
- A range of mental health initiatives were progressed, including the Periodic Mental Health Screen in all garrison health centres, to provide early identification and intervention for members with mental health concerns.
- 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 STEM Strategy.

# Defence 2022 workforce initiatives

## Developing staff

Defence continues to invest in building the intellectual edge of its workforce to meet the challenges and harness the opportunities of the rapidly evolving strategic environment. Defence offers a comprehensive continuum of skills and capability programs, which range from short micro-learning experiences to transformative leadership programs, to subsidised formal qualifications. For example, in 2019–20, 16 cohorts (630 participants) completed the Leading for Reform program, designed to enhance the ability of Executive Level (EL) leaders to model One Defence Leadership Behaviours and implement reform.

Other recent innovations in Defence learning include:

- In collaboration with the Naval Shipbuilding College, Defence established a tailored educational sponsorship program for engineering undergraduates. This program seeks to build a pipeline to meet future skill needs of both Defence and defence industry within the shipbuilding enterprise and deliver 30 to 40 work-ready graduates to the shipbuilding enterprise annually. The first cohort will commence their careers at the start of 2022.
- The Defence Online Academy was launched in July 2019 as an innovative strategic approach to learning that emphasises learner autonomy and leadership engagement. The academy offers learning pathways for the development of both future-focused and specialist skills. The Defence Online Academy had 909,000 site views in 2019–20.
- Flexible virtual delivery options for leadership programs supported continuity of learning during the COVID-19 pandemic and enabled Defence to maintain and expand industry and academia partnerships for the provision of learning services.
- Defence implemented the Build on You program, a digital suite of micro-learning experiences. In May and June 2020, 1,000 learners, most working remotely, benefited from this program. The broader adoption of digital learning platforms, when layered with face-to-face learning, has yielded significant benefits in terms of cost, inclusiveness and learning outcomes.

## Cultural reform

Defence continues its drive to be a diverse and inclusive employer of choice—respectful, trusted and proven to deliver. In 2019–20 our focus remained on reforming, refining and reinforcing culture through the six key cultural reform priorities of Pathway to Change: Evolving Defence Culture 2017–2022:

- leadership accountability
- capability through inclusion
- ethics and workplace behaviours
- health, wellness and safety
- workplace agility and flexibility
- leading and developing integrated teams.

Implementation of cultural reform within Defence is undertaken at all levels of the organisation.

On an enterprise level we launched the Defence Reconciliation Action Plan 2019–2022, which contains 61 targeted actions to support Indigenous recruitment and retention, community engagement and Indigenous business.

Cultural change is being implemented through Groups and Services via programs including:

- Next Generation Navy, which formally places the leadership of people and culture at the forefront of Navy's strategy. The program is supported by five cultural pillars: value our people; develop leaders who value their team; enhance resilience; instil a sense of purpose; and drive to professional mastery. These pillars were most recently used as a foundation to develop and deliver a range of support to Navy people and their families during COVID-19.

- Army's cultural initiative Good Soldiering, which promotes an enduring culture of optimal performance as individuals, as teams and as an Army. It is founded on a platform of trust, exemplary character, values, and achieving inclusion through teaming.
- New Horizon, Air Force's cultural program, which focuses on the Air Force values of respect, excellence, agility, dedication, integrity and teamwork. These values ensure a fair, safe and inclusive work environment that supports the One Defence Leadership Behaviours required in a 'Fifth-Generation Air Force'.

## Embedding culture into reform programs

The ADF Military Police Reform Program 2018–2020 established a Joint Military Police Unit in January 2020. Framed as essential to the delivery of effective policing within a unified structure, culture was a key consideration of this reform program from the outset.

Leading up to the establishment of the Joint Military Police Unit, staff were required to submit executive summaries outlining their interpretation of and contribution to cultural reform. This exercise proved useful in developing a widespread understanding of the significance of culture and generated various ideas for realising cultural reform, which were captured in a Cultural Reform Intent Statement and aligned Cultural Reform Plan.

As at 30 June 2020, the implementation of the Cultural Reform Plan is ongoing. However, the effectiveness of the Joint Military Police Unit has already been demonstrated through its support to Operation BUSHFIRE ASSIST 2019–2020 and Operation COVID-19 ASSIST while continuing to provide law enforcement and investigative support to the ADF.

With the organisation moving into the third year of Pathway to Change: Evolving Defence Culture 2017–2022, Defence is focused on enhancing its data measurement framework. This framework will help to evaluate cultural reform progress and identify where to focus future efforts and resourcing. To complement this, Defence has extended its collaboration with the Australian Human Rights Commission for a further two years. The collaboration has been important in monitoring cultural change efforts and making recommendations on how to optimise Defence culture.

## Defence diversity

Defence's commitment to building capability through inclusion reinforces our commitment under Pathway to Change 2017–22 to building a highly capable and modern workforce through inclusion. In 2019–20 Defence focused on inclusion, representation, attraction and retention of women; Indigenous Australians; lesbian, gay, bisexual, transgender and intersex persons; people from culturally diverse backgrounds; and people with disabilities.

Defence currently has five diversity streams and associated champion positions, focusing on supporting, promoting and engaging with our diverse Defence community.

Defence proudly continues to participate in days of significance and importance. In 2019–20 we participated in the Sydney Gay and Lesbian Mardi Gras parade and celebrated International Women's Day; Harmony Week; the International Day Against Homophobia, Biphobia, Interphobia and Transphobia; National Reconciliation Week; and National Aborigines and Islanders Day Observance Committee (NAIDOC) Week.

## Women

In 2019–20 Defence's efforts to further gender equality focused on women's representation in leadership roles, mentoring and networking, capability development, and participation in STEM fields.

Defence was recognised for its commitment to gender equity, receiving the Athena SWAN Bronze Award in 2020. The Athena SWAN Awards are an initiative under the Science in Australia Gender Equity (SAGE) program, which aims to promote equity and diversity in STEM. The Bronze Award recognises Defence's commitment to advancing the careers of women not only in STEM fields but also across all the Groups and Services.

Defence, along with other large employers, sponsored the inaugural Catalysing Gender Equity Conference in February 2020 and is committed to championing the Women in STEM Decadal Plan, a shared vision for the STEM sector to attract, retain and advance girls and women in STEM education and careers. As a champion of the Women in STEM Decadal Plan, Defence has agreed to publicly align its gender equity actions with the plan.

To increase the number of women on Defence boards, in line with Australian Government targets, Defence continued its focus on providing board readiness training for women. As at 30 June 2020, Defence boards have 45.9 per cent representation by women, an increase of 1 per cent from last year.

## **Women in the Australian Defence Force**

As at 30 June 2020, the participation rate of women in the permanent ADF reached 19.2 per cent—an increase from 18.6 per cent as at 30 June 2019. In the same period, the number of women serving in the ADF increased by 526, with 15 more women in senior officer positions.

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

- The Navy Women's Development Program 2019–21 is designed to empower Navy's female workforce through initiatives to support the Service-mandated target of 25 per cent female participation rate by 2023. Under this program the Navy Women's Mentoring Program has been established, along with Navy Women's Mentoring and Networking Forums. The Navy Women's Development Program has sponsored more than 100 Navy women to take part in professional development courses provided through Women and Leadership Australia and has secured Navy representation at numerous women in leadership summits and symposiums around the country. The Navy Women's Mentoring Program continues its sponsorship of The Future Through Collaboration women in engineering mentor/mentee program and is working with Navy Engineering on initiatives to increase female representation in STEM.
- Army provides a range of professional development activities designed to improve leadership, resilience and mentoring. Current programs include sponsorship of The Future Through Collaboration; Great Leaders Are Made; Chief Executive Women's Leaders Program groups and executive coaching; and the Army Industry and Corporate Development Program. Army is committed to the successful integration of women into combat roles, and to ensuring they have positive, viable careers. In 2019 Army commenced a program of work to review and adjust the force generation and sustainment of women in combat roles.
- Air Force sponsored women to attend and participate in various internal and external conferences and events. These include The Future Through Collaboration; Women Speaking, a public-speaking development program; the Women's Integrated Networking Group, a facilitated program providing professional development and networking opportunities for all Air Force women; the Leadership Exchange Program, a professional development forum to enhance leadership effectiveness and share ideas and experiences with other Air Force members from different ranks and occupations; and the Australian Women Pilots' Association Grant, providing two scholarships annually to support women pilots to further their career and enhance their skills.

## **Women in the Australian Public Service**

As at 30 June 2020, the participation rate of women in the Defence APS reached 45.4 per cent—an increase from 44.3 per cent as at 30 June 2019. In this period, the proportion of women in Executive Level positions increased from 33.8 per cent to 35.7 per cent. There has also been an improvement in the proportion of women in Senior Executive Service (SES) positions, increasing from 37.9 per cent to 42.2 per cent.

Defence has implemented a number of gender equality initiatives, including mentoring opportunities for women designed to enable talented female professionals to build their career resilience and develop their leadership skills through group coaching and peer mentoring.

Defence offers a wide range of leadership programs to all of its APS employees. These include the Mentoring Circles for Women, Gateway, Catalyst, Leading for Reform and Capstone programs.



Australian Army soldier Signaller Tara Knight talks to students during a tree-planting ceremony held at the local Parndana school on Kangaroo Island. The tree was planted on behalf of all ADF personnel who served on Kangaroo Island on Operation BUSHFIRE ASSIST 2019–2020.

## One Defence mandate for Australia's National Action Plan on Women, Peace and Security

**In 2000 the United Nations Security Council adopted Resolution 1325 (UNSCR 1325), formally recognising the disproportionate impact of conflict on women and girls and the importance of full participation of women in conflict prevention and resolution, peace-building and post-conflict reconstruction.**

The Australian Government is committed to achieving the aims of UNSCR 1325, and its roadmap for implementing the Women, Peace and Security agenda is the Australian National Action Plan on Women, Peace and Security. The first national action plan ended in 2019 and the government is currently developing the second national action plan, which will operate until 2029.

Defence's Gender, Peace and Security Mandate, a high priority for the Minister for Defence, sets out our approach to implementing the priorities of the national action plan. The mandate focuses on six lines of effort:

- putting strategic settings in place through policy and doctrine
- training a broad pool of people across the organisation and job functions

- ensuring we have dedicated personnel for implementing this agenda
- achieving a state of mission readiness through deploying Gender Advisors on operations and exercises
- supporting international partner capability-building
- developing a robust governance and reporting framework to ensure Defence is meeting its UNSCR 1325 obligations.

Australia is proactively taking opportunities to deliver on and raise the profile of the Women, Peace and Security agenda. In May 2020, Defence contributed US\$1 million to the Elsie Initiative for Women in Peace Operations. The Elsie Initiative, named after Canadian women's rights pioneer Elsie MacGill, works to identify and overcome obstacles to women's meaningful participation in peace and security.

In 2021 the Chief of the Defence Force will host an international conference to celebrate the 20th anniversary of UNSCR 1325 and promote meaningful exchanges to progress the agenda.

Defence will continue to champion the global agenda in regional and bilateral forums and be a positive example of how to progress the agenda beyond rhetoric.



## Indigenous participation and engagement

Defence's commitment to Closing the Gap is outlined in the Defence Reconciliation Action Plan 2019–2022—the plan's fourth iteration—which was officially launched by the Secretary and the Chief of the Defence Force in August 2019.

The Reconciliation Action Plan contains 61 targeted actions to support Indigenous recruitment and retention, community engagement and Indigenous businesses. It sets Indigenous representation targets of 5 per cent by 2025 for the ADF and 3 per cent by 2022 for the APS.

Defence continues to prioritise employment opportunities through targeted cadetships, traineeships, graduate placements, affirmative measures recruitment activities, and initiatives to increase Indigenous representation at higher levels of the organisation through career development and progression.

In December 2019, Defence completed a nationwide affirmative measures recruitment activity, with around 150 Indigenous Australians interviewed for positions across the APS 5, APS 6 and EL 1 classifications. More than 100 of these applicants were found suitable and placed on an order of merit list, and approximately 15 engagements, 28 promotions and three transfers were achieved.

Defence employs a variety of initiatives for Indigenous Australians to develop professional and personal skills and to obtain exposure to a career in the Navy, Army or Air Force. These include:

- the Defence Work Experience Program, which attracts talent through community engagement activities, work experience opportunities and partnering with Indigenous organisations to focus on improving future outcomes for Indigenous youth
  - In 2019–20 the Defence Work Experience Program hosted 437 Indigenous students across Australia, including through the RAAF Indigenous Youth Program and Army's flagship Indigenous program, Exercise First Look
- 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 2019–20:
  - 37 people participated in the Navy Indigenous Development Program
  - 105 people participated in the Army Indigenous Development Program
- the 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 2019–20, approximately 100 people participated in the flexible recruitment pathways, and 30 people have since enlisted. These programs have a follow-on recruitment effect as participants return to their communities and promote Defence
  - Although a large percentage of participants do not decide to join immediately following the program, many return to follow up on their career aspirations. These programs are critical to Air Force's long-term plan to continue to improve its standing as an employer of choice within Indigenous communities
- the Indigenous ADF Pre-Recruit Program, which is aimed at Indigenous Australians who meet the general entry medical, education and aptitude recruiting standards 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 in 2019–20 comprised 16 people for Navy, 25 people for Army and 11 people for Air Force.

Overall, Indigenous representation among APS employees decreased slightly from 2.4 per cent on 1 July 2019 to 2.3 per cent on 30 June 2020. The permanent ADF Indigenous workforce increased from 3.1 per cent on 1 July 2019 to 3.2 per cent on 30 June 2020 and is currently exceeding the Australian Government target of 2.7 per cent (see Table 6.1).



Acting Director Indigenous Affairs Shane Hind, Defence Indigenous Cultural Advisor Norman Laing, First Assistant Secretary People Policy and Culture Pat Hetherington, the Chief of the Defence Force General Angus Campbell, Deputy Secretary Defence People Justine Greig, Secretary of Defence Greg Moriarty and Defence Indigenous Champion Steve Grzeskowiak after 'leaving their mark' on the 2020 National Reconciliation Week artwork at Russell Offices, Canberra on 29 May 2020.

## Defence personnel 'leave their mark' in act of reconciliation

**Defence is leading from the top to strengthen the cultural intelligence of our workforce. As part of that commitment, in August 2019 Defence launched its fourth Defence Reconciliation Action Plan. The Defence Reconciliation Action Plan 2019–2022 outlines our approach to reconciliation and 'Closing the Gap'. It prescribes 61 targeted actions to improve socio-economic outcomes for Indigenous Australians, focusing on key priority areas of recruitment, retention, career development and cultural intelligence.**

Defence encourages all levels of the organisation to participate in dates of significance as a way to recognise and respect Indigenous history and culture. For example, every year we mark National Reconciliation Week (NRW) through activities to celebrate Indigenous culture and promote reconciliation in Australia.

This year's NRW took place during the COVID-19 pandemic. Given the restrictions in place, Defence took an innovative approach by creating a range of virtual activities to capture the NRW 2020 theme 'In This Together'.

Defence officially launched NRW with a symbolic 'leave your mark' art activity in which Defence personnel demonstrated their commitment to reconciliation by marking their fingerprints on a canvas. The Secretary and the Chief of the Defence Force were the first to place their fingerprints on the artwork, followed by the Defence Senior Leadership Group. The activity was then opened to all Canberra-based personnel. The completed artwork illustrates Defence's unique reconciliation journey, encompassing Navy, Army, Air Force and the Australian Public Service.

Indigenous artist and Directorate of Indigenous Affairs employee Kate Weber designed the NRW artwork, which has cultural meaning as well as representing Defence's journey of reconciliation. With strong ties to Navy through her family's service, Kate was particularly proud when the Chief of Navy left his fingerprint.

We are creating a more inclusive organisation and strengthening our professionalism, accountability and leadership at all levels. This approach is aligned to Defence's overall cultural reform agenda, Pathway to Change: Evolving Defence Culture 2017–2022.

Table 6.1: Indigenous participation

	30 June 2019 <sup>1</sup>		30 June 2020	
	Number	% of total	Number	% of total
<b>Navy</b>				
Permanent	483	3.4%	527	3.5%
Reserves <sup>1</sup>	43	1.3%	47	1.3%
<b>Army</b>				
Permanent	1,008	3.4%	1,022	3.4%
Reserves <sup>1</sup>	564	3.0%	626	3.2%
<b>Air Force</b>				
Permanent	315	2.2%	356	2.5%
Reserves <sup>1</sup>	57	1.1%	70	1.2%
<b>Total ADF</b>				
Permanent	1,806	3.1%	1,905	3.2%
Reserves <sup>1</sup>	664	2.4%	743	2.6%
<b>Total APS<sup>2</sup></b>	<b>399</b>	<b>2.4%</b>	<b>405</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. Data for 2018–19 does not match the data provided in the *Defence Annual Report 2018–19*, due to retrospective transactions.

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

The ADF's outreach includes the Air Force Return to Community initiative, which supports 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 aiming to improve environmental health and living conditions in remote Indigenous communities through the delivery of housing, infrastructure and essential services.

## People from culturally and linguistically diverse backgrounds

Defence aims to provide an inclusive work environment that respects, values and utilises the contributions of people of different backgrounds, experiences and perspectives. Defence is a corporate member of the Diversity Council Australia, an independent not-for-profit peak body leading diversity and inclusion in the workplace.

In 2019–20, Defence continued to offer the Special Broadcasting Service (SBS) Cultural Competence Course. The course is a multifaceted 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.

Of the 251 candidates recruited for the 2020 Defence Graduate Program, 35 percent of graduates indicated they either spoke or wrote a second language (other than English). Collectively, the cohort has a proficiency in 34 languages including Cantonese, French, German, Hindi, Japanese, Mandarin, Russian and Spanish.

## 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 (LGBTI) members can openly contribute to Defence capability.

Defence is a foundation member of Pride in Diversity, Australia's first and only national not-for-profit employer support program for all aspects of LGBTI workplace inclusion. As part of our Pride in Diversity membership we hold regular training sessions throughout the year which aim to promote LGBTI inclusion across our organisation and provide information and support to Defence personnel who wish to actively support their LGBTI colleagues.

## People with disability

Defence has been recognised for excellence in disability employment initiatives and programs in the workplace and for inclusion in public sector employment. We have been awarded Gold membership status by the Australian Network on Disability, a not-for-profit organisation resourced by its members to advance the inclusion of people with disability in all aspects of business.

Defence continues to enhance capability and build positive and sustainable employment through a number of disability employment programs. In 2019–20 these included:

- the Inclusive Employment Program, which currently employs 19 people with intellectual disability at the APS 1 and APS 2 levels
- the Defence Administrative Assistance Program, which supported employment of people with a disability in 10 Defence locations across Australia, through partnership with Australian Disability Enterprises
- Defence support for the Dandelion Program, run in partnership with DXC Technology Australia, which builds information technology skills and careers for people with autism spectrum condition.

Defence's client-centric approach to supporting people with disability and their managers includes:

- workplace adjustments and assistive technology to eliminate workplace barriers
- participation in the Australian Public Service Commission's Disability Awareness training course, which is 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.

### Disability reporting mechanisms

Defence's disability reporting mechanisms include both anonymous survey-based data capture and self-identified human resources reporting.

Official data shows that the percentage of Defence APS employees who have identified as having a disability is at 3.3 per cent (a slight reduction from 3.5 per cent in 2018–19) and the proportion of Defence APS employees with a disability or a chronic medical condition (reported through the last Defence census) is at 19 per cent (a reduction from 20 per cent in 2018–19).

Defence is committed to building capability through inclusion, as articulated in Pathway to Change 2017–2022, and continues its focus on removing barriers for people with disability or chronic illness. This includes strategies to address stigma in the workplace, which should increase the willingness of individuals to share information regarding their disability.

## Workforce planning

This section provides information on average workforce strength during 2019–20. Like other Commonwealth agencies, Defence uses average workforce strength figures for planning and budgeting purposes.

In 2019–20 implementation of the Defence Strategic Workforce Plan 2016–2026 saw improved outcomes in recruiting, retention, 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 93 per cent of targets for enlistments into the permanent ADF (ab initio and prior service). Women represented 23.4 per cent of enlistments and, combined with retention efforts, this has resulted in 526 more women serving in the ADF (Service Categories 7 and 6, excluding Service Option G) than 12 months ago. Retention in the ADF permanent force improved, with a decline in separations from 9.7 per cent to 9.0 per cent, close to the five-year average of 9.1 per cent. The APS workforce also saw a decline in separations over the year, from 10.4 per cent to 9.4 per cent.

Indigenous representation in the permanent ADF improved, with more than 350 Indigenous personnel recruited in 2019–20. Indigenous representation in the permanent ADF is now at 3.2 per cent. In relation to transition services, Defence provided individualised career coaching and mentoring services to 5,982 ADF personnel transitioning from Defence, with the aim of assisting them to achieve meaningful employment or meaningful engagement. An additional 3,297 Reserve members were provided needs-based transition support following Operation BUSHFIRE ASSIST 2019–2020.

## Staffing levels and statistics

All workforce information in this report is at 30 June 2020, and will differ to the rounded workforce achievement figures stated in the Force Structure Plan, which reflects data at an earlier point in time.

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 for the ADF and average staffing levels for the APS for the financial year; 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 System

Over the period 2016 to 2018, Defence transitioned to the Total Workforce Model under Project Suakin. In October 2019, Project Suakin was closed and the model was renamed as the ADF Total Workforce System in recognition that it was operational.

A key feature of the Total Workforce System is the ADF Service Spectrum, encompassing the permanent and Reserve forces. Under the Service Spectrum, the ADF workforce consists of six Service Categories differentiated by their relative obligation, commitment and contribution to capability. Members of the permanent ADF serve in Service Categories 7 and 6. Reservists serve in Service Categories 3, 4 and 5. Members in Service Category 2 are Reservists who do not render service but may be subject to call out.

The Service Categories and options available across the Service Spectrum provide members with the choice and flexibility they need to continue to serve. By accessing the workforce potential available across the Service Spectrum it should be easier for Defence to find the right person at the right time.

A program of work to embed and optimise the Total Workforce System across Defence is being undertaken over the period 2020 to 2023. Key activities include improving transfer between Service Categories, extending transition support services across the Service Spectrum and ensuring that future workforce structures are designed to access the flexibility and agility available across the Service Spectrum.

One of the drivers for introducing the ADF Total Workforce System was members seeking more flexibility in how they can serve and work. The introduction of Service Category 6 in 2018 has enhanced the existing suite of flexible work arrangements available to ADF members by allowing members of the permanent force to work reduced hours on a flexible service arrangement.

Each Service has a target of 2 per cent of the trained workforce accessing formalised flexible work arrangements. As at 30 June 2020, 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 in 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 6.2: **Total Workforce System—Service Spectrum continuum**

Previous description	Service Spectrum 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 (Service Category 4)	Members of the Reserves who serve in 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 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)	The ADF Gap Year is a program that enables 17 to 24 year olds with Year 12 education to experience segments of ADF training and employment for up to 12 months.

## Australian Defence Force staffing

ADF staffing figures for 2018–19 and 2019–20 are shown in Table 6.3.

Table 6.3: **Australian Defence Force staffing figures, 2018–19 and 2019–20**

ADF staffing measure <sup>1,2</sup>	2018–19	2019–20	Variation
<b>For workforce planning purposes</b>			
Actual funded strength (paid strength as at 30 June)	58,554	59,760	1,206
Average funded strength (over the financial year)	58,380	59,109	729
<b>For other statistical data</b>			
Permanent headcount (on duty/leave and paid/unpaid)	58,058	59,095	1,037

**Notes:**

1. Funded strength figures include the ADF Gap Year (Service Option G). For consistency with other tables in this chapter, the headcount figures do not include the ADF Gap Year, which had 566 participants on 30 June 2019, rising to 595 participants on 30 June 2020.
2. Funded strength figures do not include the Reserve workforce other than those on continuous full-time service (Service Option C), 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.
3. 2018–19 headcount figures have been adjusted from those reported in the *Defence Annual Report 2018–19* to account for retrospective transactions.



Table 6.4 details ADF permanent force average funded strength for 2019–20, which includes ADF Reserves on continuous full-time service. ADF strength was 59,109 in 2019–20, an increase of 729 from 2018–19. Average funded strength for Reserves on continuous full-time service was 1,055 (comprising Navy 312, Army 651 and Air Force 92)—an increase of 277 from 2018–19.

**Table 6.4: Australian Defence Force permanent force (Service Categories 7 and 6) and Reserves undertaking continuous full-time service (Service Option C), average funded strength**

	2018–19 Actual	2019–20 Budget estimate <sup>1</sup>	2019–20 Revised estimate <sup>2</sup>	2019–20 Actual	Variation	%
Navy	14,176	14,776	14,776	14,821	45	0.3%
Army	29,982	30,821	30,821	29,923	-898	-2.9%
Air Force	14,222	14,493	14,493	14,365	-128	-0.9%
<b>Total average funded strength</b>	<b>58,380</b>	<b>60,090</b>	<b>60,090</b>	<b>59,109</b>	<b>-981</b>	<b>-1.6%</b>

**Notes:**

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

1. As published in the *Portfolio Budget Statements 2019–20*.
2. As published in the *Portfolio Additional Estimates Statements 2019–20*.

## ADF enlistments and separations

In 2019–20 Defence recruited over 7,500 personnel to a combination of permanent and Reserve roles, an increase of 365 from 2018–19.

ADF enlistments can be categorised as ab initio (those with no prior military service) or prior service enlistments.

While there are specific areas that require further improvement to attain the desired workforce numbers, overall Defence has achieved 93 per cent of its target for the recruitment of full-time ADF members (ab initio and prior service).

In 2019–20 the ADF enlisted 6,277 permanent members, made up of 4,810 men, 1,466 women and one member of indeterminate/intersex/unspecified gender. This was 560 more enlistments than in 2018–19.

Of the 6,277 ADF permanent members enlisted, 1,273 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 5,004 ab initio entrants.

The permanent ADF headcount (Service Categories 7 and 6) increased by 1,037 in 2019–20. This reflects the net difference between enlistments and separations. The Reserve headcount increased by over 1,600, reflecting the implementation of the Total Workforce Summary for how Defence generates personnel capability. This is also reflected in the increased number of days that personnel provided to the Reserve Service.

The Gap Year program (Service Option G) for 2019–20 achieved 99.4 per cent of recruiting targets, which is a slight decrease from 99.7 per cent in 2018–19. The Gap Year program is now established as a key avenue of entry to the ADF, with a high proportion of entrants electing to remain in either the permanent or Reserve workforce.

Tables 6.5 and 6.6 provide comparative information about ADF permanent force (Service Categories 7 and 6) separations over the last two years.

**Table 6.5: ADF permanent force (Service Categories 7 and 6) and ongoing APS, 12-month rolling separation rates as at 30 June 2019 and 30 June 2020**

	12-month rolling separation rate (%)	
	30 June 2019	30 June 2020
Navy	8.1%	6.6%
Army	11.6%	11.0%
Air Force	7.3%	7.3%
<b>Total ADF permanent force</b>	<b>9.7%</b>	<b>9.0%</b>
<b>APS</b>		
<b>Ongoing APS</b>	<b>10.4%</b>	<b>9.4%</b>

**Note:**

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

**Table 6.6: ADF permanent force (Service Categories 7 and 6) separations, 2018–19 and 2019–20**

		Voluntary separations <sup>1</sup>	Involuntary separations <sup>2</sup>	Age retirement	Trainee separations	Total
<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	1,615	856	23	424	2,918
Air Force	Officers	219	49	18	45	331
	Other ranks	419	204	22	65	710
<b>Total ADF permanent force</b>	Officers	597	199	57	242	1,095
	Other ranks	2,592	1,260	53	617	4,522
	<b>Total</b>	<b>3,189</b>	<b>1,459</b>	<b>110</b>	<b>859</b>	<b>5,617</b>
<b>2019–20</b>						
Navy	Officers	100	25	6	36	167
	Other ranks	405	251	14	126	796
Army	Officers	217	102	22	98	439
	Other ranks	1,538	745	19	484	2,786
Air Force	Officers	190	57	15	30	292
	Other ranks	444	225	22	69	760
<b>Total ADF permanent force</b>	Officers	507	184	43	164	898
	Other ranks	2,387	1,221	55	679	4,342
	<b>Total</b>	<b>2,894</b>	<b>1,405</b>	<b>98</b>	<b>843</b>	<b>5,240</b>

**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—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.

1. 'Voluntary' includes voluntary redundancies and resignations.
2. 'Involuntary' primarily comprises members who are medically transitioned from Defence, and personnel who were unsuitable for further duty, died while serving or were part of 'Command Initiated Transfer to the Reserve'.
3. Data for 2018–19 does not match the data provided in the *Defence Annual Report 2018–19* due to retrospective transactions.

## 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 6.7 shows both the total number of days served by Reserve members in 2018–19 and the number of Reservists who rendered paid service.

In 2019–20 there was an increase of 109,330 days' service compared to 2018–19, to a total of 1,120,849 (112,514 Navy; 775,012 Army; and 233,323 Air Force), while the number of Reservists undertaking service days increased to 21,189 (1,823 Navy; 15,721 Army; and 3,645 Air Force).

As Table 6.7 shows, the figures for number of days served by Navy, Army and Air Force Reserve members were all greater than forecast (by 17 per cent, 13 per cent and 6 per cent respectively). This was primarily due to the support provided for Operation BUSHFIRE ASSIST 2019–2020 and also for COVID-19 support.

**Table 6.7: ADF Reserve paid strength (Service Categories 5, 4 and 3), 2018–19 and 2019–20<sup>1,2</sup>**

	2018–19 Actual: days served	2019–20 Budget estimate <sup>3</sup> : days served (members paid)	2019–20 Revised estimate <sup>4</sup> : days served (members paid)	2019–20 Actual: days served (members paid)	Variation: days served (members paid)	Percentage variation: days served (members paid)
Navy	102,574	96,000	96,000	112,514	16,514	17%
	(1,722)	(1,750)	(1,750)	(1,823)	(73)	(4%)
Army	691,758	685,000	685,000	775,012	90,012	13%
	(15,418)	(15,500)	(15,500)	(15,721)	(221)	(1%)
Air Force	217,187	219,400	219,400	233,323	13,923	6%
	(3,411)	(3,200)	(3,200)	(3,645)	(445)	(14%)
<b>Total paid Reserves</b>	<b>1,011,519</b>	<b>1,000,400</b>	<b>1,000,400</b>	<b>1,120,849</b>	<b>120,449</b>	<b>12%</b>
	<b>(20,551)</b>	<b>(20,450)</b>	<b>(20,450)</b>	<b>(21,189)<sup>5</sup></b>	<b>(739)</b>	<b>(4%)</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. Reserves on continuous full-time service (Service Option C) are not included in this table; they are included in Table 6.4.
3. As published in the *Portfolio Budget Statements 2019–20*.
4. As published in the *Portfolio Additional Estimates Statements 2019–20*.
5. This represents the reserve personnel that rendered service from the around 29,000 personnel across service categories 5, 4, and 3 that have indicated availability to render service. It does not include around 11,000 personnel in Service Category 2 that are not rendering service and may be called on as required.

## Australian Public Service workforce

APS staffing figures for 2018–19 and 2019–20 are shown in Table 6.8.

**Table 6.8: APS staffing figures, 2018–19 and 2019–20**

APS staffing measure	2018–19 <sup>1</sup>	2019–20	Variation
<b>For workforce planning purposes</b>			
Actual FTE (paid strength as at 30 June)	15,996	16,505	509
Average FTE (over the financial year)	15,925	16,129	204
<b>For other statistical data</b>			
Headcount figure (on duty/leave, full-time or part-time, paid/unpaid)	16,888	17,454	566

**Notes:**

Figures include both ongoing and non-ongoing APS employees.

1. 2018–19 headcount figures have been adjusted from those reported in the *Defence Annual Report 2018–19* to account for retrospective transactions.

Table 6.9 shows details of the APS average strength, expressed as average FTE, for 2019–20. APS average strength was 16,129 in 2019–20. This was an increase of 204 from the 2018–19 figure of 15,925.

**Table 6.9: APS workforce, average full-time equivalent, 2018–19 and 2019–20**

	2018–19 Actual	2019–20 Budget estimate <sup>1</sup>	2019–20 Revised estimate <sup>2</sup>	2019–20 Actual	Variation	%
APS	15,925	16,272	16,271	16,129	-142	-0.9%

**Notes:**

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

1. As published in the *Portfolio Budget Statements 2019–20*.
2. As published in the *Portfolio Additional Estimates Statements 2019–20*.

Table 6.10 shows the actual FTE at the last pay in 2019–20, which at 16,505 was 509 greater than the final pay figure in 2018–19 of 15,996.

**Table 6.10: APS workforce, end-of-year actual full-time equivalent, 2018–19 and 2019–20**

	2018–19 Actual	2019–20 Actual	Variation
APS	15,996	16,505	509

**Note:** Figures in this table are actual FTE for the last payday of 2019–20. Employees on forms of leave without pay are not included. The figures differ from Table 6.9 as that table shows the average FTE across the full year.

## Australian Public Service recruitment and separations

Defence recruited 2,297 APS employees during 2019–20, including 251 as part of the graduate program.

The APS headcount increased by 566, which reflects the net difference between recruitment and separations. The majority of separations were due to resignation or retirement from Defence (Table 6.11).

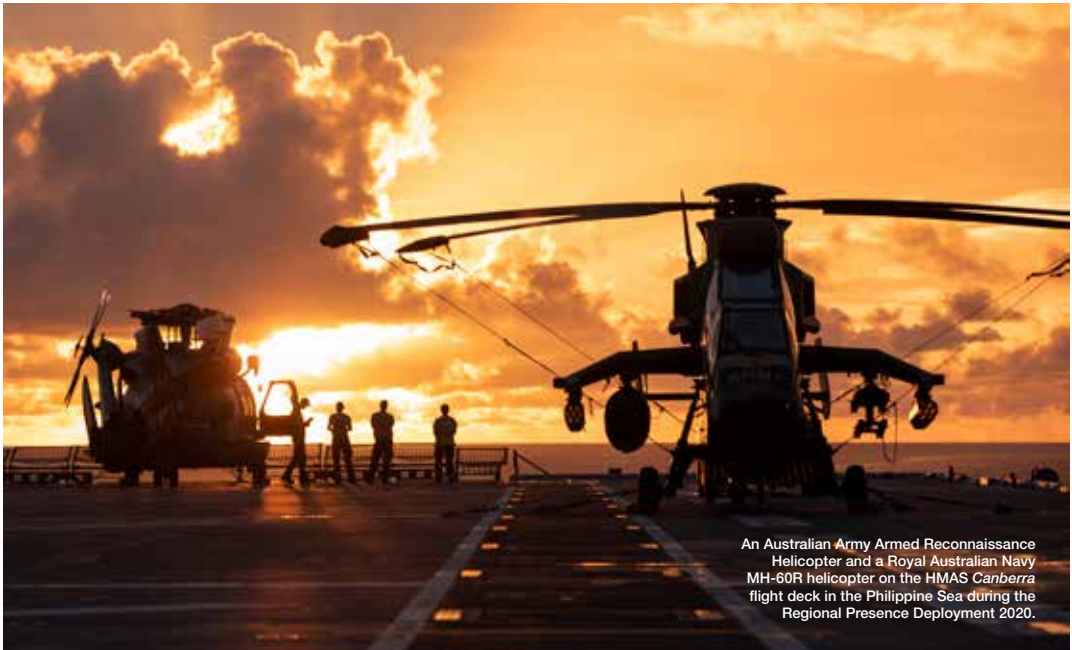
**Table 6.11: APS separations, 2018–19 and 2019–20**

	Voluntary redundancy <sup>1</sup>	Involuntary separations <sup>2</sup>	Resignation/ retirement <sup>3</sup>	Transfers <sup>4</sup>	Total
<b>2018–19<sup>5</sup></b>					
Senior Executive Service	1	–	11	10	22
Executive Levels 1 and 2	103	16	335	84	538
Other levels	192	66	869	163	1,290
<b>Total APS</b>	<b>296</b>	<b>82</b>	<b>1,215</b>	<b>257</b>	<b>1,850</b>
<b>2019–20</b>					
Senior Executive Service	–	–	11	7	18
Executive Levels 1 and 2	46	17	307	92	462
Other levels	125	59	894	173	1,251
<b>Total APS</b>	<b>171</b>	<b>76</b>	<b>1,212</b>	<b>272</b>	<b>1,731</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 2018–19 figures have been adjusted from those reported in the *Defence Annual Report 2018–19* to account for retrospective transactions.



An Australian Army Armed Reconnaissance Helicopter and a Royal Australian Navy MH-60R helicopter on the HMAS Canberra flight deck in the Philippine Sea during the Regional Presence Deployment 2020.

## Army's partnerships—creating capacity and capability

**The challenges that the Australian Defence Force faces are often dynamic and multifaceted, complicated by shifts in technology, geopolitics, demographics and the environment. Army cannot deal with these challenges alone—it relies on a team approach to bring together people with the expertise and experience needed to address the problem at hand.**

Army's approach to teamwork is reflected in its successful partnerships with industry, academia and national institutions. It prepares its people to work effectively in teams through its culture optimisation program Good Soldiering.

Our partnerships with industry are key to delivering land capability. We work closely with industry to support the development of sovereign capability, improve Army's ability to generate land power effects and help build the workforce of the future. We engage with industry early and often to seek solutions that provide more capacity for Army's teams. Activities such as the annual Army Innovation Day enable dialogue with industry to ensure Army is making the best use of new technology.

Army supports key delivery agencies to maximise Australian industry involvement in the Capability Life Cycle. These agencies include the Defence Innovation Hub, the Centre for Defence Industry Capability and the Defence Industry Policy Division.

Army has recently established strategic partnerships with two national institutions to achieve shared goals. It has engaged with the Australian Institute of Sport to advance human cognitive, physical and team performance; and with Broken Hill Proprietary Limited (BHP) to develop capability in education, training, technology and workforce. These partnerships allow both organisations to share knowledge, build the leadership and technical skills of their people and contribute to national resilience.

Defence faces difficult challenges but it does not do this alone. Army's work to build teams through partnerships and shared experience ensures our national resilience in times of crisis.

# Actual workforce

This section provides workforce information as at 30 June 2020 and outlines changes in the workforce that occurred during 2019–20. Tables 6.12 to 6.18 show numbers of people, employment categories, locations and gender information. The numbers of Star-ranked and Senior Executive Service officers are provided at Tables 6.14 and 6.15. The information is based on headcount.

At 30 June 2020, Defence had a permanent workforce of 76,197, comprising 59,095 permanent ADF members (Service Categories 7 and 6, excluding Service Option G) and 17,102 ongoing APS employees. In addition, 352 APS employees were employed on a non-ongoing basis (Table 6.17).

The Reserve (Service Categories 5, 4 and 3) headcount increased by 1,661 to 28,878 (including members on continuous full-time service (Service Option C)). A further 11,000 personnel are in Service Category 2; if personnel in Service Category 2 render service they change their status to Service Category 5, 4 or 3. If people are not able to continue rendering service they transfer to Service Category 2 and are available to be called upon as required.

The total ADF workforce was 87,973, comprising 18,659 Navy permanent and Reserve members, 49,259 Army permanent and Reserve members, and 20,055 Air Force permanent and Reserve members.

At 30 June 2020, 1,172 Reserves were also Defence APS employees.

Table 6.12: Defence workforce headcount as at 30 June 2019 and 30 June 2020

	Navy	Army	Air Force	ADF <sup>1</sup>	APS <sup>2</sup>
Headcount 30 June 2019	14,206	29,510	14,342	58,058	16,888
Additions	1,784	3,342	1,151	6,277	2,297
Separations	963	3,225	1,052	5,240	1,731
Headcount 30 June 2020	15,027	29,627	14,441	59,095	17,454
Change	821	117	99	1,037	566

Notes:

Figures in this table show substantive headcount numbers.

- ADF figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- APS figures include paid and unpaid employees, which covers full-time, part-time, suspended, ongoing and non-ongoing employees.

The APS figures in Table 6.13 have historically been reported using substantive location. A review of the location figures in 2019–20 identified that actual location provides a more reliable indication of an APS employee's location, so actual location has been used for the report this year.





Table 6.13: Defence workforce by employment location as at 30 June 2020

	NSW	QLD	SA	TAS	VIC <sup>1</sup>	WA	ACT <sup>2</sup>	NT	O/S <sup>3</sup>	Total
<b>Permanent force<sup>4</sup></b>										
Navy	6,453	810	169	21	2,085	2,716	1,923	653	197	15,027
Army	5,351	12,344	1,800	52	3,047	904	3,025	2,816	288	29,627
Air Force	4,294	3,380	1,918	10	1,105	273	2,220	924	317	14,441
Subtotal	16,098	16,534	3,887	83	6,237	3,893	7,168	4,393	802	59,095
<b>Reserves<sup>5</sup></b>										
Navy	1,081	475	104	86	303	329	1,168	83	3	3,632
Army	5,385	4,965	1,651	500	3,489	1,992	1,002	644	4	19,632
Air Force	1,569	1,404	659	60	423	214	1,176	109	–	5,614
<b>Subtotal</b>	<b>8,035</b>	<b>6,844</b>	<b>2,414</b>	<b>646</b>	<b>4,215</b>	<b>2,535</b>	<b>3,346</b>	<b>836</b>	<b>7</b>	<b>28,878</b>
<b>Total ADF</b>	<b>24,133</b>	<b>23,378</b>	<b>6,301</b>	<b>729</b>	<b>10,452</b>	<b>6,428</b>	<b>10,514</b>	<b>5,229</b>	<b>809</b>	<b>87,973</b>
<b>APS<sup>6</sup></b>										
<b>Total APS</b>	<b>2,502</b>	<b>1,245</b>	<b>2,086</b>	<b>75</b>	<b>3,451</b>	<b>456</b>	<b>7,298</b>	<b>206</b>	<b>135</b>	<b>17,454</b>

**Notes:**

Figures in this table are based on substantive location for the ADF and actual location for the APS.

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.
4. Permanent force (Service Categories 7 and 6) does not include ADF Gap Year participants (Service Option G).
5. Reserves include all 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. The 30 June 2020 figures for the APS include 1,172 APS employees who are also counted as Reserve members.

Table 6.14: Star-ranked officers as at 30 June 2020

	Star-ranked officers <sup>1</sup>			2019–20 engagements <sup>2</sup>			2019–20 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Four-star</b>									
Navy	–	–	–	–	–	–	–	–	–
Army	1	–	1	–	–	–	–	–	–
Air Force	–	–	–	–	–	–	–	–	–
<b>Three-star</b>									
Navy	3	–	3	1	–	1	–	–	–
Army	3	–	3	–	–	–	–	–	–
Air Force	2	–	2	–	–	–	1	–	1
<b>Two-star</b>									
Navy	8	2	10	–	1	1	1	–	1
Army	18	4	22	4	1	5	1	–	1
Air Force	8	1	9	3	–	3	3	1	4
<b>One-star</b>									
Navy	38	6	44	8	2	10	3	–	3
Army	51	9	60	11	4	15	7	1	8
Air Force	32	6	38	9	3	12	7	1	8
<b>Total</b>	<b>164</b>	<b>28</b>	<b>192</b>	<b>36</b>	<b>11</b>	<b>47</b>	<b>23</b>	<b>3</b>	<b>26</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.

Table 6.15: APS Senior Executive Service employees as at 30 June 2020

	Total Senior Executive Service <sup>1</sup>			2019–20 engagements <sup>2, 3</sup>			2019–20 separations <sup>2, 4</sup>		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Senior Executive</b>									
Secretary	1	–	1	–	–	–	–	–	–
Band 3	7	3	10	1	1	2	–	1	1
Band 2 <sup>5</sup>	22	11	33	5	2	7	3	1	4
Band 1 <sup>6</sup>	50	50	100	5	1	6	8	3	11
<b>Chief of Division</b>									
Grade 2	7	1	8	–	–	–	1	1	2
Grade 1	2	–	2	–	–	–	–	–	–
<b>Total</b>	<b>89</b>	<b>65</b>	<b>154</b>	<b>11</b>	<b>4</b>	<b>15</b>	<b>12</b>	<b>6</b>	<b>18</b>

**Notes:**

- Figures in this table show employee numbers at their substantive level, including employees on long-term leave (6), secondment (6) and temporary transfer to other departments (5).
- 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.

Table 6.16: APS Executive Level employees and below, by gender and classification as at 30 June 2020

	30 June 2020 headcount			2019–20 engagements			2019–20 separations		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Executive Level</b>									
Executive Level 2	1,162	493	1,655	49	45	94	102	44	146
Executive Level 1	2,218	1,387	3,605	127	139	266	193	123	316
<b>Subtotal</b>	<b>3,380</b>	<b>1,880</b>	<b>5,260</b>	<b>176</b>	<b>184</b>	<b>360</b>	<b>295</b>	<b>167</b>	<b>462</b>
<b>Other staff</b>									
APS Level 6	2,912	2,198	5,110	300	261	561	273	190	463
APS Level 5	1,507	1,412	2,919	179	218	397	177	124	301
APS Level 4	681	1,027	1,708	84	185	269	76	108	184
APS Level 3	449	855	1,304	75	127	202	43	72	115
APS Level 2	358	374	732	191	121	312	91	52	143
APS Level 1	150	113	263	100	78	178	21	21	42
<b>Subtotal</b>	<b>6,057</b>	<b>5,979</b>	<b>12,036</b>	<b>929</b>	<b>990</b>	<b>1,919</b>	<b>681</b>	<b>567</b>	<b>1,248</b>
<b>Total APS</b>	<b>9,437</b>	<b>7,859</b>	<b>17,296</b>	<b>1,105</b>	<b>1,174</b>	<b>2,279</b>	<b>976</b>	<b>734</b>	<b>1,710</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 6.17: APS employees by gender as at 30 June 2019 and 30 June 2020

	30 June 2019 <sup>1</sup>			30 June 2020		
	Full time	Part time <sup>2</sup>	Total	Full time	Part time <sup>2</sup>	Total
<b>Ongoing employees</b>						
Men	9,075	207	9,282	9,145	199	9,344
Women	6,421	965	7,386	6,790	964	7,754
Unspecified <sup>3</sup>	2	1	3	3	1	4
<b>Total ongoing</b>	<b>15,498</b>	<b>1,173</b>	<b>16,671</b>	<b>15,938</b>	<b>1,164</b>	<b>17,102</b>
<b>Non-ongoing employees</b>						
Men	104	12	116	159	23	182
Women	85	15	100	153	17	170
Unspecified <sup>3</sup>	1	–	1	–	–	0
<b>Total non-ongoing</b>	<b>190</b>	<b>27</b>	<b>217</b>	<b>312</b>	<b>40</b>	<b>352</b>
<b>Total APS employees</b>						
Men	9,179	219	9,398	9,304	222	9,526
Women	6,506	980	7,486	6,943	981	7,924
Unspecified <sup>3</sup>	3	1	4	3	1	4
<b>Total</b>	<b>15,688</b>	<b>1,200</b>	<b>16,888</b>	<b>16,250</b>	<b>1,204</b>	<b>17,454</b>

**Notes:**

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

1. Some 30 June 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* 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 6.18: 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 2019 and 30 June 2020

	30 June 2019 <sup>1</sup>				30 June 2020			
	Men	%	Women	%	Men	%	Women	%
<b>Navy permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	2,109	14.8%	561	3.9%	2,199	14.6%	621	4.1%
Other ranks	7,452	52.5%	2,042	14.4%	7,508	50.0%	2,162	14.4%
<b>Training force</b>								
Officers	613	4.3%	202	1.4%	692	4.6%	230	1.5%
Other ranks	933	6.6%	291	2.0%	1,269	8.4%	344	2.3%
<b>Total Navy</b>	<b>11,107</b>	<b>78.2%</b>	<b>3,096</b>	<b>21.8%</b>	<b>11,668</b>	<b>77.7%</b>	<b>3,357</b>	<b>22.3%</b>
<b>Army permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	4,577	15.5%	904	3.1%	4,608	15.6%	942	3.2%
Other ranks	17,882	60.6%	2,740	9.3%	17,726	59.8%	2,823	9.5%
<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>25,190</b>	<b>85.4%</b>	<b>4,319</b>	<b>14.6%</b>	<b>25,217</b>	<b>85.1%</b>	<b>4,408</b>	<b>14.9%</b>

	30 June 2019 <sup>1</sup>				30 June 2020			
	Men	%	Women	%	Men	%	Women	%
<b>Air Force permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	3,372	23.5%	1,028	7.2%	3,436	23.8%	1,060	7.3%
Other ranks	6,709	46.8%	1,866	13.0%	6,418	44.5%	2,006	13.9%
<b>Training force</b>								
Officers	603	4.2%	240	1.7%	615	4.3%	257	1.8%
Other ranks	277	1.9%	244	1.7%	415	2.9%	231	1.6%
<b>Total Air Force</b>	<b>10,961</b>	<b>76.4%</b>	<b>3,378</b>	<b>23.6%</b>	<b>10,884</b>	<b>75.4%</b>	<b>3,554</b>	<b>24.6%</b>
<b>ADF permanent<sup>2</sup></b>								
<b>Trained force</b>								
Officers	10,058	17.3%	2,493	4.3%	10,243	17.3%	2,623	4.4%
Other ranks	32,043	55.2%	6,648	11.5%	31,652	53.6%	6,991	11.8%
<b>Training force</b>								
Officers	1,976	3.4%	665	1.1%	2,038	3.4%	710	1.2%
Other ranks	3,181	5.5%	987	1.7%	3,836	6.5%	995	1.7%
<b>Total ADF permanent</b>	<b>47,258</b>	<b>81.4%</b>	<b>10,793</b>	<b>18.6%</b>	<b>47,769</b>	<b>80.8%</b>	<b>11,319</b>	<b>19.2%</b>
<b>ADF Gap Year</b>								
Navy	53	9.4%	74	13.1%	67	11.3%	92	15.5%
Army	199	35.2%	82	14.5%	208	35.0%	78	13.1%
Air Force	73	12.9%	84	14.9%	66	11.1%	84	14.1%
<b>Total ADF Gap Year</b>	<b>325</b>	<b>57.5%</b>	<b>240</b>	<b>42.5%</b>	<b>341</b>	<b>57.3%</b>	<b>254</b>	<b>42.7%</b>
<b>Reserves<sup>2,3</sup></b>								
Navy	2,584	9.5%	760	2.8%	2,823	9.8%	809	2.8%
Army	15,947	58.6%	2,818	10.4%	16,648	57.6%	2,984	10.3%
Air Force	4,041	14.8%	1,065	3.9%	4,413	15.3%	1,201	4.2%
<b>Total Reserves</b>	<b>22,572</b>	<b>82.9%</b>	<b>4,643</b>	<b>17.1%</b>	<b>23,884</b>	<b>82.7%</b>	<b>4,994</b>	<b>17.3%</b>
<b>APS<sup>2,4</sup></b>								
<b>Total APS</b>	<b>9,398</b>	<b>55.7%</b>	<b>7,486</b>	<b>44.3%</b>	<b>9,526</b>	<b>54.6%</b>	<b>7,924</b>	<b>45.4%</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 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* to account for retrospective transactions.
2. Figures exclude employees who do not exclusively identify as either male or female.
3. Reserves include all 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 2020 figures for the APS include 1,172 APS employees who are also counted as Reserve members.

## ADF Gap Year program

The ADF Gap Year program aims to give Australian school-leavers and young adults an exposure to the military way of life and the roles and opportunities on offer in the ADF. It is full-time service and referred to as Service Option G in reporting. A total of 593 participants enlisted in the 2019 ADF Gap Year program (Navy, 125; Army, 300; Air Force, 168). A total of 616 participants have enlisted in the 2020 program (Navy, 145; Army, 301; Air Force, 170). As at 30 June 2020, 41 members from the 2019 program and 555 members from the 2020 program (a total of 596) were still participating.

Table 6.19: **ADF Gap Year (Service Option G) participants as at 30 June 2020**

	Navy			Army			Air Force			ADF			Total
	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	Men	Women	Indeterminate	
2019 program													
Participants	50	75	–	212	88	–	78	89	1	340	252	1	593
Separated or Reserves (Service Category 2)	21	18	–	23	8	–	9	13	1	53	39	1	93
Transferred to permanent ADF	21	40	–	134	47	–	61	68	–	216	155	–	371
Transferred to Reserves	–	–	–	48	25	–	7	8	–	55	33	–	88
Still participating in 2019 program	8	17	–	7	8	–	1	–	–	16	25	–	41
2020 program													
Participants	64	81	–	221	80	–	77	93	–	362	254	–	616
Separated or Reserves (Service Category 2)	4	3	–	19	8	–	9	8	–	32	19	–	51
Transferred to permanent ADF	1	2	–	1	–	–	3	1	–	5	3	–	8
Transferred to Reserves	–	–	–	–	2	–	–	–	–	–	2	–	2
Still participating in program	59	76	–	201	70	–	65	84	–	325	230	–	555

## Reserve Service protection

The *Defence Reserve Service (Protection) Act 2001* (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 undertaking Defence service, making service easier to undertake 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.

Since April 2019, telephone calls regarding Reserve service protection issues have been directed through the 1800-DEFENCE call centre. This service provides ADF Reservists and employers with extended access to advice, and Defence with accurate data collection on phone enquiries regarding issues related to the DRSP Act. Access to the call centre function proved particularly valuable during Operation BUSHFIRE ASSIST 2019–2020, when the call centre was operating for extended hours.

Between 1 July 2019 and 15 June 2020, 324 calls were received regarding enquiries related to the DRSP Act. Of these, 45 enquiries were resolved at the time of contact through the provision of general information regarding protections and obligations provided by the DRSP Act; 279 complex enquiries were referred to Employer Support and Service Protection staff for specific advice; 274 enquiries were resolved within nine business days; and the remaining enquiries are still open at the time of this report.

The number of enquiries in 2019–20 is commensurate with the number of enquiries reported for 2018–19.

## ADF Cadets

Throughout 2019–20 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.

ADF Cadets comprises three Cadet organisations, which are aligned to and administered by the respective Services. ADF Cadets Headquarters is a separate organisation, which is tasked with the development and governance of common elements of the ADF Cadet program.

Approximately 28,400 Cadets are currently enrolled in the three Cadet programs; 4,200 officers and instructors of Cadets and ‘approved helpers’ supervise and support the young people in the programs; and there are 577 ADF Cadet units across all states and territories.

### 2019–20 highlights

The One Cadet reform program was initiated in October 2016. The program standardises the governance and administration of common elements of the three Services’ Cadet programs, with an emphasis on youth safety, training coordination, communications and enterprise support.

Requirement 3 of the Commonwealth Child Safety Framework directs implementation of the National Principles for Child Safe Organisations. Collectively these requirements and principles align closely to the elements of a safety management system. Hence, youth safety in Defence will be managed within the Defence Work Health and Management System framework as a specialist safety domain. In line with this approach, Defence youth protection policies have been revised.

As part of Defence’s commitment to youth safety, during 2019–20 we embarked on evaluating the Defence Youth Safety Framework within the ADF Cadets. The ADF Cadets Survey (Part A—Youth) was undertaken to evaluate the effectiveness of the Defence Youth Safety Framework in shaping the youth safety culture of ADF Cadets. The second phase of the evaluation, Part B—Adults, has commenced. It consists of a questionnaire for ADF Cadets adult volunteers and the parents/guardians of ADF Cadets, and interviews of adult leaders across the program. Part B of the evaluation will ascertain adult understanding of youth safety, and the perception of youth safety in the ADF Cadets program. The combined results of Part A and Part B will provide Defence with a holistic view of ADF Cadet youth safety.

### Australian Navy Cadets

Throughout 2019–20 the Australian Navy Cadets progressed a range of initiatives. These included a revision of Australian Navy Cadet Instructor training packages; ongoing replacements for watercraft including new power boats and sail craft; improvements to facilities; replacement of sailing helmets and life jackets and increased participation in major facilities and infrastructure redevelopment projects.

The summer bushfires and COVID-19 restrictions forced the suspension of Australian Navy Cadets parades and weekend camps. When COVID-19 restrictions are relaxed, Cadets will return to routine activities. Throughout the suspension, Cadets continued to be engaged by participating in regular ‘virtual parades’ using teleconferencing technology. Planning is underway to resume annual camps, weekend activities, sailing regattas and national shooting competitions.

Four Maritime Training Centres are being established across Australia. The Maritime Training Centres will standardise sail training and provide Cadets with exciting and hands-on maritime experiences. The Training Centres will also provide greater access for Cadets to participate in the Australian Navy Cadets sail training program and improve the capacity to host sail training camps using clusters of new, world-class sail training vessels. The Australian Navy Cadets Directorate is also working closely with Navy Fleet Support Units to yield mutual benefits in watercraft maintenance and repairs.



In 2019, Cadets participated in sea familiarisation training using opportunities to sea-ride in Navy ships and in Sail Training Ship *Young Endeavour*. In January 2020 the Australian Maritime College in Launceston provided 18 Cadets with an excellent vocational insight to careers in the maritime industry, using simulation and modelling technology and training vessels.

The Australian Navy Cadets has 2,193 Cadets. Of these, 733 (27 per cent) are female and 79 (3.6 per cent) are Indigenous.

## Australian Army Cadets

The Australian Army Cadets experienced a disrupted year in 2019–20 with bushfires in eastern Australia impacting planned field activities over the December–January period. COVID-19 then caused the cessation of all face-to-face activities from March–June. However, the COVID-19 shutdown did present a number of opportunities for innovation: Cadets and volunteer leaders ran effective training activities, including courses of approximately 300 Cadets online, as well as online parading and maintaining contact through social media links.

COVID-19 also provided the opportunity to consolidate the transformation program. This meant there was no loss of momentum, with transformation remaining on track. Initiatives that have been successfully implemented include further professionalisation and distributed learning elements of the Adult Leader Development Continuum to better equip adult volunteers for their roles; and modernisation of the Cadet Development Continuum with the introduction of cyber and unmanned aerial vehicle electives. COVID-19 probably prevented the achievement of growth targets; however, the number of volunteers in the program grew slightly to 1,242 (1,165 last year), and Cadet numbers increased to 17,662 (17,130 last year). The proportion of female Cadets has risen to 23 per cent (22 per cent last year), and Indigenous Cadet numbers have remained consistent at 3 per cent of the Cadet population.

## Australian Air Force Cadets

During 2019–20 the Royal Australian Air Force accepted into service all eight Diamond DA-40NG aircraft, which included the training of aircrew instructors and rollout of the Civil Aviation Safety Authority licensed Elementary Training Flying School at Point Cook, Richmond and Amberley RAAF Bases. This greatly expands the capacity of the Australian Air Force Cadets to provide high-quality, safe flying experiences and training up to solo standard in a modern aviation platform. To further enhance and modernise aerospace teaching and understanding, contracted services have provided STEM education packages—replacing the previous outdated Cadet curriculum—which include mass distribution of micro-drones to all units and Cadets in the Air Force Cadets.

The Strategic Leadership Group, which includes Air Force Cadets and Air Force senior officer representation, was formed to map a clear strategic pathway for the future development of the Air Force Cadets over a 10-year rolling program.

This financial year saw growth in adult uniform volunteer numbers (from 1,143 to 1,211) and very good growth in Cadet numbers (from 7,525 to 8,563—a 13 per cent increase). The proportion of female Cadets is 25 per cent.

## Recruitment activities

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 were progressed in 2019–20:

- 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 capitalise on the success of the existing Army brand campaign and overcome some perceived barriers to people, especially women and specifically mothers, contemplating an Army career.
- A submariner competition was conducted in February 2020 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.
- Defence partnered with the Department of Industry, Science, Energy and Resources, through Questacon, to develop the 'Engineering is Elementary' program. This program engages and equips Australian teachers with the confidence, skills and capability necessary to cultivate Australia's next generation of engineers and innovators.
- The STEM 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 6,277 in 2019–20, compared to 5,717 enlistments in 2018–19. This was 93 per cent of the 2019–20 target of 6,681. Recruitment to the Reserves was 1,419 in 2019–20, which was 79 per cent of the target of 1,804. In 2018–19, the number of ADF permanent force enlistments was 92 per cent of the target of 6,226, and for the Reserve force was 85 per cent of the full-year target of 1,903.

Defence has reformed its approach to APS recruitment with the introduction of a case management model to streamline the recruitment process.

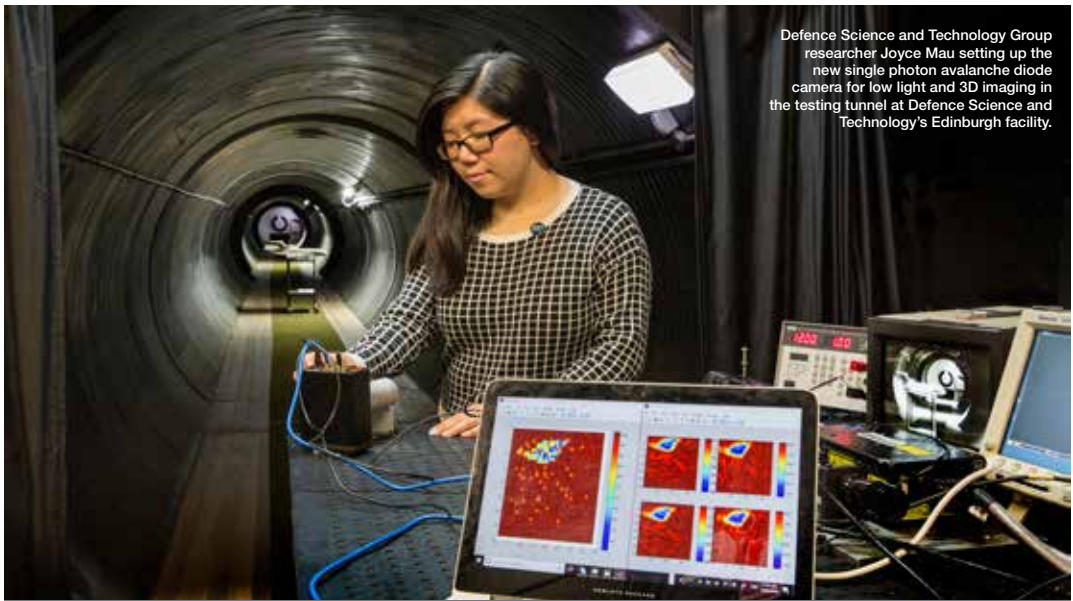
The case management model gives supervisors and managers a single point of contact to provide support throughout the recruitment process, and streamlines administration and processing time. Recruitment advisors work with recruitment system and process experts to develop strategies and innovative approaches that better target critical segments of the labour market.

Digital enhancements to the recruitment system enable key recruitment decisions to be recorded directly into the system, reducing processing times.

The competition for talent has motivated new approaches to recruitment, including to advertising and candidate assessment. Reshaping position descriptions to be meaningful for candidates and using social media for specialist recruitment campaigns is resulting in larger candidate pools. Flexible approaches to recruitment, including greater use of technology for interviews and assessment, enabled Defence to continue to conduct recruitment processes throughout the bushfire and COVID-19 challenges.

Defence has changed the way it manages its Temporary Employment Register, ensuring that when required it will have a talent pool with job-ready people. The introduction of increased candidate screening processes via occupational testing, online interviews and reference checks will ensure increased visibility of available talent.

Throughout the COVID-19 challenge Defence has continued to recruit to the ADF to ensure that force generation requirements are not affected. Using innovative recruitment measures, including online testing and virtualised interviews, Defence Force Recruiting processed 13,077 applicants between 14 April and 23 June, an increase of 5,030 from the same period last financial year.



Defence Science and Technology Group researcher Joyce Mau setting up the new single photon avalanche diode camera for low light and 3D imaging in the testing tunnel at Defence Science and Technology's Edinburgh facility.

## Women in STEM

**At a time when 75 per cent of the fastest growing occupations require science, technology, engineering and mathematics (STEM) skills and knowledge, women make up only 16 per cent of the STEM-skilled workforce in Australia. Defence is committed to increasing the representation of women in STEM roles as part of building a world-leading technology-enabled workforce capable of meeting the challenges of the future.**

Defence has publicly reaffirmed its commitment to gender equity by becoming a Women in STEM Decadal Plan Champion, joining 29 other eminent institutions in Australia. The Women in STEM Decadal Plan is a unique whole-of-industry strategy to achieve real and sustained change. The key objectives of the plan are adopted in Defence's Moving Towards a High-Tech Future for Defence: Workforce Strategic Vision Underpinned by Science, Technology, Engineering and Mathematics 2019–2030.

In February 2020, Defence partnered with the Australian Academy of Science to sponsor the inaugural Catalysing Gender Equity Conference. The conference highlighted practical ways to

achieve the shared industry vision of the Women in STEM Decadal Plan. Defence showcased its key gender equity initiatives in an 'equity action gallery'. These activities include Jasper, the Air Force engagement program encouraging girls to pursue STEM at school; the Future through Collaboration Mentoring Program for women in defence industry; and the Defence Undergraduate STEM Cadetship Program. The Chief Defence Scientist participated in a panel discussion on how leaders can step up to drive system-wide change in STEM. More than 30 Defence members attended, along with more than 400 delegates from across the science and technology ecosystem.

In recognition of its commitment to diversity and inclusion, the Defence Science and Technology Group was awarded the Athena SWAN Bronze Award accreditation by Science in Australia Gender Equity (SAGE) in early 2020. As a nationwide equity and diversity evaluation and accreditation program, SAGE aims to promote gender equity in STEM. The Bronze certification recognises that an institution has demonstrated a good understanding of the current status of gender equity and is positioned well to implement interventions to address inequities. Defence has committed to 72 actions over the next four years under the SAGE Action Plan 2019–2023.

## Defence Graduate Program

The Defence Graduate Program continues to deliver vital people capability to address Defence workforce challenges and to meet the emerging needs of the organisation. Graduates are recruited across 14 career streams, including STEM, intelligence and corporate disciplines to support the delivery of key organisational priorities. These priorities include naval shipbuilding, space-based capability and cybersecurity. In 2019–20, 251 graduates commenced the program, representing 13 per cent of the total ongoing APS workforce recruited to Defence. Approximately 37 per cent of those graduates were recruited to STEM-specific career streams within Defence, which remains a key priority for the portfolio.

## Defence STEM Cadetship Program

The Defence STEM Cadetship Program provides an entry-level employment pathway for high-performing university students studying a relevant STEM degree. The program addresses the Department's future STEM workforce needs by providing a diverse workforce to deliver key scientific and technical priorities. In 2019–20, 66 new STEM Cadets commenced the program, representing a 42 per cent increase from 2018–19 participant numbers. Including ongoing participants, there are a total of 87 STEM Cadets participating in 2020.



Defence recruiter Sergeant Alex John speaks to a candidate as part of Defence Force Recruiting's new virtual YOU sessions.

# Remuneration and benefits

Remuneration is a key component of the Defence employment package. It attracts people to join Defence and plays a significant role in retaining talent. Defence's employment offer provides 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 Workplace Remuneration Arrangement 2017–2020 is the framework that allows for annual wage adjustments for ADF members. It is part of the ADF remuneration initiative aimed at attracting and retaining military personnel, and forms a significant part of ADF members' total employment package.

The Workplace Remuneration 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 6.20 details salary ranges for permanent ADF members as at 30 June 2020.

**Table 6.20: Permanent Australian Defence Force salary ranges as at 30 June 2020**

Rank	Salary range (\$)	
	Minimum	Maximum
<b>Officer of the permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	\$413,896	\$490,614
Major General (E) <sup>2</sup>	\$245,113	\$298,914
Brigadier (E) <sup>2,3</sup>	\$201,100	\$273,348
Colonel (E) <sup>2,3,5</sup>	\$153,743	\$260,960
Lieutenant Colonel (E) <sup>2,4</sup>	\$130,758	\$248,321
Major (E) <sup>2,4</sup>	\$91,569	\$223,694
Captain (E) <sup>2,4</sup>	\$71,741	\$212,322
Lieutenant (E) <sup>5</sup>	\$59,636	\$125,008
2nd Lieutenant (E) <sup>5</sup>	\$55,719	\$116,699
<b>Other rank of the permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	\$81,238	\$125,033
Warrant Officer Class 2 (E)	\$74,823	\$115,855
Staff Sergeant (E)	\$72,314	\$111,767
Sergeant (E)	\$64,657	\$106,888
Corporal (E)	\$55,872	\$97,740
Lance Corporal (E)	\$51,395	\$90,846
Private Proficient (E)	\$50,333	\$89,784
Private (E)	\$49,292	\$88,748

### 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

APS (non-SES) 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.

The Defence Enterprise Agreement 2017–2020 nominally expired on 16 August 2020; however, it will continue to operate alongside the determination under section 24(1) of the *Public Service Act 1999* signed by the Secretary, which provides three consecutive annual increases to salary and salary-related allowances, and preserves current conditions throughout the three-year period to August 2023.

Given the unprecedented nature of the global COVID-19 pandemic, the Government announced on 9 April 2020 that all Commonwealth agencies are to defer by six months their next scheduled increase to salaries and salary-related allowances. For the APS, this decision came into effect via a determination under section 24(3) of the *Public Service Act 1999* signed by the Minister for the Public Service. This power is rarely used, being limited to situations where the circumstances are exceptional. The decision delayed the first Defence APS pay rise by six months from August 2020 to February 2021. The other pay rise dates in August 2021 and August 2022 remain unchanged.

Table 6.21 details Defence APS salary rates as at 30 June 2020. 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: 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:**

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



Table 6.22 shows the number of employment arrangements for SES and non-SES employees.

**Table 6.22: Employment arrangements of SES and non-SES employees**

Arrangement title	SES	Non-SES	Total
Enterprise Agreement	–	17,300	17,300
Section 24(1) Public Service Act Determination	154	–	154
<b>Total</b>	<b>154</b>	<b>17,300</b>	<b>17,454</b>

## Australian Public Service 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 staff and has a number of formal and informal schemes to recognise exemplary performance and achievements.

## Australian Defence Force superannuation

The Defence Legislation Amendment (Miscellaneous Measures) Bill 2020 was passed on 14 May 2020, with an effect date of 6 July 2020, allowing ADF members to continue contributing to ADF superannuation after leaving ADF employment.

## Senior Leadership Group

As part of the response to the COVID-19 pandemic, Defence has supported a request from Government for a stay on increases to remuneration, entitlements and allowances, as well as any performance or incremental adjustments in salary for all SES employees and Star-ranked officers. Increases for higher duties and promotion are exempt from the deferrals.

During the reporting period to 30 June 2020, Defence had 21 executives who met the definition of key management personnel. Their names and lengths of term as key management personnel are shown in Table 6.23.

**Table 6.23: Key management personnel, 2019–20**

Name	Position	Term as key management personnel
Mr Greg Moriarty	Secretary of Defence	Full-year
GEN Angus Campbell	Chief of the Defence Force	Full-year
VADM David Johnston RAN	Vice Chief of the Defence Force	Full-year
Ms Rebecca Skinner	Associate Secretary	Part-year—Ceased 15/03/2020
Mr Steven Groves	Associate Secretary	Part-year—16/03/2020–22/06/2020
Ms Katherine Jones	Associate Secretary	Part-year—Appointed 22/06/2020
VADM Michael Noonan RAN	Chief of Navy	Full-year
LTGEN Richard Burr	Chief of Army	Full-year
AIRMSHL Gavin Davies	Chief of Air Force	Part-year—Ceased 03/07/2019
AIRMSHL Mel Hupfeld	Chief of Air Force	Part-year—Appointed 04/07/2019
Mr Steven Groves	Chief Finance Officer	Part Year— 01/07/2019–15/03/2020 & 23/06/2020–30/06/2020
Mr Glen Casson	Chief Finance Officer	Part Year—16/03/2020–22/06/2020
Mr Stephen Pearson	Chief Information Officer	Full-year
Mr Peter Tesch	Deputy Secretary Strategic Policy & Intelligence	Full-year
LTGEN Gregory Bilton	Chief Joint Operations	Full-year

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	Full-year
Mr Tony Fraser	Deputy Secretary Capability Acquisition & Sustainment	Full-year
Mr Tony Dalton	Deputy Secretary National Naval Shipbuilding	Part-year—Appointed 29/07/2019
LTGEN John Frewen	Commander Defence COVID-19 Taskforce	Part-year—Appointed 9/03/2020

Table 6.24: **Key management personnel remuneration, 2019–20**

	\$
<b>Short-term benefits:</b>	
Base salary <sup>1</sup>	8,496,289
Bonus	40,000
Other benefits and allowances	365,566
<b>Total short-term benefits</b>	<b>8,901,855</b>
Superannuation	1,713,509
<b>Total post-employment benefits</b>	<b>1,713,509</b>
<b>Other long-term benefits</b>	
Long service leave	195,860
<b>Total other long-term benefits</b>	<b>195,860</b>
Termination benefits	—
<b>Total key management personnel remuneration</b>	<b>10,811,224</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 senior officers

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*.

## Public officeholders

Public officeholders, 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*.

The Remuneration Tribunal determined no adjustment to remuneration for public offices in its jurisdiction for the period from 1 July 2020.

# Senior Executive Service

SES 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.

## Performance pay

Non-SES 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.

SES employees may have their salary increased based on the outcome of their annual performance appraisal. An SES 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 means of recognition of performance.

Table 6.25: APS employee performance bonus payments, 2019–20

Classification	Number of employees	Aggregated amount	Average amount
Trainee	-	-	-
APS Level 1	39	\$26,816.00	\$687.58
APS Level 2	417	\$293,180.00	\$703.06
APS Level 3	856	\$589,177.00	\$685.95
APS Level 4	970	\$686,113.00	\$707.33
APS Level 5	1,662	\$1,332,777.00	\$801.91
APS Level 6	2,880	\$2,633,358.00	\$914.36
Executive Level 1	2,240	\$2,590,943.00	\$1,156.67
Executive Level 2	961	\$1,634,968.00	\$1,701.31
Total	10,025	\$9,787,332.00	\$976.00

Notes:

1. Performance cycle is 1 September – 31 August.
2. There were no performance payments made to SES employees.
3. Averages for the APS 1 to APS 4 classifications reflect amounts below the minimum bonus payment. This occurs for part-time employees and 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 services for ADF members and their families, 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. In specific circumstances, support is also provided to Defence APS employees and their families.

### ADF members and their families

Programs and services that assist Defence families with the unique nature of military service include carers 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
- a 24-hour counselling and support service for 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 practical assistance, for example Centrelink payments, disabled parking permits, transport services for injured or ill individuals, and financial counselling services
- absence from home support for ADF members and their families including pre- and post-deployment briefs, support calls to family members, and a range of online resources
- advice to command about how to respond to and support family situations, including family assessments and reports, 24-hour telephone advice, and briefs about available support
- counselling and practical assistance in emergency or crisis situations where there are concerns about an individual's welfare and/or family safety
- coaching, practical guidance and support to assist when planning the transition from military service.

Defence delivers awareness presentations on family and domestic violence and also provides guidance on responding to allegations of family and domestic violence. The general awareness brief is targeted at all Defence and APS members, while an additional brief is designed to assist commanders and managers in responding appropriately to family and domestic violence.

A range of online resources are available to families, including the comprehensive *Absence from home support* booklet, tip sheets to assist members and families with active coping, and specific products for children. Defence also delivers programs aimed at enhancing family resilience during a member's absence from home, and offers webinars and proactive support telephone calls to assist families during different stages in the deployment cycle.

### Partner Employment Assistance Program

In 2019–20 Defence expanded eligibility for the Partner Employment Assistance Program in response to the COVID-19 pandemic. ADF partners are able to access the program at any time during the posting cycle and regardless of how long they have been in a location.

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.

Since opening up the eligibility for support in April 2020 in response to the COVID-19 pandemic, Defence has seen an increase in applications of 80 per cent compared to the same period in 2019. ADF partners are also able to participate in job search preparation workshops at any time to enhance their preparedness for employment, including seeking promotion.

## Childcare, schools and communities

Defence also provides childcare support to ADF families 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 in May 2016, the Individual Case Management Service has assisted over 765 Defence families to review their childcare requirements and find 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 2019–20, a total of 248 schools and approximately 13,000 Defence children received support under the program.

The Family Support Funding Program provides grants to community organisations to help them deliver support and services of value to Defence families and the community they live in. In 2019–20, 48 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 valuable services and support to Defence families in their local community. In 2019–20, 35 paid Defence community support coordinators were supported through the program.

## Transition support

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.

During the COVID-19 pandemic, Defence continued to provide comprehensive transition support to ADF members and their families. Support continued virtually via phone, video call and email to ensure the safety of staff and of ADF members and their families.

## Adaptation to COVID-19 conditions

During the COVID-19 pandemic, Defence has continued to provide 24-hour telephone support to ADF members and their families. This has included targeted contact with families who have been impacted by COVID-19. In addition, Defence has adapted to presenting briefs, including deployment briefs, to ADF members virtually. We have also delivered a series of psychosocial webinars to the Defence community on topics such as wellbeing, healthy relationships, and supporting children in isolation.

To support our people and their families during the COVID-19 pandemic, Defence quickly adjusted personnel policies, provided mental health support through the Defence Community Organisation and the Employee Assistance Program, and implemented flexible work practices on an unprecedented scale. Regular communication ensured that our people remained up to date with the latest health advice.

- The Defence Family Helpline answered more than 1,000 enquiries from personnel and their families.
- More than 2,100 personnel accessed webinars provided through our Employee Assistance Program.
- Defence supported the return of 148 personnel and/or their family members from overseas posts.
- The use of Defence's e-communications platform ForceNet has increased exponentially throughout the COVID-19 response phase, with 25,949 new registrations between 29 February and 30 June 2020. Defence had 92,202 registered users at 30 June 2020.

# Health and wellbeing of Defence 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 2019–20, 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 in Australia and on non-operational postings overseas
- Combat Health Support, which delivers health care for ADF personnel on military operations, including Operation BUSHFIRE ASSIST 2019–2020, and Operation COVID-19 ASSIST.

## Mental health services

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

The Defence Mental Health and Wellbeing Strategy 2018–2023 brings Defence's mental health and wellbeing actions and priorities together for the first time 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 outlines six strategic objectives for improving the mental health of serving members using evidence-based practice. These objectives are:

- 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 Mental Health and Wellbeing Strategy is focused on decreasing stigma, improving the knowledge and skills of all employees and improving the support services available. It includes the delivery of a range of mental health programs and training. During 2019–20 there was an emphasis on the design and development of a continuous improvement framework for mental health support. The implementation phase of the continuous improvement framework will begin in late 2020. It will involve the monitoring and evaluation of mental health initiatives, including suicide prevention and mental health programs and training, and will provide informative data on the impact of the overall strategy.



## Mental health screening

Defence applies a mental health screening continuum that supports operational and post-deployment screening, critical incident mental health screening, and the Periodic Mental Health Screen. The continuum provides opportunities for ADF members to undergo screening regardless of whether they have deployed. The Periodic Mental Health Screen was an enhancement to the mental health screening continuum implemented in 2019.

Operation BUSHFIRE ASSIST 2019–2020 presented an opportunity to apply a streamlined risk-indicated mental health screening process, which provided a useful indicator of the health and wellbeing of ADF members force assigned to the operation. As of May 2020, almost 6,000 ADF personnel had participated in mental health screening relating to BUSHFIRE ASSIST 2019–2020.

## Joint Health Command mental health and wellbeing mobile application

The mental health screening continuum will be further enhanced in late 2020 with the development of a smart phone application enabling ADF members to self-check their mental health anonymously and access timely guidance and support on their current levels of mental health and wellbeing. It will enable the integration of mental health services by connecting the current range of websites, applications and resources, providing a central point to navigate and direct users through the system and enabling members to track their mood and complete surveys.

The application will be available to all Groups and Services and to families. It will be a tool to access information that supports the prevention of mental health issues and promotes early intervention and maintenance of wellbeing. It is not a replacement for face-to-face clinical intervention.

## 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 COVID-19 pandemic led to the trial being conducted using video-conferencing and extended to the end of July 2020. It will deliver an initial evaluation of 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.

## Family Sensitive Practice in Health Care

Following a successful trial in 2018, the Family Sensitive Practice in Health Care course for health professionals was developed in the second half of 2019 by The Bouverie Centre at La Trobe University, in partnership with the Department of Defence. The Bouverie Centre trained Defence trainers to deliver the program, enabling Defence trainers to implement the program across all Garrison Health Centres by late 2019. This program facilitates improved opportunities for attendance by families with the member at health appointments and welfare boards, improved exchange of information with families, and improved opportunities for families to convey concerns and information that will support the member's health management. It assists in validating the important role of the family and in incorporating their preferences and needs, and helps families identify options for additional supports.

## Transition from Australian Defence Force

Defence is developing a Health Aspects of Transition policy and working closely with the Department of Veterans' Affairs and the Commonwealth Superannuation Corporation to ensure that this policy achieves early acceptance of initial liability and provides a streamlined approach and greater security for transitioning ADF members.

Defence continually refines the health processes associated with preparing ADF members for transition from service. A collaborative and comprehensive transfer of a member's health care to the civilian health system now occurs, especially for those undergoing rehabilitation. This includes arranging appointments with a civilian general practitioner before and immediately after transition for those who are medically transitioning.

# Work health and safety

Defence continued to make the health and safety of its people a key priority in 2019–20.

## Defence Work Health and Safety Strategy

The Defence Work Health and Safety Strategy 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 2017–2022.

## Enterprise work health and safety focus areas

In January 2020, following a thorough analysis of work health and safety risks affecting Defence people, Defence identified six work health and safety focus areas: body stressing, chemicals, electrical incidents, noise, mental stress and vehicle incidents.

Defence has developed an Enterprise Work Health and Safety Focus Areas Management Framework that provides a robust system through which the six work health and safety programs will be managed. Implementation of this framework will occur during financial year 2020–21, with the intention of delivering new and innovative initiatives to reduce the risks the focus areas pose to Defence people.

## Prosecution under the Work Health and Safety Act 2011

On 9 March 2020, the Commonwealth of Australia (through its responsible agency the Department of Defence) was fined \$300,000 by the New South Wales Downing Centre Local Court in relation to an incident involving an Australian Army Cadet that occurred on 19 September 2016.

Following the incident, Defence has taken all reasonably practicable steps to ensure the health and wellness of Defence youth and Cadets by developing a youth safety culture and promoting individual and collective responsibility for youth safety. Defence also has a program of audits and assurance which feeds into ongoing improvements in looking after the safety of our people.

## Mental Health and Wellbeing

The Defence Mental Health and Wellbeing Strategy 2018–2023 (see page 134 'Health and wellbeing of Defence personnel and veterans') supports a common understanding of the need to ensure a mentally healthy and resilient workforce. A number of mental health and wellbeing initiatives are accessible to Defence personnel to decrease stigma, improve knowledge and support mental health and wellbeing:

- the Defence NewAccess program, which provides a stepped care approach to 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 use this Defence-only service. NewAccess is provided in addition to the Defence Employee Assistance Program and gives members and employees 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, designed to raise awareness of mental health in the workplace and provide self-care strategies to individuals.

# Mental health and wellbeing during COVID-19

Defence recognises that the mental health and wellbeing of our workforce has a direct impact on overall Defence capability. It is an active leader in both military and workplace mental health reform for almost 80,000 employees and serving members across the Australian Public Service (APS) and the Australian Defence Force (ADF).

The Defence Mental Health and Wellbeing Strategy 2018–23 has further focused the organisation on strengthening mental health and wellbeing support for our workforce. It has driven increased mental health awareness and access to mental health services to its serving members and public servants.

Defence's response to the COVID-19 pandemic has highlighted how far we have progressed in developing a whole-of-Defence approach to mental health and wellbeing.

Upon the outbreak of the pandemic in early 2020, Joint Health Command and Defence People Group joined forces to implement an ADF and APS rolling communications plan to promote

evidence-based mental health and wellbeing messages consistently to Defence personnel. During this collaboration we remained responsive to the changing environment caused by COVID-19 and focused on ensuring that Defence personnel remained informed about key mental health and wellbeing considerations.

We updated our resource hub for personnel with links to Defence and community sources that are trusted and reputable. This information was also made available to our contracted workforce.

Between March and July 2020, through our industry partner, we offered 133 wellbeing webinars to all Defence personnel. The webinars focused on assisting Defence personnel to manage life disruption, uncertainty and personal wellbeing in response to COVID-19.

Defence will continue to invest in the mental and physical health and wellbeing of all our people to help them through all phases of their careers and lives and ensure they are 'Fit to Fight, Fit to Work, Fit for Life'.

## Employee Assistance Program

The Employee Assistance Program is a key mental health and wellbeing service provided to assist 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 preventive and proactive interventions to address issues that may adversely affect performance and wellbeing. It aims for early detection, identification and resolution of work and personal issues.

The Employee Assistance Program is available to all APS employees (ongoing and non-ongoing), Reservists, Cadets and their immediate families. ADF supervisors of APS employees can access the Manager Assist service for advice and support.

Defence expanded the support available through the Employee Assistance Program during the 2019–20 summer bushfires by setting up drop-in centres at various Defence sites. At Latchford Barracks, Victoria, which was set up as an evacuee centre for members of the public directly affected by the bushfires, counsellors also provided in-person support to over 126 members of the community, including children.

During the COVID-19 pandemic in early 2020, the Employee Assistance Program provided additional services to support the mental health and wellbeing of our people, including:

- Employee Assistance Program Connect, which consists of a welfare check conducted by the Employee Assistance Program provider for APS personnel requiring additional support during COVID-19
- self-guided sessions for APS secondees, supporting mental health and wellbeing for personnel seconded from their usual position in Defence to support the national COVID-19 Government response
- a wellbeing webinar series focusing on mental health and wellbeing issues personnel may face during COVID-19.

# Emerging hazards

The Work Health and Safety Branch 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 new technologies. The emerging hazards capability consists of occupational health subject-matter experts in the Work Health and Safety Branch, in consultation with the Defence Science and Technology Group, academia, areas of government and industry as appropriate. To date, the capability has reviewed and published guidance information on augmented reality, glyphosate, nanotechnology and three-dimensional printing.

## Comcare

Defence continues to maintain a strong and collaborative relationship with Comcare. The biannual Defence–Comcare liaison forum and Comcare representation on Defence senior work health and safety committees ensure sharing of information and a better understanding of the priorities of Comcare as a regulator.

In 2019–20, Comcare undertook 187 investigations across Defence, based on known high-risk areas, and issued two notices.

Defence actively investigates safety incidents. In 2019–20, investigations focused on contact with electricity, contact with a chemical or substance, and being hit by falling objects. 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 working closely with Comcare on a number of initiatives. These include:

- the APS Medical Care Pilot, in which Defence has partnered with Comcare to offer early medical services for Defence APS employees in Australia with a new or emerging injury. Defence is working with Comcare to explore opportunities identified in the pilot evaluation report findings and how they may be incorporated into Defence programs and the broader Comcare scheme
- Beyond Blue’s NewAccess stress and anxiety coaching program. Defence supported Comcare in evaluating their trial of the NewAccess program across a number of agencies. The evaluation measured the effectiveness of the NewAccess program by comparing agencies’ results and successes against the Defence NewAccess program. The results will be used by Comcare to offer a streamlined NewAccess program across their jurisdiction, which Defence will look to participate in.

Table 6.26: Number of Comcare work health and safety notices, 2017–18 to 2019–20

Type of notice	2017–18	2018–19	2019–20
Improvement notice <sup>1</sup>	2	6	–
Prohibition notice <sup>2</sup>	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 2019–20 the Work Health and Safety Branch conducted 15 work health and safety audits across Defence. This comprised two safety management systems audits and 13 compliance audits in the risk areas of hazardous chemicals, and the joint special licence for the operation of high-risk plant.

## Notifiable incidents

The number of work health and safety incidents declined in 2019–20, as shown in Table 6.27.

Table 6.27: Number of work health and safety incidents and number of people involved, 2017–18 to 2019–20

	2017–18		2018–19		2019–20	
	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>	3	3	4	4	7	7
Serious injury or illness <sup>1</sup>	239	241	194	196	125	131
Dangerous incident <sup>1</sup>	251	418	212	309	250	453
<b>Subtotal</b>	<b>493</b>	<b>662</b>	<b>411</b>	<b>510</b>	<b>390</b>	<b>599</b>
Minor injury	9,378	9,492	9,245	9,494	7,566	7,739
Near miss	1,254	1,902	1,540	2,387	1,829	2,904
Exposure	907	3,776	901	6,552	941	4,465
<b>Subtotal</b>	<b>11,539</b>	<b>15,170</b>	<b>11,717</b>	<b>18,475</b>	<b>10,394</b>	<b>15,169</b>
<b>Total</b>	<b>12,032</b>	<b>15,832</b>	<b>12,128</b>	<b>18,985</b>	<b>10,784</b>	<b>15,768</b>

### Notes:

Incidents are reported from the date of occurrence. Figures in Table 6.27 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 as at 19 June 2019. The Australian Signals Directorate became a separate statutory body on 1 July 2018; therefore their data has been included for 2017–18 and excluded for 2018–19 and 2019–2020.

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 2020, 193 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 2019–20 Defence issued 16,366 operational medals and long service awards to current ADF members, and 5,804 service medals were issued to veterans and their families in recognition of service in conflicts since World War I. Defence recognised 940 APS employees for their commitment to service and presented Secretary's Awards for Long Service.

Defence is continuing to modernise and improve the legal instruments for Defence honours and awards to ensure they are fit for purpose. To date, three Medal Regulations are progressing to Her Majesty The Queen, with the remainder of the service and campaign awards anticipated to progress later in the year. The review is now expected to be completed by December 2020.

# 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

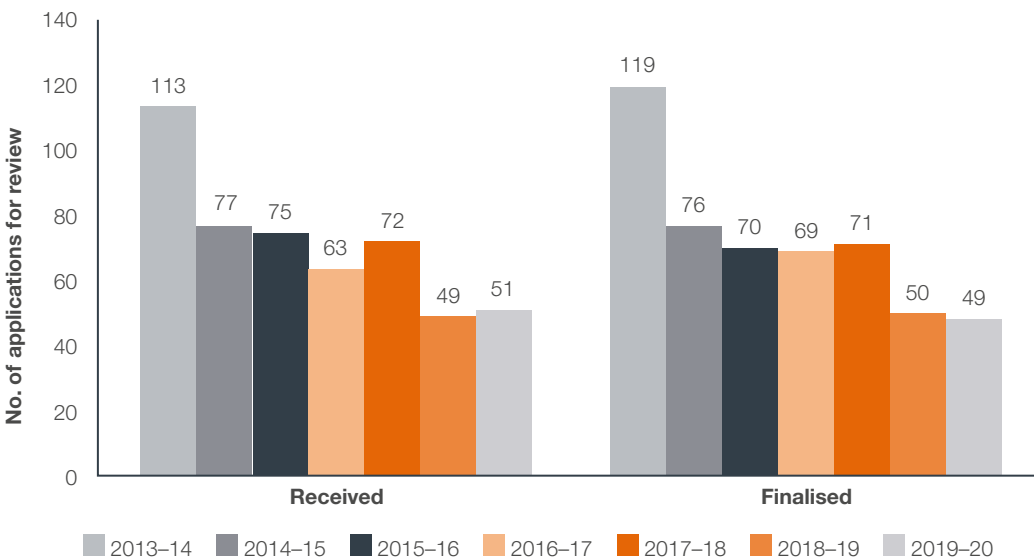
Section 33 of the *Public Service Act 1999* establishes a review of actions scheme and allows non-SES APS employees to seek review where they have a complaint about an action or a decision relating to their employment.

In 2019–20 Defence received 51 applications for review of actions, which is comparable with the previous year. Ten applicants then sought secondary review from the Merit Protection Commissioner. Of these, only two applicants had the subject of their review set aside or varied.

The following subjects featured in the applications for review this financial year:

- Performance Feedback Assessment and Development Scheme outcomes
- Management of unacceptable behaviour complaints by line management
- Access to leave or other entitlements.

Figure 6.1: APS review of actions applications, 2014–15 to 2019–20



## Unacceptable behaviour

Pathway to Change: Evolving Defence Culture 2017–2022 reinforces that all Defence personnel are accountable for their behaviours and actions and for creating a more positive and inclusive culture. To embed this, Defence has prioritised cultural change initiatives focused on early intervention, complaints management and remediation of unacceptable behaviour.

Defence has a comprehensive employment life cycle approach to workplace behaviour. The organisation is focused on creating a workplace environment where expected behaviours are clear at every step of a person's employment journey.

All Defence personnel complete mandatory annual Workplace Behaviour training, which reinforces expected behaviours and the process for submitting and managing complaints. Learning and development programs and behaviour training for commanders, managers and supervisors are designed to strengthen leadership capability and accountability in both the early intervention and the effective management of unacceptable behaviour.

When incidents of unacceptable behaviour do occur, Defence has robust systems and processes in place to resolve matters and to hold personnel to account for poor behaviour. Early intervention strategies empower individuals to proactively work toward resolution at the lowest appropriate level, with a range of dispute resolution options available. Readily accessible support and guidance is offered through trained alternative dispute practitioners and a comprehensive network of workplace behaviour advisors to foster early resolution of disputes and effective management of complaints.

Defence continues to look for opportunities to strengthen its approach to early intervention and complaint management. In addition to implementing the recommendations from the Defence Force Ombudsman Health Checks, in 2019–2020 Defence:

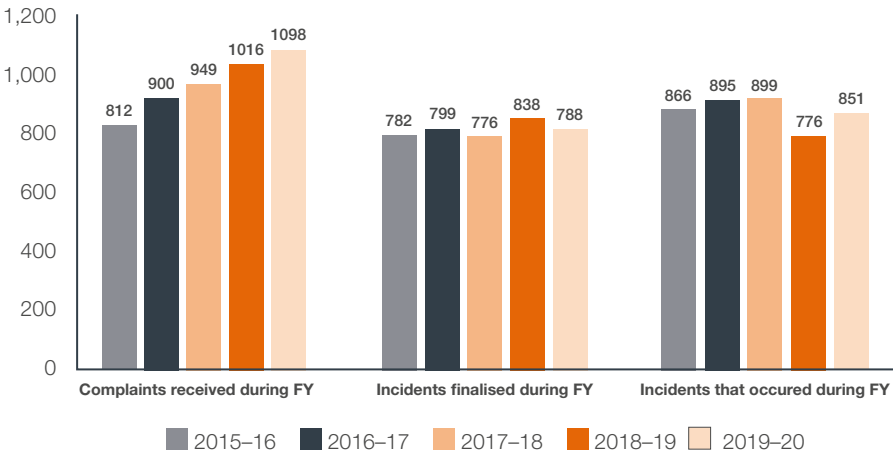
- commenced a review of the Complaints and Resolutions Manual to deliver a revised, user-friendly reference for all Defence personnel
- initiated a review of Defence's unacceptable behaviour reporting systems to simplify, streamline and improve reporting capability
- designed an enhanced complaints-handling service that will be trialled and evaluated in 2020–21.

Defence is committed to creating a safe environment where individuals feel supported to report unacceptable behaviour knowing that incidents will be addressed in a timely and effective manner.

Data from the previous financial years shows that the number of complaints being reported has steadily increased. The number of incidents occurring in 2019–20 also increased from the previous year but was below the five-year average of 857.

Personnel are increasingly willing to report incidents of unacceptable behaviour. Of the total of 1,098 complaints reported during 2019–20, 851 related to incidents that had occurred in the same financial year and 247 to incidents in previous financial years.

**Figure 6.2: Unacceptable behaviour complaints reported as received, finalised and having occurred, 2015–16 to 2019–20**



The confidence of the workforce to report incidents of unacceptable behaviour continues to be reflected in the Defence Enterprise attitudinal surveys. The 2019 Defence YourSay Organisational Climate Survey indicates that the majority of Defence personnel perceive:

- that incidents of unacceptable behaviour are being managed well
- that Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour.



See Figures 6.3 and 6.4 for details. Note that data is only available for this measure from 2017 onwards, as the question was not asked before 2017).

Figure 6.3: Incidents of unacceptable behaviour are managed well in my workplace

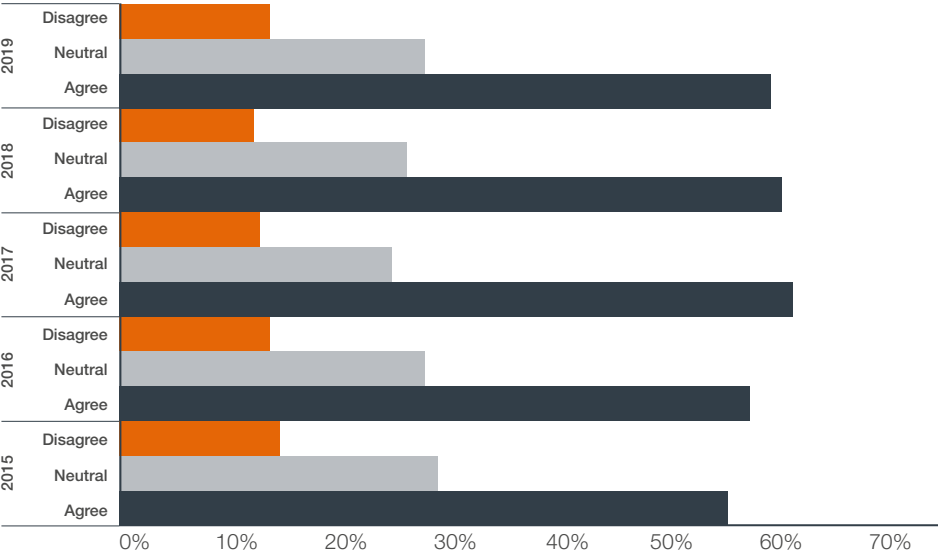
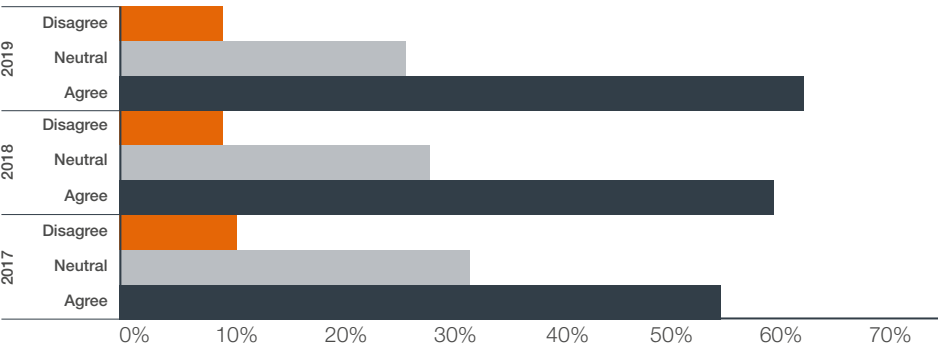


Figure 6.4: Defence has a culture that supports individuals who report fraud, corruption or unethical behaviour



## Sexual misconduct response

Defence provides opportunities for personnel to disclose or report sexual misconduct. Reporting is a description or a formal account that triggers further inquiry or investigation by the Joint Military Police Unit (JMPU) or state/territory police. Disclosure is an opportunity for an affected person to account their experience and ask for support or advice. Defence's Sexual Misconduct Prevention and Response Office (SeMPRO) is a dedicated avenue for accessing services inside and outside Defence.

# Reported sexual assault in the ADF

Australian state and territory police use the Australian and New Zealand Standard Offence Classification (ANZSOC) definitions from the Australian Bureau of Statistics. In 2018, Defence adopted ANZSOC for statistical reporting on sexual assaults in Defence to ensure consistency across Government agencies.

Defence's reports between 2013–14 and 2017–18 used the definitions in the Model Criminal Code, which classifies non-penetrative sexual offences as indecent acts. Reports from 2017–18 onwards use the broader ANZSOC definition of sexual assault, which includes penetrative and non-penetrative sexual offences.

Table 6.28: **Reported Defence sexual assault incidents per year**

Model Criminal Code					ANZSOC	ANZSOC	ANZSOC
2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
60	96	98	84	87	170	166	161

Figures from 2012–13 to 2016–17 cannot be directly compared to figures from 2017–18 onward, due to the use of different reporting frameworks for sexual offences.

The figure of 161 sexual assaults reported to JMPU for 2019–20 (as at 5 July 2020) comprises:

- 88 aggravated sexual assaults (penetrative acts committed without consent, threat of penetrative acts committed with aggravating circumstances, or instances where consent is proscribed)
- 73 non-aggravated sexual assaults.

The 161 aggravated and non-aggravated sexual assault complaints can be categorised as follows (noting that some complaints are in multiple categories):

- 76 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
- 53 cases were investigated by state/territory police and remain within their jurisdiction
- 35 cases were reported matters of a historical nature (meaning the incident occurred at least one year prior to reporting)
- 23 cases involved an alleged perpetrator who was either unknown to be a Defence member or known not to be a Defence member
- 11 cases were reported matters involving Cadets and/or volunteers associated with Cadets, and consequently not Defence members
- 21 cases are closed as unable to be substantiated, due to insufficient evidence and/or no identifiable perpetrator.

Approximately 47 per cent of 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.

The sexual assault figures are drawn from a live policing database and reflect JMPU's understanding of matters as at 5 July 2020. As initial reports are investigated and/or finalised, these figures may change.

## 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 SeMPRO team developed and delivered primary prevention educational packages and support to create a workplace climate that upholds Defence and Service values. The following key milestones were achieved in 2019–20:

- Sexual misconduct incident management workshops were delivered for commanders and managers, emphasising trauma-informed application of Defence policy.
- Face-to-face briefings by SeMPRO team members and by the network of Defence members to their peers in location have been reduced due to COVID-19. Remote learning options have been refined and expanded in response.
- Virtual classroom training in sexual misconduct incident management for commanders and managers has been developed for rollout in 2020–21, and development is underway of training targeted to senior non-commissioned officers.
- Continued improvements to online delivery of the sexual misconduct general awareness course have been made to enable training to be undertaken anywhere, at any time.

Sexual misconduct prevention and response training provides a proficiency that is valid for three years. In the ADF, 53 per cent of the permanent force holds the proficiency.

SeMPRO provides a 24/7 telephone response service for those seeking aid. The office assisted 368 clients in 2019–20. It provided case management to 125 clients subjected to sexual offences, sexual harassment or sex-based discrimination in Defence. SeMPRO also provides assistance with system navigation and service coordination, resources and referrals, and education for individuals and their families. These interventions assist wellbeing, build resilience, and facilitate developing self-management strategies and skills. The demand for case management services decreased from 400 in 2018–19 to 368 in 2019–20.

SeMPRO assists commanders, managers, colleagues and friends to improve responses to disclosures and reports. Commanders and managers received assistance with applying Defence's policy requirements while focusing on the wellbeing of those involved. Colleagues and friends received advice on aiding a person who had disclosed being subjected to sexual misconduct. The uptake of one-on-one assistance with sexual misconduct incident management and disclosures decreased slightly from 265 in 2018–19 to 235 in 2019–20 (see Table 6.29).

**Table 6.29: SeMPRO new incident management advice clients, 2013–14 to 2019–20**

Financial year	Number of SeMPRO advice clients
2013–14	70
2014–15	147
2015–16	131
2016–17	223
2017–18	253
2018–19	266
2019–20	235
<b>Total</b>	<b>2,242</b>

**Note:**

The data in this 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 2018–19 was 266.

In 2019–20 SeMPRO provided confidential debriefing to eight 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.



The two halves of the first Offshore Patrol Vessel *Aratara* being brought together at Osborne South.

## Sovereign shipbuilding powering forward under the National Naval Shipbuilding Enterprise

**The National Naval Shipbuilding Enterprise is Australia's plan to build its naval shipbuilding and sustainment capability to generate industry growth and secure Australian jobs in Defence industry. The enterprise focuses on the sustainable, continuous production of ships, submarines and shipyards in Australia.**

In 2019–20 the enterprise was further realised, with the Attack, Hunter, Arafura, Guardian and Cape class programs all advancing at an industrious pace.

Design work on the Attack class submarine is progressing. A number of contracts have been awarded for key equipment, and work has started on a new submarine construction yard at Osborne North in South Australia.

The Hunter class frigate program is on track to commence construction of Ship 1 by the end of 2022. The new shipyard at Osborne South is now complete and Hunter prototyping remains on schedule to commence by late 2020.

Construction of the third Arafura class offshore patrol vessel has commenced, with 10 of these very capable vessels to be built at the Henderson Maritime Precinct in Western Australia. The first two Arafura vessels are being constructed at Osborne South, bridging the gap between the end of the Hobart class air warfare destroyer program and the start of the Hunter program.

The final Hobart class destroyer was commissioned into the fleet in May 2020.

Since commencement of the Pacific Maritime Security Program, the first six of 21 Guardian class patrol boats have been constructed in Western Australia and gifted to Papua New Guinea, Tuvalu, Tonga, Samoa, Solomon Islands and Fiji. Although the COVID-19 pandemic has complicated the training of Pacific Island crews and subsequent handover of new boats, construction continues on schedule and three more boats will be ready for handover before the end of 2020. The first of six Cape class patrol boats is also under construction.

On the sustainment front, in 2019 Defence launched Plan Galileo, which will enhance our approach to naval fleet upkeep. Under the plan, four platform-agnostic regional maintenance centres will be established in Sydney, Perth, Darwin and Cairns. A number of upgrade programs are also underway across the in-service fleet, including major upgrades to the Anzac class frigates and Collins class submarines.

The *2020 Force Structure Plan* foreshadowed the expansion of the enterprise to include the acquisition or upgrade of 23 classes of maritime vessels. These new programs will be included in an updated Naval Shipbuilding Plan. The updated plan will map out the next phase in the creation of a sovereign naval shipbuilding industry in Australia.





## ASSET MANAGEMENT

An Australian Army CH-47 helicopter conducts deck landing practice as part of essential training on board HMAS Adelaide off the coast of Queensland.

## Asset management

Defence manages \$112.3 billion of total assets. This comprises approximately:

- \$71.6 billion of specialist military equipment
- \$28.2 billion of plant, land, buildings and infrastructure
- \$7.5 billion of inventory
- \$0.5 billion of heritage and cultural assets
- \$4.5 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 accurate and timely reporting of asset balances. This involves managing the financial information of assets held across various logistical systems and ensuring that underlying assumptions in reporting the financial values of these assets are applied consistently. In addition, a significant focus is placed on the valuation of some highly specialised assets—that is, reviewing the asset base for fair values, impairment and completeness of asset balances. This allows Defence to be compliant 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 warfighting capabilities of the Australian Defence Force (ADF) 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 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 more 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.

The past year, 2019–20, was a challenging period for all Australians. Defence has increasingly supported national tasks, which in 2019–20 included responding to the devastating bushfires over summer and combating the global COVID-19 pandemic. ICT capabilities have been increasingly relied upon in these times of crisis. This is particularly the case with the necessary pivot to remote/home working as a measure to address COVID-19.

CIOG undertook a range of activities to increase the resilience of existing ICT infrastructure and introduce new capabilities to support the escalating numbers of personnel working remotely. Usage of the Defence Remote Electronic Access Management System (DREAMS), which is used to connect virtually to the Defence PROTECTED network for remote working, increased by almost 900 per cent as a result of COVID-19 measures and proved critical for business continuity. As Defence staff began to work remotely in March 2020, the demand for collaboration capabilities grew dramatically. CIOG formed a multidisciplinary team to design and field Office 365 at the PROTECTED level, a project that had been planned for delivery in 2021. The Virtual Environment for Remote Access



(VERA) was developed and delivered for initial release in just eight weeks, with availability across Defence achieved within 11 weeks. VERA can be accessed through personal as well as Defence devices and allows Defence users to:

- access, update and send PROTECTED-level documentation on personal laptops without the need to access DREAMS
- conduct PROTECTED-level voice and video collaboration through Microsoft Teams, which includes the ability to share screens and documents while videoconferencing
- securely collaborate on documents simultaneously and in real time with visibility of who is making amendments
- share a full range of file types and sizes with colleagues and store documents in a secure shared location within the remote environment.

The VERA implementation has provided Defence with a marked improvement in the suite of tools available to enable personnel to work remotely at the PROTECTED level. This has had a positive effect on productivity and provides greater workplace flexibility.

The COVID-19 pandemic also stimulated demand for other ICT tools. CIOG worked closely with Joint Health Command to develop a virtual assistant or 'chatbot' to allow personnel to easily seek assistance on a wide range of frequently asked questions related to COVID-19. It is updated regularly and provides the very latest information to assist commanders and managers to support the health and safety of their people. The success of the COVID-19 virtual assistant provides opportunities for Defence to apply this technology to a range of other uses to improve interaction and service delivery.

## Network Stability Taskforce—Defence and industry improve ICT performance

In 2019 Defence embarked on a major upgrade of its PROTECTED and SECRET ICT networks to immediately improve performance and user experience. The Chief Information Officer Group established a Network Stability Taskforce to take this work forward.

The combined taskforce was a concentrated surge activity led by Defence but heavily supported by our contracted commercial service providers and other elements of industry, working together to achieve the mission. Our industry partners noted that this focused collaboration was an extremely effective way to cut through process and rapidly achieve outcomes.

The Network Stability Taskforce concluded in December 2019. Its work resulted in many improvements to the environment and an enhanced user experience:

- There was a 54 per cent reduction in incidents affecting the PROTECTED network.
- There was a 40 per cent decrease in call volume to the ICT Service Desk.
- Chief Information Officer Group's user experience rating rose and is now well above the long-term average.

- Positive feedback increased by 13 per cent.
- Escalation requests dropped by 66 per cent.
- Complaints dropped by 50 per cent in November to December 2019 alone.

These improvements have also assisted in providing a stable network for Defence's response to Operation BUSHFIRE ASSIST 2019–2020 and to support our response to COVID-19.

Work continues on achieving long-term tasks that the taskforce began. This work is incorporated into Plan BURRUT'TJI—Chief Information Officer Group's campaign plan to improve operational outcomes, take advantage of emerging technology and innovation, and drive reform to ensure appropriate resources are managed and assigned to agreed and considered Defence ICT priorities.

Chief Information Officer Group seeks to continue collaborative partnerships with industry in the spirit of One Defence and becoming true partners to support Defence's mission.

## Purchasing

Defence undertakes its procurement in accordance with the Commonwealth Procurement Rules and Procurement Connected Policies and with Defence-specific procurement policies. These 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 provides notice to industry 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 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 all contracts from 30 days to 20 days to ensure that small businesses are paid on time. The results of the most recent survey of Government payments to small business are available on the Treasury website.

Important measures were also implemented to allow for projects to accelerate payments to Australian suppliers in defence industry to mitigate the effects of COVID-19. These measures were also supported by other Government reforms to speed up payments to small business, including reducing payment times for small businesses using e-invoicing to five days. Defence began piloting five-day payment terms through e-invoicing on contracts valued up to \$1 million to ensure that our financial and approval systems can support these timeframes.

In support of transparency, the Government has introduced legislation establishing the Payment Times Reporting Scheme. The scheme will require large businesses and certain government enterprises with over \$100 million in annual turnover to publish information on how and when they will pay their small business suppliers. In concert with this policy, the Government is developing a Payment Times Procurement Connected Policy requiring large businesses to pay their suppliers within 20 days.

## Indigenous procurement policy

Defence contributes to enhancing Indigenous entrepreneurship and business development, including through procurement opportunities in regional and rural Australia to support and grow the Indigenous business sector.

Since the introduction of the Commonwealth Indigenous Procurement Policy, Defence has consistently exceeded its Indigenous Procurement Policy targets. In 2019–20 the Defence target for number of contracts remained at 3 per cent of eligible domestic contracts, equalling 691 contracts for the Defence portfolio. In addition, the Government has introduced a value-based target for contracts awarded to Indigenous businesses. The value target commenced at 1 per cent in 2019–20 and will increase by 0.25 per cent each year to reach 3 per cent by 2027.

In 2019–20 Defence significantly exceeded its number and value targets. Our performance against the portfolio's annual targets is published on the National Indigenous Australians Agency website (see Appendix D).

Defence's commitment and pathway to meeting the outcomes of the Commonwealth Indigenous Procurement Policy are articulated in our 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.

In recognition of Defence's efforts to support Indigenous procurement, we received the Supply Nation Government Member of the Year Award for 2019.

# Capital investment

Throughout 2019–20 Defence undertook a review of its planning and in July 2020 the Government announced the *2020 Force Structure Plan*. The *2020 Force Structure Plan* builds on investments made in the *2016 Defence White Paper* in response to rapid changes in the global strategic environment and will enable approximately \$270 billion investment in Defence capability to 2029–30.

In 2019–20 the Government approved a total of \$11.9 billion of capital and sustainment investment across major equipment, facilities, infrastructure, ICT, and science and technology.

## 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 Integrated Investment Program published along with the white paper and updated following release of the *2020 Defence Strategic Update* and *2020 Force Structure Plan*, sets out the Government's defence capability investment, including new weapons, platforms and systems and the enabling equipment, facilities and infrastructure, workforce, ICT and science and technology.

The Integrated Investment Program is dynamic. It is reviewed by Defence and Government biannually to respond to changing priorities and threats while balancing capability, strategy and resources. The significant events in 2019–20, including the Australian bushfires and the COVID-19 pandemic, underscore the importance of maintaining an Integrated Investment Program that continues to be affordable and is optimised to respond to changing priorities, technology advancements, emerging threats and strategic drivers in the region.

In line with the *2015 First Principles Review*, Defence undertakes detailed reviews of its planning to ensure alignment of strategy, capability and resources to respond to the evolving strategic environment. The product of one of these regular reviews, the *2020 Force Structure Plan*, was released in early July 2020. The *2020 Force Structure Plan* expands and adjusts some of the capability plans and investments outlined within the *2016 Defence White Paper* to ensure the ADF is capable of responding to changing priorities, technology advancements, emerging threats and other strategic drivers in the region.

During 2019–20, the Government approved 105 capability-related submissions. It gave 17 'First Pass' approvals, 26 'Second Pass' approvals and 62 'Other Pass' approvals. Of the 62 Other Pass approvals, 16 were granted for submissions that provided advice to Government on current and future capability; and 46 projects were approved for early access to Integrated Investment Program funding. This early funding is used to complete critical capability development work and risk-reduction activities ahead of seeking First Pass and/or Second Pass approval.

Significant government announcements in 2019–20 include the following:

- Maritime domain
  - Approval for Arafura Class Offshore Patrol Vessel Transition Plan (Cape Class Patrol Boats). This investment of around \$350 million supports the build program for six new Cape class patrol boats for the Royal Australian Navy. The boats will be built by Western Australian company Austal. They will increase the patrol boat force to 16 vessels while the new larger Arafura class offshore patrol vessels are introduced into service.
  - Second Pass approval for Hydrographic Data Collection Capability. This project will invest in the order of \$150 million in local industry partnerships to secure a sovereign capacity to produce hydrographic information over the next five years. Defence will also investigate options to replace Navy's current military hydrographic survey capability.
- Land domain
  - Second Pass approval for Geospatial Support System for the Land Force—Tranches 1 and 2. This project will invest \$150 million in the next generation of Army's geospatial support capability. The capability will provide advanced imagery to obtain vital terrain and navigation data, delivering a greater understanding of the operation environment and enabling faster decision-making on the battlefield.

- Second Pass approval for Joint Counter Improvised Explosive Device—Tranche 1. This investment of \$88 million will deliver 80 mounted and 115 dismounted systems. It will take the ADF closer to the latest technology to combat the threat of improvised explosive devices through improving the ADF's ability to save and protect lives on operations around the world.
- Second Pass approval for Special Operations Capability Enhancements and Continuous Development Program in the first stage of Project Greyfin. This will provide an initial \$500 million of a \$3 billion planned investment over 20 years. Greyfin will ensure that Special Forces have the best body armour; weapons; diving, parachuting, roping and climbing systems; medical search and rescue; communications; and human performance training and support to help ensure Australia's security.
- First Pass approval for Integrated Soldier System—Tranche 2. This will invest \$30 million in equipment including shelters, sleeping bags, non-lethal force, adventure training, hand tools, and personal protective equipment to support ADF personnel both in Australia and overseas. Future tranches will invest in Army's ability to acquire the next generation of body armour, helmet and equipment carriage system, field equipment, combat flotation aids, and simulation and training systems.
- Air domain
  - Approval of the F-35 Reprogramming Laboratory partnership between Australia and the United Kingdom (UK), part of the broader Joint Strike Fighter Program. This investment will support Australian and UK F-35s by developing, verifying, validating and issuing F-35 mission data files for F-35s.
- Space domain
  - The Government has not made any public announcements on approvals for this domain in 2019–20. However, it is continuing to deliver the capability Defence needs to meet its strategic objectives.
- Information and cyber domain
  - The Government has not made any public announcements on approvals for this domain in 2019–20. However, it is continuing to deliver the capability Defence needs to meet its strategic objectives.
- Defence enterprise
  - First Pass approval of RAAF Tindal Redevelopment, which is valued in the order of \$1.6 billion. This project will ensure the ADF can continue to deliver a potent air combat capability from the Northern Territory. The redevelopment includes runway extensions; a new air movements terminal, parking apron and extra fuel storage facilities; and critical base infrastructure upgrades.
  - Second Pass approval for HMAS *Watson* Redevelopment, valued in the order of \$389 million. This project will deliver new and improved training facilities for sailors at HMAS *Watson*, Navy's principal warfare and navigation training establishment.
  - First Pass approval to upgrade the airfield at Cocos (Keeling) Islands to support P-8 operations. This project, valued in the order of \$184 million, will upgrade and refurbish the Cocos (Keeling) Islands airport runway, which is the main access and delivery point for supplies and visitors to the islands. It will strengthen and widen the existing runway and hardstanding, and provide new aeronautical ground lighting to support the P-8A Poseidon maritime surveillance and response aircraft and other aircraft operations.

In 2019–20, eight major capital facilities and infrastructure projects, valued at a total of approximately \$4.47 billion, were referred to the Parliamentary Standing Committee on Public Works. This includes the \$219 million Point Wilson Waterside Infrastructure Remediation Project, which was originally referred in June 2018 and required to refer a second time in July 2019 due to parliamentary approval process not being finalised before the 2019 federal election dissolved the 45th Parliament. The committee conducted public hearings on six of the eight major capital facilities and infrastructure projects (valued at \$3.96 billion in total). Point Wilson did not require a second hearing, as the current committee adopted and tabled the report from the 45th Parliament. A hearing is pending for the eighth referred project (valued at \$293.65 million). Seven of the eight projects referred achieved parliamentary approval in 2019–20, at a total value of approximately \$4.18 billion (including Point Wilson).

Also in 2019–20, nine medium works capital facilities and infrastructure projects, valued at a total of \$257.02 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. A Project of Concern Summit was held with the Minister for Defence and the Minister for Defence Industry on 3 December 2019.

Table 7.1 provides a list of Projects of Concern as at 30 June 2020. There has been no change since the 2019–20 reporting period.

Table 7.1: Projects of Concern as at 30 June 2020

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 2020–21.



An Australian Army Protected Mobility Vehicle – Light Hawkei undergoes a series of tests during Land Trial 02-18 at the Townsville Field Training Area in North Queensland.





The Chief of Army, Lieutenant General Rick Burr AO DSC MVO, (left) meets with industry partners at Rheinmetall's MAN Military Vehicle centre in Wacol, Queensland.

## Australian Defence projects growing Australian Defence industry

**Army's Combat Reconnaissance Vehicles (CRVs), Navy's offshore patrol vessels (OPVs) and Air Force's Joint Strike Fighter projects continue to deliver the benefits of Defence's engagement with Australian industry—keeping Australian workers employed and growing capability for the future.**

In the Boxer CRV project, Rheinmetall Defence Australia is delivering and supporting 211 vehicles, through contracts<sup>1</sup> valued at approximately \$3.3 billion (acquisition) and \$192 million over seven years (support), which will generate approximately \$1.3 billion<sup>2</sup> and \$156.3 million in Australian industry participation respectively. Independent modelling over the capability's life indicates total economic benefit of \$10.2 billion.

The project to deliver the Arafura class OPV will generate a peak of 400 direct and 600 indirect jobs for Australian workers. Planned Australian industry participation currently exceeds

60 per cent, or approximately \$1.2 billion.

The prime contractor, Luerssen Australia, is committed to maximising Australian industry opportunities in its program of work. An example of this commitment is the award of a major subcontract to Marine Technicians Australia in place of a proven international supplier Luerssen already had in place, achieving significant growth of Australian industry early in the program.

The Joint Strike Fighter program uses world-leading thermal processing by Heat Treatment Australia (HTA). This has played a large part in HTA's skills and technical growth and in the expansion of its operations from one person and one building to more than 65 people across Australia and the United States. HTA's development of new-to-Australia thermal processes is also enabling its customers to reach into new industries. Its Joint Strike Fighter success has opened up additional domestic and international revenue streams for the company, from aerospace and defence to Formula One motor racing vehicles.

### Notes:

1. This represents the value of the contracts when signed in 2018.
2. The AIC commitment of \$1.3 billion referred to in the Defence Strategic Update excludes Australian taxes, custom duties, insurances, bank fees, infrastructure, corporate overheads, goods and services. When these values are included, the total AIC value increases to \$1.685 billion.

Australian Army Gunner Jarrod Collis from the 4th Regiment, Royal Australian Artillery, receives orders during a training scenario at the Combat Training Centre—Jungle Training Wing, Tully, Queensland.



8

ENVIRONMENTAL  
PERFORMANCE



# Defence Environmental Policy and Environmental 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.

Defence's Environment and Heritage Manual, published in January 2019, provides instruction and policy guidance for all Defence personnel on Defence's legislative obligations and stewardship goals in line with the Defence Environmental Policy and the Defence Environmental Strategy 2016–2036.

## Land and water management

Throughout 2019–20, Defence implemented a number of improvement initiatives in the areas of bushfire mitigation and improving sustainability performance. Implementation of the recommendations of independent reviews conducted in 2018–19 continued, resulting in greater consistency in application of policy and improved bushfire and land management.

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 Western Australia. 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 a large generator of waste in the Australian Government, Defence was a 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.

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.

Defence continues to work with industry to identify new opportunities to increase the use of recycled materials.

In collaboration with Defence industry partner Aurecon, the first recycled road on a Defence base was laid at RAAF Base Williams, Point Cook (Victoria) in May 2020. The project used 180 tonnes of PlastiPhalt, which included 600 kilograms of plastic waste. The project also incorporated 210 tonnes of crushed concrete waste from within the project, diverting it from landfill.

# 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 is required under the EPBC Act. In 2019–20 Defence referred one project to the Minister for the Environment for assessment or approval: Demolition of Structures at RAAF Base Point Cook Victoria (Ref. No. 2019/8514). The referral is in progress and a referral decision has not yet been made.

## Defence supports Australian Government development of Western Sydney Airport through environmental offsets

### **Defence is creating an important environmental legacy in Western Sydney by protecting and regenerating bushland to support the development of the Nancy Bird-Walton Airport.**

Defence land often provides coincidental protection of natural values, especially on city fringes where natural areas are extensively cleared. Defence Establishment Orchard Hills in Western Sydney contains one of the largest and best examples of critically endangered Cumberland Plain Woodland in the world. This area creates a buffer between the Defence base and surrounding areas and is also used for low-impact Defence training exercises. It will now have broader environmental importance for Western Sydney by offsetting clearance of native vegetation for the development of the new Nancy Bird-Walton Airport, just south of Orchard Hills.

The Australian Government has committed to protecting and improving the locations of habitats that need to be cleared for the airport. Defence Establishment Orchard Hills is one of these sites, and provides an excellent opportunity to generate

real environmental improvements. Natural woodland still grows on the site, and adjoining areas are regenerating after historically being cleared for farming.

An intensive improvement program will allow for permanent removal of pests and reintroduction of locally extinct species such as bandicoots and bettongs that perform important ecosystem functions. Trees and shrubs will be replanted on old farmland to re-create bushland. Specialist burning will improve the health of existing bushland remnants, and research programs will address management challenges such as regional dieback of mature tree canopies.

Defence is privileged to be able to simultaneously support the development of the new airport and the economy of Western Sydney, maintain an operational base, and create an enduring environmental legacy by regenerating and preserving this important area of bushland.

# Environmental improvement initiatives and review

## Exercise TALISMAN SABRE

Exercise TALISMAN SABRE is a major combined training exercise involving Australian and international armed forces held biennially in Australia. The most recent iteration, Exercise TALISMAN SABRE 2019 (TS19), was conducted in July 2019. TS19 was planned and operated within a robust environmental management framework designed to avoid or mitigate environmental impacts and meet EPBC Act obligations.

## Remediation programs

Defence is undertaking ongoing contamination and explosive ordnance waste assessments and remediation across priority areas on the Defence estate, and has completed a three-year program of contamination assessments that has resulted in the closure of 650 records of contamination across the estate. Defence has also completed targeted environmental remediation works at Maribyrnong in Victoria and remediation of explosive ordnance waste at multiple air weapons ranges across the estate.

## 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 consultation with Traditional Owners on country to develop appropriate cultural heritage conservation and management of Aboriginal and Torres Strait Islander heritage sites and areas on the estate. The development of heritage management plans also fosters stronger collaboration with Aboriginal and Torres Strait Islander communities, which supports a range of outcomes under the Defence Reconciliation Action Plan and legislative requirements.

Defence has successfully managed historic archaeological discoveries during works at Anglesea Barracks in Hobart and Victoria Barracks in Sydney. These discoveries have been carefully recorded, and design options to protect the finds have been integrated into works programs.

During 2019–20, 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.

## Pollution prevention program

Defence is progressing activities to address high-priority pollutants and polluting activities, including the ongoing use of firefighting foams. Defence has conducted testing and trials of environmental aspects of possible fluorine-free replacement foams for use in firefighting vehicles.

## Biodiversity

In September 2018, Defence signed a memorandum of understanding with the Department of Infrastructure, Regional Development and Cities (now the Department of Infrastructure, Transport, Regional Development and Communications) 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 will be required to maintain the improved environmental conditions.

## Ecologically sustainable development

In 2019–20, a program of ecologically sustainable development activities 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. To date the RDMS has identified over \$1.6 million in potential energy and water savings.

Defence's Smart Infrastructure Handbook sets minimum requirements covering energy, water, waste, materials, climate adaptation, smart procurement and pollution prevention.

## Energy

In 2018–19<sup>1</sup> total energy consumption decreased by 11 per cent compared with 2017–18. This decrease can be largely attributed to a 10 per cent decrease in operational diesel use. Stationary energy consumption (electricity, gas and LPG) remained stable in 2018–19.

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. There is more than 3.5 megawatts of renewable energy installed on the Defence estate, and more than 15 megawatts in development and delivery.

## Water

Defence spent \$38.2 million (including GST) on water and sewage at Defence-owned facilities in 2018–19<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

The Defence Fuel Transformation Program is a \$1.16 billion program targeted at enabling ADF capability by reducing enterprise risk, increasing resilience and optimising costs across the Defence fuel network. The program is being delivered in a series of tranches which commenced in July 2018 and will conclude by 2045–46.

As the second year of Tranche 1 nears completion, the program continues to deliver on its mission to develop a safer, simpler and assured Defence fuel supply chain in partnership with industry. Major Tranche 1 milestones achieved include the remediation of over 3,600 of the highest priority risk actions, closure of noncompliant and unsafe Defence fuel installations, remediation of critical Defence fuel installation asset data, and strengthening Defence fuel supply chain competencies and training. In May 2020 the first sites commenced construction activities as part of a suite of infrastructure investments focused on risk reduction. Engineering design work for the remaining bases is well advanced, and the construction phase of these projects will take place in the third and final year of Tranche 1.

An innovative transformation project to commercialise the marine fuel installation at HMAS Cairns was executed in October 2019. This contract has enabled Defence to leverage fuel industry expertise to improve operating and maintenance practices and to capture a financial return from the assets. A future fuel services contract is also

1 Figures for energy consumption are calculated and cross-checked using billing data. This data is unavailable for 2019–20 at the time of print. As in previous years, updated figures will be provided to Government through Senate estimates in October 2020.

2 Figures for water consumption are calculated and cross-checked using billing data. This data is unavailable for 2019–20 at the time of print. As in previous years, updated figures will be provided to Government through Senate estimates in October 2020.

being developed to increase integration with fuel industry capability by outsourcing to fuel specialists operations and maintenance activities across the greater part of the network. The request for proposal for the contract was completed this year and attracted a number of competitive responses. Final tendering activities are well advanced and the request for tender process will be completed within Tranche 1.

An overarching framework and implementation plan for governance, assurance and reporting to measure and control the health of the Defence fuel supply chain was developed in 2019–20. This will provide a stronger, more integrated Fuel Services Branch structure for the effective management and governance of the fuel network.

During the year the program also planned Tranche 2 in preparation for Government consideration in early 2021. Tranche 2 will include further targeted investments to reduce the operating risk profile at key Defence fuel installations to improve resilience, and will implement the fuel services contract to sustain the network in accordance with industry standards. Tranche 2 will be delivered over five years, commencing in July 2021.

## National PFAS Investigation and Management Program

Defence's National PFAS Investigation and Management Program has been established to manage, contain and remediate the effects of per- and poly-fluoroalkyl substances (PFAS) contamination in and around a number of its properties. It has its origins in reviews looking into where and how firefighting foam was historically used, to identify the properties most likely to be impacted by legacy PFAS contamination.

Defence has now completed detailed site investigations for PFAS contamination both in and around 19 of 28 Defence properties. Where those investigations have been finalised, Defence is actively working to manage and remediate identified environmental contamination risks.

The precautionary principle has been key to Defence's approach to the management of PFAS risks. While there are uncertainties around the behaviours and impacts of PFAS, there is sufficient knowledge to apply the precautionary principle.

### Interim response actions

Before the completion of environmental investigations, and usually before a complete understanding of the findings of an investigation are available, Defence, in accordance with the precautionary principle, puts in place a number of interim response actions in and around various Defence properties to address specific risks or break potential exposure pathways. These actions can include the provision of alternative water supplies to affected residents and communities; the implementation of groundwater and surface water treatment technologies; drain maintenance activities; and management of PFAS source areas consistent with relevant state and territory regulations.

### Provision of alternative drinking water

Health authorities advise that exposure to PFAS can occur from contaminated food, water (groundwater and surface water) and various consumer products. Defence identified that some residents surrounding a number of Defence properties were, or may have been, ingesting groundwater containing PFAS. Where PFAS-contaminated groundwater was the residents' primary source of drinking water, Defence provided an alternative supply of drinking water (initially bottled water). Defence has provided alternative drinking water to residents in communities surrounding RAAF Base Williamtown, RAAF Base Tindal, RAAF Base Pearce and the Army Aviation Centre Oakey. The following assistance has also been provided:

- In Williamtown, Defence has funded Hunter Water Corporation to connect 342 properties around RAAF Base Williamtown to town water.
- In Oakey, Defence has funded the Toowoomba Regional Council to connect 36 properties around the Army Aviation Centre Oakey to town water.
- In Katherine, Defence worked with local providers to install rainwater tanks and other infrastructure including plumbing and guttering at 67 properties around RAAF Base Tindal.

- In Katherine, Defence worked with the Northern Territory Power and Water Corporation (NT PWC) to install and operate an interim groundwater PFAS treatment system at the town water treatment facility to meet current town water demand. In 2019, Defence also provided \$21 million to NT PWC for the purchase, installation and initial operational support of a permanent groundwater PFAS treatment system which is large enough to meet the forecast future demand for town water.
- In Bullsbrook, Defence continues to provide 26 residents who have had PFAS detected in their groundwater bores with bottled water until a sustainable long-term solution is found.

## Groundwater treatment systems

In a similar application of the precautionary principle, before investigations were finalised, Defence installed water treatment plants to treat high-concentration sources at RAAF Base Williamtown, RAAF Base Tindal, RAAF Base Edinburgh and the Army Aviation Centre Oakey.

As at June 2020, 4.6 billion litres of water has been treated through the PFAS water treatment plants currently in operation across the Defence estate. These plants are commissioned to remove the three primary PFAS chemicals of concern—perfluoro-octane sulfonate (PFOS), perfluoro-octanoic acid (PFOA) and perfluoro-hexanoic acid (PFHxS)—to below drinking water guidance values, in accordance with environmental discharge requirements of relevant states or territories. In most cases they have achieved removal to below the limit for reporting.

As part of its response, Defence will assess the contribution existing groundwater water treatment plants make to the reduction of PFAS contamination, or the migration of PFAS contamination, at the relevant source area or site.

## PFAS Management Area Plan and Ongoing Monitoring Program

Responding to PFAS contamination requires an effective, evidence-based and nationally consistent response. Each Defence site where an investigation has been concluded has a PFAS Management Area Plan (PMAP), which is specific to the conditions at each site and is based on the findings of the investigation. PMAPs recommend remediation actions and related studies at the site to monitor, manage and reduce the risks of PFAS exposure and mitigate the migration of PFAS through groundwater and surface water flows from specific on-base source areas to locations beyond the site. At the completion of planned remedial works, Defence will seek to determine whether minimisation of PFAS migration from a source area has been achieved ‘so far as reasonably practicable’.

As part of each PMAP, Defence is also implementing an Ongoing Monitoring Program to monitor and track PFAS contamination at Defence properties over the coming years. The Ongoing Monitoring Program provides an evidence base for the continuing management of PFAS contamination. It will assist Defence to evaluate the progress and success of remediation activities and to identify where more might need to be done. PMAPs will be reviewed annually or as new technology becomes available, and an annual Ongoing Monitoring Program Interpretive Report will be published.

Defence’s strategy for responding to PFAS contamination is adaptive and recognises the evolving nature of scientific knowledge, technological advances in PFAS treatment, and the need for flexibility. Responses generally involve one or more of the following three principal components:

- *source management*—by removal, destruction, treatment, disposal and/or other methods, leading to the source no longer being present or the risk being reduced to accepted levels
- *pathway management*—by capping, containing, stabilising, diverting and/or other methods
- *receptor management*—by using point-of-use technology (e.g. filters); providing alternative essential services (e.g. drinking water); providing public information and behaviour advisories (e.g. limits on dietary intake); and/or other methods focused on people, livestock and other environmental receptors.

Using the knowledge and experience gained in recent years, including information about the distribution, concentration and migration of PFAS and exposure pathways at each site, Defence is now focusing on reducing and/or removing high-concentration soils in source areas which leach contamination into surface water and groundwater. Primary remediation options include soil excavation and disposal at appropriately licensed offsite facilities; stabilisation or immobilisation to lock contamination in place; and capping to prevent infiltration of water which would enable leaching of contamination into groundwater or surface water sources.



## Remediation technology

The range of treatment and technology options that are commercially available to treat PFAS contamination is limited. Commercially proven soil treatment technologies are more limited than water treatment technologies. Issues of scale, efficiency, effectiveness and financial sustainability remain important considerations. Defence continues to support PFAS technology research and development validation, engaging with national and international partners to discuss issues of mutual interest including developments in investigations, remediation and management, and specific technical issues.

As of 30 June 2020, Defence has independently funded 11 research activities valued at approximately \$6.8 million. Most relate to trials for remedial technologies for soil, groundwater and concrete. Additional research has supplemented site-specific Human Health and/or Ecological Risk Assessments, including a PFAS plant uptake study (in fruit and vegetables) and a study to evaluate PFAS transfer from chickens to their eggs as a result of drinking PFAS-contaminated water.

In addition to funding a research grants program administered by the Australian Research Council, in 2018 Defence contracted the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to consider a number of critical questions for the management of estate PFAS risks, including when pump and treat systems for contaminated groundwater should be used; when contaminated soil should be excavated and treated; and how to manage PFAS-contaminated asphalt and concrete most efficiently and effectively.

## Consultation and collaboration

Defence works closely with affected communities, Commonwealth agencies, state and territory environmental and health authorities, local councils, local interest groups and businesses to be open and transparent about the progress of investigations. This consultation facilitates the sharing of sampling results and, where relevant, sharing of precautionary advice developed by state and territory authorities.

Defence aims to provide PFAS-affected communities with transparent, timely and direct communication about the release of investigation outcomes; remediation and management activities; opportunities for residents to discuss their concerns about PFAS contamination; and how residents can access further information. As of the end of June 2020, Defence has held 142 community engagement events for PFAS-affected communities. Defence has also established community information lines and a website for the National PFAS Investigation and Management Program. The website hosts all publications released through the PFAS Investigation and Management Program, as well as site-specific answers to frequently asked questions, information on investigation areas, links to precautionary advice issued by state and territory authorities, and links to other agency websites.

## Financial investment

Defence's total spend on PFAS environmental investigations and remediation action for 2019–20 was approximately \$80 million. Defence's total contribution to the whole-of-government response to PFAS contamination since 2015–16 is approximately \$450 million, including \$45 million to other agencies for specific initiatives. This expenditure has enabled Defence to determine the nature and extent of PFAS contamination, and to work to manage and remediate contamination across the estate and in surrounding communities.

The cost of each environmental investigation is determined by the physical environment on and around the Defence property, and by the nature of the historical use of legacy firefighting foam. Remediation costs for each property depend on the scope of work and the options selected for remediation and management.

Australian Army soldier Corporal Josh Green from B Squadron 3rd/4th Cavalry Regiment, School of Armour, commands an M113AS4 and two autonomous M113AS4 optionally crewed combat vehicles during a demonstration at the Majura Training Area, Canberra.



## Army's autonomous future

**Army continues to explore the opportunities of autonomous systems. At the forefront of this exploration is experimentation and concept demonstration conducted by the Robotic and Autonomous Systems Implementation and Coordination Office (RICO).**

RICO was formed as part of the Future Land Warfare Branch in Army Headquarters following the release of the Army's Robotic and Autonomous Systems Strategy in January 2019. Its work of examining emerging technologies for Army includes autonomy, alternative power and energy, and quantum technologies.

In 2019, RICO trialled and experimented with uncrewed ground vehicles, quadruped (four-legged) robots and advanced leader-follower technology. It also produced capstone papers on advanced manufacturing and on power and energy.

In partnership with BAE Systems Australia, Army enhanced two M113AS4 armoured vehicles to enable optional crewing of the platform. In October 2019 a concept demonstration of the

autonomous M113AS4 in a battlefield setting at Majura Training Range (ACT) showed the potential to remove soldiers from some of the most dangerous tasks, and the ability to team humans and robotic systems together.

In the scenario, the combat team used unmanned aerial systems to locate the enemy position and provide persistent surveillance. The optionally crewed combat vehicles autonomously deployed ground robots to search and clear the area. The soldiers then deployed to the enemy position when it was deemed secure by their robotic teammates. Finally the vehicles conducted an autonomous casualty evacuation to a nominated casualty collection point away from the objective.

Army will continue to test and experiment with several robotic and autonomous systems to enhance its combat power.



Seaman Boatswain's Mate Alisha Matthew from Fleet Support Unit—West paints a tree blue as part of an Australia-wide mental health initiative on board HMAS *Stirling* in Western Australia.





APPENDICES

# 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 2020:

- (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 2020 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 2020 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 (including Independence Standards)* (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	How the audit addressed the matter
<p><b>Valuation of specialist military equipment</b></p> <p><i>Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'</i></p> <p>Specialist military equipment includes platform assets in use and under construction and spare parts for these assets.</p> <p>I considered the valuation of specialist military equipment to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the balance being significant relative to Defence's Statement of Financial Position (\$71.8 billion as at 30 June 2020);</li> <li>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</li> <li>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.</li> </ul>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>assessed whether the selection of the method for determining fair value was appropriate for each class of specialist military equipment;</li> <li>assessed the competence, capability and objectivity of Defence's valuation subject matter experts;</li> <li>tested the completeness and accuracy of data used in the year-end valuation process;</li> <li>assessed whether the useful lives applied to specialist military equipment (for the calculation of depreciation) were consistent with other available information including expected withdrawal dates for these assets;</li> <li>tested the accuracy of a sample of cost attribution models, and approvals of cost allocations related to specialist military equipment under construction;</li> <li>assessed whether the assumptions and judgements used by Defence to determine the impairment of specialist military equipment are consistent with other available information including changes to planned capability and unscheduled repairs and maintenance; and</li> <li>assessed management's assurance process for impairment and inspected a sample of assets for indicators of impairment.</li> </ul>
<p><b>Key audit matter</b></p> <p><b>Valuation of general assets</b></p> <p><i>Refer to Note 3.2A 'Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles'</i></p> <p>General assets comprise land and buildings (\$20.0 billion), infrastructure (\$6.5 billion), plant and equipment (\$1.8 billion), heritage and cultural assets (\$474.1 million) and intangibles (\$899.3 million). These balances include assets under construction by Defence which are typically long term projects.</p> <p>I consider the valuation of Defence's general assets to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>balances being significant relative to Defence's Statement of Financial Position;</li> <li>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;</li> </ul>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>evaluated the appropriateness of Defence's methodologies and the reasonableness of its key assumptions utilised in the valuation models;</li> <li>assessed the competence, capability and objectivity of management's valuers;</li> <li>assessed 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;</li> <li>tested a sample of costs allocated to general assets under construction to assess the appropriateness of capitalisation in accordance with the Australian Accounting Standards; and</li> <li>assessed the reasonableness and appropriateness of judgements used by Defence to assess non-financial assets for impairment. This included the process of Defence to monitor impairment indicators specific to an asset's use in</li> </ul>



- the valuation of Defence's land, buildings, infrastructure, plant and equipment and heritage and cultural assets being dependent on assumptions that require significant management judgement. These include capitalisation rates, current replacement costs, discount rates, and conditions of the assets. Where observable market data is not available, the valuation is subject to a higher level of judgement; and
- the subjectivity in determining appropriate useful lives and the assessment of the financial impact of indicators of impairment.

the Defence context.

#### Key audit matter

##### Existence and completeness of inventories

Refer to Note 3.2B '*Inventories*'

Defence had a balance of \$7.4 billion in inventories as at 30 June 2020 which include general stores inventories (\$2.3 billion), fuel (\$68.0 million) and explosive ordnance (\$5.0 billion).

I consider the existence and completeness of inventories to be 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.

A key element of assurance as to the existence and completeness of Defence's general stores inventories is the completion of an annual National Asset and Inventory Sample. This statistical approach is developed with the assistance of an expert engaged by Defence. The COVID-19 pandemic affected the ability of Defence to fully execute the planned 2019-20 activities. Travel and movement restrictions necessitated the selection of alternate locations and resulted in reduced coverage. Travel and movement restrictions also adversely impacted the ability to obtain audit evidence as to the existence and completeness of inventory in 2019-20.

#### How the audit addressed the matter

To address the key audit matter, I:

- assessed whether Defence's COVID-affected National Asset and Inventory Sample remained appropriate given the changes to the planned approach;
- observed the performance of Defence's National Asset and Inventory Sample at a selection of Defence locations prior to the COVID-19 pandemic;
- re-performed a sample of counts performed by Defence under its National Asset and Inventory Sample subsequent to its executed program where I was unable to observe the initial activity as planned;
- tested the design and operating effectiveness of key controls that apply to system components, processes and data within the logistics and financial management information systems; and
- substantiated a sample of transactions processed through Defence's logistics information systems by agreeing quantities purchased to invoices, warehouse delivery dockets and stock taking records.

Key audit matter	How the audit addressed the matter
<p><b>Valuation of employee provisions</b></p> <p><i>Refer to Note 4.4A 'Employee provisions'</i></p> <p>Defence administers four defined benefit plans that entitle Australian Defence Force members to retirement and death benefits based on past service.</p> <p>I consider the valuation of the administered employee provisions to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the balance being significant relative to Defence's Administered Schedule of Assets and Liabilities (\$188.2 billion as at 30 June 2020); and</li> <li>the measurement of the provision being complex, requiring significant professional judgement in the selection of key long-term assumptions (including such matters as salary growth and discount rates, pension indexation rate, pension take-up rate and invalidity retirements) to which the valuation of these plans are highly sensitive.</li> </ul> <p>In addition, the Australian Accounting Standards include detailed requirements for the presentation and disclosure in respect of defined benefit plans.</p>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>assessed the design and operating effectiveness of key internal controls over membership data used for the valuation of the defined benefit provisions;</li> <li>evaluated the reasonableness of the review performed by management's expert to confirm the integrity of the data used for estimating the defined benefit provisions;</li> <li>evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the defined benefits;</li> <li>assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and</li> <li>evaluated the appropriateness of the disclosure of the significant assumptions applied, including sensitivity analysis.</li> </ul>

### 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  
1 October 2020

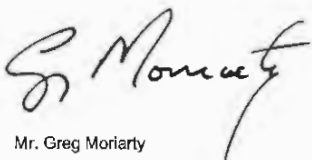
**Department of Defence**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2020 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  
1 October 2020

Signed



Mr. Steven Groves  
Chief Finance Officer - Defence  
1 October 2020

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## **Department of Defence**

### **Financial Statements**

*For the period ended 30 June 2020*



## **CONTENTS**

## **CERTIFICATION**

## **PRIMARY FINANCIAL STATEMENTS**

**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**

## **OVERVIEW**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Financial Performance**

1.1 Expenses  
1.2 Own-Source Revenue and Gains

### **2. Income and Expenses Administered on Behalf of Government**

2.1 Administered - Expenses  
2.2 Administered - Income

### **3. Financial Position**

3.1 Financial Assets  
3.2 Non-Financial Assets  
3.3 Payables  
3.4 Interest Bearing Liabilities  
3.5 Provisions

### **4. Assets and Liabilities Administered on Behalf of Government**

4.1 Administered - Financial Assets  
4.2 Administered - Non-Financial Assets  
4.3 Administered - Payables  
4.4 Administered - Provisions  
4.5 Administered - Defined Benefit Plans

### **5. Funding**

5.1 Appropriations  
5.2 Special Accounts

### **6. People and relationships**

6.1 Key Management Personnel Remuneration  
6.2 Related Party Disclosures

### **7. Managing uncertainties**

7.1 Contingent Assets and Liabilities  
7.2 Financial Instruments  
7.3 Administered - Financial Instruments  
7.4 Fair Value Measurements  
7.5 Administered - Fair Value Measurements

### **8. Other information**

8.1 Assets Held in Trust  
8.2 Restructuring  
8.3 Aggregate Assets and Liabilities  
8.4 Restatement of Prior Period Errors

**Department of Defence**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2020

		2020 \$'000	Restated <sup>2</sup> 2019 \$'000	Original Budget <sup>1</sup> \$'000
<b>NET COST OF SERVICES</b>				
	<b>Notes</b>			
<b>EXPENSES</b>				
Employee benefits	1.1A	12,342,127	11,921,994	12,341,903
Suppliers expenses	1.1B	15,527,765	14,033,327	15,616,851
Grants	1.1C	164,683	149,376	143,623
Depreciation and amortisation	3.2A	6,258,164	6,063,549	5,474,719
Finance costs	1.1D	125,638	111,272	158,451
Impairment loss allowance on financial instruments		2,706	5,079	-
Write-down and impairment of assets <sup>2</sup>	1.1E	705,960	1,250,969	944,053
Net foreign exchange losses	1.1F	43,921	36,665	-
Losses from asset sales		-	39,754	-
Other expenses	1.1G	223,287	241,200	15,158
<b>Total expenses</b>		<b>35,394,251</b>	<b>33,853,185</b>	<b>34,694,759</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Revenue from contracts with customers <sup>2</sup>	1.2A	322,735	310,483	557,611
Rental income <sup>2</sup>	1.2B	251,282	235,715	4,690
Other revenue	1.2C	66,054	24,561	41,365
<b>Total own-source revenue</b>		<b>640,071</b>	<b>570,759</b>	<b>603,667</b>
<b>Gains</b>				
Gains from asset sales		100,647	-	4,604
Reversals of previous asset write-downs and impairment <sup>2</sup>	1.2D	380,363	516,483	202,990
Other gains	1.2E	232,978	355,276	5,188
<b>Total gains</b>		<b>713,988</b>	<b>871,759</b>	<b>212,782</b>
<b>Total own-source income</b>		<b>1,354,059</b>	<b>1,442,518</b>	<b>816,449</b>
<b>Net cost of services</b>		<b>34,040,192</b>	<b>32,410,667</b>	<b>33,878,310</b>
Revenue from Government	1.2F	34,290,209	32,525,834	33,878,310
<b>Surplus attributable to the Australian Government</b>		<b>250,017</b>	<b>115,167</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	105,836	1,150,214	-
<b>Total other comprehensive income</b>		<b>105,836</b>	<b>1,150,214</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>		<b>355,853</b>	<b>1,265,381</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 2019-20 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

## Department of Defence

### STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

		2020	Restated <sup>2</sup> 2019	Original Budget <sup>1</sup>
		\$'000	\$'000	\$'000
	Notes			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents <sup>2</sup>	3.1A	427,418	286,961	72,241
Trade and other receivables	3.1B	1,120,443	849,635	385,010
<b>Total financial assets</b>		<b>1,547,861</b>	<b>1,136,596</b>	<b>457,251</b>
<b>Non-financial assets</b>				
Land and buildings <sup>2,3</sup>	3.2A	19,965,134	19,472,846	20,003,073
Specialist military equipment <sup>2</sup>	3.2A	71,753,855	66,547,789	69,492,116
Infrastructure <sup>2</sup>	3.2A	6,452,925	6,343,885	6,702,992
Plant and equipment <sup>2,3</sup>	3.2A	1,770,450	1,336,330	1,719,138
Heritage and cultural assets <sup>2</sup>	3.2A	474,107	474,037	440,444
Intangibles <sup>2</sup>	3.2A	899,284	870,782	702,787
Inventories <sup>2</sup>	3.2B	7,369,485	7,036,627	6,256,396
Prepayments	3.2C	1,825,942	2,497,354	1,541,124
<b>Total non-financial assets</b>		<b>110,511,182</b>	<b>104,579,650</b>	<b>106,858,069</b>
Assets held for sale	3.2D	215,822	151,376	47,432
<b>Total assets</b>	8.3A	<b>112,274,865</b>	<b>105,867,622</b>	<b>107,362,752</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers payables	3.3A	2,719,992	2,511,261	2,221,784
Employee payables	3.3B	145,977	87,122	73,580
Other payables <sup>2</sup>	3.3C	558,926	570,409	97,576
<b>Total payables</b>		<b>3,424,895</b>	<b>3,168,792</b>	<b>2,392,939</b>
<b>Interest bearing liabilities</b>				
Leases	3.4A	2,884,524	1,485,329	1,443,160
<b>Total interest bearing liabilities</b>		<b>2,884,524</b>	<b>1,485,329</b>	<b>1,443,160</b>
<b>Provisions</b>				
Employee provisions	3.5A	3,412,595	3,041,254	3,045,842
Restoration, decontamination and decommissioning	3.5B	1,414,034	1,303,571	1,319,253
Other provisions	3.5C	332,561	432,341	312,565
<b>Total provisions</b>		<b>5,159,190</b>	<b>4,777,166</b>	<b>4,677,660</b>
<b>Total liabilities</b>	8.3A	<b>11,468,609</b>	<b>9,431,287</b>	<b>8,513,760</b>
<b>NET ASSETS</b>		<b>100,806,256</b>	<b>96,436,335</b>	<b>98,848,992</b>
<b>EQUITY</b>				
Contributed equity		35,794,975	31,781,123	35,575,342
Reserves		27,983,805	27,877,969	26,727,755
Retained surpluses <sup>2</sup>		37,027,476	36,777,243	36,545,895
<b>Total equity</b>		<b>100,806,256</b>	<b>96,436,335</b>	<b>98,848,992</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 2019-20 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

<sup>3</sup> 2019-20 reported balances include right-of-use assets associated with Defence leases. Refer to 'New Accounting Standards' in Overview section for further details on the application of AASB 16.

**Department of Defence**

**STATEMENT OF CHANGES IN EQUITY**

*For the period ended 30 June 2020*

		2020 \$'000	Restated <sup>2</sup> 2019 \$'000	Original Budget <sup>1</sup> \$'000
	Notes			
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		31,781,123	28,450,361	31,628,697
<b>Transactions with owners</b>				
<i>Distribution to owners</i>				
Returns of capital - lapsed Appropriations (Operating)		(87)	(18,493)	-
Returns of capital - lapsed Appropriations (Equity)		-	(407,411)	-
Restructuring	8.2A	-	(202,208)	-
Transfers to other entities		(1,090)	(4,608)	-
<i>Contribution by owners</i>				
Equity injection - Appropriations (current year)	5.1A	4,015,029	3,343,482	3,946,645
Equity injection - Appropriations (prior year)	5.1A	-	620,000	-
<b>Total transactions with owners</b>		<b>4,013,852</b>	<b>3,330,762</b>	<b>3,946,645</b>
<b>Closing balance as at 30 June</b>		<b>35,794,975</b>	<b>31,781,123</b>	<b>35,575,342</b>
<b>RETAINED EARNINGS</b>				
<b>Opening balance</b>				
Balance carried forward from previous period <sup>2</sup>		36,777,243	36,577,430	36,545,895
Adjustment on initial application of AASB 16		216	-	-
Adjustment for errors		-	84,646	-
<b>Adjusted opening balance</b>		<b>36,777,459</b>	<b>36,662,076</b>	<b>36,545,895</b>
<b>Comprehensive income</b>				
Surplus for the period <sup>2</sup>		250,017	115,167	-
<b>Total comprehensive income</b>		<b>250,017</b>	<b>115,167</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>37,027,476</b>	<b>36,777,243</b>	<b>36,545,895</b>
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		27,877,969	26,727,755	26,727,755
<b>Comprehensive income</b>				
Other comprehensive income	3.2A	105,836	1,150,214	-
<b>Total comprehensive income</b>		<b>105,836</b>	<b>1,150,214</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>27,983,805</b>	<b>27,877,969</b>	<b>26,727,755</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 2019-20 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

## Department of Defence

### STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 June 2020

	2020	Restated <sup>2</sup> 2019	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 <sup>2</sup>	96,436,335	91,755,546	94,902,348
Adjustment on initial application of AASB 16	216	-	-
Adjustment for errors	-	84,646	-
<b>Adjusted opening balance</b>	<b>96,436,551</b>	<b>91,840,192</b>	<b>94,902,348</b>
<b>Comprehensive income</b>			
Surplus for the period <sup>2</sup>	250,017	115,167	-
Other comprehensive income	105,836	1,150,214	-
<b>Total comprehensive income</b>	<b>355,853</b>	<b>1,265,381</b>	<b>-</b>
<b>Transactions with owners</b>			
<i>Distribution to owners</i>			
Returns of capital - lapsed Appropriations (Operating)	(87)	(18,493)	-
Returns of capital - lapsed Appropriations (Equity)	-	(407,411)	-
Restructuring	-	(202,208)	-
Transfers to other entities	(1,090)	(4,608)	-
<i>Contribution by owners</i>			
Equity injection - Appropriation (current year)	4,015,029	3,343,482	3,946,645
Equity injection - Appropriation (prior year)	-	620,000	-
<b>Total transactions with owners</b>	<b>4,013,852</b>	<b>3,330,762</b>	<b>3,946,645</b>
<b>Closing balance as at 30 June</b>	<b>100,806,256</b>	<b>96,436,335</b>	<b>98,848,992</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 2019-20 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

#### 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 2020*

	2020 \$'000	Restated <sup>2</sup> 2019 \$'000	Original Budget <sup>1</sup> \$'000
<b>Notes</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations (current year)	34,084,318	32,407,283	33,878,310
Appropriations (prior year)	41,715	-	-
Section 74 receipts from OPA <sup>2</sup>	1,191,013	935,219	-
Goods and services (including cost recovery)	558,697	642,419	557,504
Interest received	11,607	11,856	-
GST received	2,081,767	1,855,282	2,106,010
Other <sup>3</sup>	183,744	395,692	46,055
<b>Total cash received</b>	<b>38,152,861</b>	<b>36,247,751</b>	<b>36,587,880</b>
<b>Cash used</b>			
Employees	(11,972,383)	(11,687,174)	(12,285,376)
Suppliers	(14,777,443)	(12,281,051)	(13,501,224)
GST paid	(2,046,281)	(1,897,105)	(2,106,010)
Grants	(166,141)	(147,888)	(143,623)
Interest payments on lease liabilities	(23,350)	-	-
Section 74 receipts transferred to OPA <sup>2</sup>	(1,191,013)	(935,219)	-
Cash returned to OPA	(13,637)	(14,914)	-
Other <sup>3</sup>	(179,498)	(228,872)	(15,158)
<b>Total cash used</b>	<b>(30,369,746)</b>	<b>(27,192,223)</b>	<b>(28,051,392)</b>
<b>Net cash from operating activities</b>	<b>7,783,115</b>	<b>9,055,528</b>	<b>8,536,488</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of land and buildings	66,473	16,965	104,729
Proceeds from sales of specialist military equipment	144,523	28,269	7,549
Proceeds from sales of plant and equipment	12,848	22,849	20,987
Other	844	2,748	-
<b>Total cash received</b>	<b>224,688</b>	<b>70,831</b>	<b>133,265</b>
<b>Cash used</b>			
Purchase of land and buildings	(804,995)	(1,001,210)	(1,139,083)
Purchase of specialist military equipment	(7,703,468)	(8,999,149)	(8,421,945)
Purchase of infrastructure	(674,945)	(665,593)	(909,309)
Purchase of plant and equipment	(328,973)	(263,498)	(150,324)
Purchase of heritage and cultural assets	-	(200)	-
Purchase of intangibles	(194,155)	(84,230)	(130,197)
Purchase of inventory	(1,803,661)	(1,693,173)	(1,715,279)
Selling costs on sale of assets	(20,495)	(16,139)	(13,324)
Finance costs	(91,924)	(100,045)	(95,125)
<b>Total cash used</b>	<b>(11,622,616)</b>	<b>(12,823,237)</b>	<b>(12,574,586)</b>
<b>Net cash used by investing activities</b>	<b>(11,397,928)</b>	<b>(12,752,406)</b>	<b>(12,441,321)</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 2019-20 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.

<sup>3</sup> Prior period balances have been restated. Refer to Note 8.4 for further details



# Department of Defence

## CASH FLOW STATEMENT (continued)

For the period ended 30 June 2020

	2020	Restated <sup>2</sup>	Original
	\$'000	2019	Budget <sup>1</sup>
		\$'000	\$'000
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity (current year)	4,015,029	3,343,482	3,946,645
Contributed equity (prior year)	-	620,000	-
<b>Total cash received</b>	<b>4,015,029</b>	<b>3,963,482</b>	<b>3,946,645</b>
<b>Cash used</b>			
Principal payments of lease liabilities	(259,927)	(93,333)	(41,812)
<b>Total cash used</b>	<b>(259,927)</b>	<b>(93,333)</b>	<b>(41,812)</b>
<b>Net cash from financing activities</b>	<b>3,755,102</b>	<b>3,870,149</b>	<b>3,904,833</b>
<b>Net increase in cash held<sup>2</sup></b>	<b>140,289</b>	<b>173,271</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period <sup>2</sup>	286,961	111,067	72,241
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period	168	2,623	-
<b>Cash and cash equivalents at the end of the reporting period<sup>2</sup></b>	<b>427,418</b>	<b>286,961</b>	<b>72,241</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 2019-20 Portfolio Budget Statements). The budget is not audited.

<sup>2</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

## **Department of Defence**

### **BUDGET VARIANCE COMMENTARY**

*For the period ended 30 June 2020*

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The following provides an explanation of variances between the original budget as presented in the 2019-20 Portfolio Budget Statements (PBS) and 2019-20 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 reader's understanding or it is relevant to an assessment of the discharge of accountability and for analysis of the Department's performance.

A number of variances are impacted by the timing of the Commonwealth's budget process. This includes:

- Publishing estimated actual outcomes in the 2019-20 PBS before the closing 2018-19 and opening 2019-20 Statement of Financial Position was known; and
- Amendments to the original budget as presented in the 2019-20 PBS by the Government throughout the year. The Department's budget for 2019-20 was updated as part of the 2019-20 Mid-Year Economic and Fiscal Outlook (MYEFO), and the 2019-20 Portfolio Additional Estimates Statements (PAES).

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. These items are difficult to establish budget estimates for.

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 \$699 million (or 2%). The major variances to Budget are outlined below:

- Depreciation and amortisation expenses which were \$783 million (or 14%) higher than the Original Budget primarily due to the timing of the preparation of the Original Budget. Asset revaluation activities, and depreciation relating to Right of Use (ROU) assets as a result of the adoption of AASB 16 (\$289 million) were not finalised at the time the Original Budget.
- Other expenses which were \$208 million higher than the Original Budget due to revisions in estimates for restoration, decontamination, decommissioning and other provisions recorded in 2019-20. 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.
- Write-down and impairment of assets which were \$238 million (or 25%) lower than the Original Budget, primarily due to lower impairment expenses recorded for explosive ordnance inventory than was anticipated in the original budget.
- Finance costs which were \$33 million (or 21%) lower than the Original Budget, due to lower interest 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 2020 than was anticipated in the Budget.

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2020

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### Departmental income

The total variance between departmental income and the Original Budget is an increase of \$538 million (or 66%). Increases in income can be largely attributed to:

- Reversals of previous asset write-downs and impairment which were \$177 million (or 87%) higher than the Original Budget due to asset remediation activities during the year. This primarily relates to reversals of previous asset write-downs and impairment of Specialist Military Equipment. 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 \$228 million higher than the Original Budget. This variance is predominantly due to:
  - Revisions in estimates for restoration, decontamination, decommissioning and other provisions recorded in 2019-20 (\$100 million). Decreases in provisions primarily relate to significant changes in parameters such as inflation rates reflecting the current economic conditions, which 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 (\$133 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.
- Gains from sale of assets which were \$96 million higher than the Original Budget. Given the unpredictability of asset sales, variations to budget are expected.
- Rental income which were \$247 million higher than the Original Budget. This is primarily due to a reclassification from revenue from contracts with customers to rental income in 2019-20. Refer to Note 8.4 for further details.
- Revenue from contracts with customers which were \$235 million (or 42%) lower than the Original Budget. This is primarily due to a reclassification from revenue from contracts with customers to rental income in 2019-20. Refer to Note 8.4 for further details.

### Other comprehensive income

The total variance between other comprehensive income and the Original Budget is an increase of \$106 million, driven by the revaluation of assets, predominantly increases within Specialist Military Equipment (\$990 million) offset by decreases within Land (\$462 million) and Buildings (\$307 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 \$4,912 million (or 5%). Increases in assets can be largely attributed to:

- Differences in the opening actuals balance in July 2019 and the Original Budget set in 2019 of \$2,759 million across all asset classes.
- The implementation of AASB 16 during 2019-20 which increased the Right of Use asset base by \$1,426 million of which \$1,160 million relates to Buildings and \$266 million relates to Plant and Equipment, which was not included in the Original Budget.
- Revaluation increases recorded through other comprehensive income of \$106 million which are not budgeted.
- Higher than budgeted 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).

## Department of Defence BUDGET VARIANCE COMMENTARY (continued)

For the period ended 30 June 2020

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### Departmental liabilities

The total variance between departmental liabilities and the Original Budget is an increase of \$2,955 million (or 35%). Increases in liabilities can be largely attributed to:

- Lease liabilities which were \$1,441 million or 100% higher than the Original Budget, primarily attributable to the adoption of AASB 16 during 2019-20 (\$1,426 million), which was not included in the Original Budget.
- Suppliers payable which were \$498 million or 22% higher than the Original Budget. Of this amount, \$502 million relates to the difference in the opening actuals balance compared to the Original Budget.
- Recognition of Foreign Government Activities cash and associated liabilities of \$149 million. For further details refer to Note 8.4.
- Employee provisions which were \$367 million (or 12%) higher than Original Budget, primarily attributable to decreases in bond rates over the 2019-20 financial period, which were not factored into the Original Budget (2019-20: 0.87%, budget: 1.32%). Bond rates are used to discount employee provisions to present value and consequently, decreases in bond rates result in an increase in the provision.

### Departmental equity

The total variance between departmental equity and the Original Budget is an increase of \$1,957 million (or 2%). Of this amount, \$1,534 million relates to the difference in the opening actuals balance in July 2019 compared to the Original Budget. The remaining increases in equity can be largely attributed to:

- Surplus for the period which was \$250 million higher than Original Budget. Refer to Departmental Statement of Comprehensive Income for further details.
- Other comprehensive income which was \$106 million higher than Original Budget, relating to revaluation adjustments across asset classes

### 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 a decrease of \$753 million. This is primarily driven by cash used for suppliers which is \$1,276 million (or 9%) higher than Original Budget, offset by cash used for employees which is \$313 million lower than Original Budget. This variance is largely a result of changes in operating cash used during the year. This was reflected within subsequent budget updates, whereby the PAES Budget was updated to adjust for revised operating activity spend, in particular supplier cash used of \$14,245 million.

The resulting variance between PAES and June actuals net cash from operating activities is a \$497 million overspend of which primarily relates to increased supplier cash used (variance to budget of \$533 million). The overspend primarily relates to a sustainment overspend (variance of \$148 million) due to increases in facilities and infrastructure and ICT operating expenditure. Further contributing to the variance were unplanned legal settlement payments relating to Per- and polyfluorinated alkyl substances (PFAS) claims totalling \$213 million.

#### Departmental net cash used by investing activities

The total variance between departmental net cash used by investing activities and the Original Budget is a decrease of \$1,043 million (or 8%). This is primarily driven by cash used for purchase of specialist military equipment (\$718 million or 9%) and cash used for purchase of land and buildings (\$334 million or 29%) lower than Original Budget. The variance is largely a result of changes in capital expenditure used during the year, some of which was attributable to impacts of the COVID-19 pandemic.

#### Departmental net cash from financing activities

The total variance between departmental net cash from financing activities and the Original Budget is a decrease of \$150 million (or 4%). This is primarily driven by the adoption of AASB 16 and associated principal payments of lease liabilities during 2019-20 which was not included within the Original Budget. In subsequent budgetary updates, impacts of AASB 16 will be included

# Department of Defence

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

For the period ended 30 June 2020

Original

Budget<sup>1</sup>

2020

2019

\$'000

\$'000

\$'000

### NET COST OF SERVICES

	Notes			
<b>EXPENSES</b>				
Employee benefits	2.1A	9,817,966	8,408,602	6,821,605
Subsidies	2.1B	110,648	120,325	122,256
Impairment loss allowance on financial instruments	2.1C	-	2	-
<b>Total expenses</b>		<b>9,928,614</b>	<b>8,528,929</b>	<b>6,943,861</b>
<b>LESS:</b>				
<b>INCOME</b>				
<b>Revenue</b>				
<b>Non taxation revenue</b>				
Fees and fines	2.2A	17,384	16,968	16,852
Interest	2.2B	20,809	24,506	23,335
Dividends	2.2C	25,604	24,545	41,705
Military superannuation contributions	2.2D	1,351,453	1,388,079	1,244,386
Other revenue	2.2E	54,809	56,897	33,263
Foreign exchange gains	2.2F	103	300	-
<b>Total non-taxation revenue</b>		<b>1,470,162</b>	<b>1,511,295</b>	<b>1,359,541</b>
<b>Total revenue</b>		<b>1,470,162</b>	<b>1,511,295</b>	<b>1,359,541</b>
<b>Net cost of services</b>		<b>8,458,452</b>	<b>7,017,634</b>	<b>5,584,320</b>
<b>Deficit attributable to the Australian Government</b>		<b>(8,458,452)</b>	<b>(7,017,634)</b>	<b>(5,584,320)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		(177,521)	91,171	-
Actuarial gains/(losses) on defined benefits plans		802,500	(46,023,300)	-
<b>Total other comprehensive income/(loss)</b>		<b>624,979</b>	<b>(45,932,129)</b>	<b>-</b>
<b>Total comprehensive (loss)/income</b>		<b>(7,833,473)</b>	<b>(52,949,763)</b>	<b>(5,584,320)</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 2019-20 Portfolio Budget Statements). The budget is not audited.

**Department of Defence**

**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

as at 30 June 2020

		2020 \$'000	2019 \$'000	Original Budget <sup>1</sup> \$'000
	<b>Notes</b>			
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.1A	146,014	114,576	145,174
Trade and other receivables	4.1B	570,992	547,912	592,078
Equity accounted investments	4.1C	2,711,504	2,889,025	2,776,987
<b>Total financial assets</b>		<b>3,428,510</b>	<b>3,551,513</b>	<b>3,514,239</b>
<b>Non-financial assets</b>				
Prepayments	4.2A	250,157	249,655	278,335
<b>Total non-financial assets</b>		<b>250,157</b>	<b>249,655</b>	<b>278,335</b>
<b>TOTAL ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
		<b>3,678,667</b>	<b>3,801,168</b>	<b>3,792,574</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Other payables	4.3A	154,574	121,628	154,143
<b>Total payables</b>		<b>154,574</b>	<b>121,628</b>	<b>154,143</b>
<b>Provisions</b>				
Employee provisions	4.4A	188,151,200	182,018,200	93,128,763
<b>Total provisions</b>		<b>188,151,200</b>	<b>182,018,200</b>	<b>93,128,763</b>
<b>TOTAL LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>				
		<b>188,305,774</b>	<b>182,139,828</b>	<b>93,282,905</b>
<b>NET LIABILITIES</b>				
		<b>(184,627,107)</b>	<b>(178,338,660)</b>	<b>(89,490,331)</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 2019-20 Portfolio Budget Statements). The budget is not audited.

# Department of Defence

## ADMINISTERED RECONCILIATION SCHEDULE

as at 30 June 2020

		2020 \$'000	2019 \$'000
	Notes		
<b>Opening assets less liabilities as at 1 July</b>		<b>(178,338,660)</b>	<b>(126,712,136)</b>
<b>Net (cost of)/contribution by services</b>			
Income	2.2A to F	1,470,162	1,511,295
Expenses			
Payments to entities other than corporate Commonwealth entities	2.1A to C	(9,928,614)	(8,528,929)
<b>Other comprehensive income:</b>			
Revaluations taken to/(from) reserves:			
– Defence Housing Australia (DHA)	4.1C	(178,794)	85,578
– Small portfolio entities	4.1C	1,273	5,593
Actuarial gains/(losses)	4.5	802,500	(46,023,300)
<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	207	337
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	5.1C	2,980,604	2,784,304
Transfers to Official Public Account		(1,615,447)	(1,660,197)
Funded benefit payments to the members, not drawn down from Special Appropriations		179,662	198,795
<b>Closing assets less liabilities as at 30 June</b>		<b>(184,627,107)</b>	<b>(178,338,660)</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 2020*

	2020 \$'000	2019 \$'000
<b>Notes</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Fees	17,454	18,867
Interest	20,809	24,506
Superannuation contributions	1,498,429	1,530,626
Other	54,210	59,643
<b>Total cash received</b>	<b>1,590,902</b>	<b>1,633,642</b>
<b>Cash used</b>		
Subsidies	(109,140)	(122,236)
Employees	(2,871,671)	(2,662,350)
Section 77 payments	-	(55)
<b>Total cash used</b>	<b>(2,980,811)</b>	<b>(2,784,641)</b>
<b>Net cash used by operating activities</b>	<b>(1,389,909)</b>	<b>(1,150,999)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Dividends	24,545	26,555
<b>Total cash received</b>	<b>24,545</b>	<b>26,555</b>
<b>Net cash flows investing activities</b>	<b>24,545</b>	<b>26,555</b>
<b>Net decrease in cash held</b>	<b>(1,365,364)</b>	<b>(1,124,444)</b>
<b>Cash from the Official Public Account for:</b>		
Appropriations	2,980,811	2,784,641
Special Accounts	237,892	275,321
<b>Total cash from the Official Public Account</b>	<b>3,218,703</b>	<b>3,059,962</b>
<b>Cash to the Official Public Account for:</b>		
Appropriations	(1,615,447)	(1,660,197)
Special Accounts	(206,454)	(270,717)
<b>Total cash to the Official Public Account</b>	<b>(1,821,901)</b>	<b>(1,930,914)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4.1A 146,014</b>	<b>114,576</b>

The above statement should be read in conjunction with the accompanying notes

## Department of Defence

### BUDGET VARIANCE COMMENTARY

For the period ended 30 June 2020

#### Administered Schedule of Comprehensive Income

##### **Administered expenses**

The total variance from the Original Budget is an increase of \$2,985 million (or 43%). This is largely attributed to an increase in service costs of \$3,070 million (or 49%). 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 \$111 million (or 8%) 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 an increase of \$625 million, due to actuarial gains on defined benefit plans of \$803 million, offset by decreases to the value of equity accounted investments of \$178 million. Due to the uncertainty in the movement of these balances, these amounts are not budgeted.

#### Administered Schedule of Assets and Liabilities

##### **Administered assets**

The total variance between administered assets and the original budget is a decrease of \$114 million (or 3%). The major variances are:

- Equity accounted investments which were \$65 million (or 2%) lower 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 \$28 million (or 10%) 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, than was anticipated in the Original Budget.

##### **Administered liabilities**

The total variance between administered liabilities and the Original Budget is an increase of \$95,022 million (or 102%). This is largely attributed to employee provisions which were \$95,023 million (or 102%) higher than the Original Budget. The Original Budget was developed using a discount rate of 6%, based on information that was available at the time of preparation, however the 2019-20 balance is based on short term discount rates (between 1.0% and 1.7%), in accordance with AASB 119.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### OVERVIEW

##### Objectives of Defence

The Department of Defence is an Australian Government controlled entity. It is a not-for-profit entity. The objective of Defence is to defend Australia and its national interests through the conduct of operations and to protect and advance Australia's strategic interests.

##### 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.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosures.

##### 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 are disclosed below.

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
	AASB 15, AASB 2016-8 and AASB 1058 became effective 1 July 2019.
AASB 15 <i>Revenue from Contracts with Customers</i> / AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> and AASB 1058 <i>Income of Not-For-Profit Entities</i>	<p>AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and Interpretation 13 <i>Customer Loyalty Programmes</i>. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>AASB 1058 is relevant in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the not-for-profit (NFP) provisions of AASB 1004 <i>Contributions</i> and applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and where volunteer services are received.</p> <p>The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.</p>
AASB 16 <i>Leases</i>	<p>AASB 16 became effective on 1 July 2019.</p> <p>This new standard has replaced AASB 117 <i>Leases</i>, Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>, Interpretation 115 <i>Operating Leases—Incentives</i> and Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.</p>

##### Application of AASB 15 *Revenue from Contracts with Customers* / AASB 1058 *Income of Not-For-Profit Entities*

Defence adopted AASB 15 and AASB 1058 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under the various applicable AASBs and related interpretations.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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#### New Accounting Standards (continued)

Under the new income recognition model Defence shall first determine whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'. If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), Defence applies the general AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, Defence shall consider whether AASB 1058 applies.

In relation to AASB 15, Defence elected to apply the new standard to all new and uncompleted contracts from the date of initial application. Defence is required to aggregate the effect of all of the contract modifications that occur before the date of initial application.

In terms of AASB 1058, Defence is required to recognise volunteer services at fair value if those services would have been purchased if not provided voluntarily, and the fair value of those services can be measured reliably.

The impact on transition and of the adoption of AASB 15 and AASB 1058 in the current reporting period is not material to Defence

#### Application of AASB 16 Leases

Defence adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

Defence elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. Defence applied the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 Impairment of assets as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, Defence previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, Defence recognises right-of-use assets and lease liabilities for most leases. However, Defence has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset (less than \$10,000) when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, Defence recognised right-of-use assets and lease liabilities in relation to leases of office space, motor vehicles and other plant and equipment, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Government's incremental borrowing rate as at 1 July 2019 (as Defence does not borrow money in its own right) unless the lease contract contained an explicit interest rate. The incremental borrowing rate is calculated using a weighted average return on a portfolio of government bonds which best match the expected cash payments under the lease. The weighted-average rate applied across the lease portfolio was 1.46%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments for all leases.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### New Accounting Standards (continued)

##### Impact on transition

On transition to AASB 16, Defence recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 July 2019 \$000's
Right-of-use assets - property, plant and equipment	1,425,719
Sub-Lease receivables	206,985
Lease liabilities	(1,577,523)
Lease prepayments previously recognised at 30 June 2019 <sup>1</sup>	<u>55,181</u>

<sup>1</sup>This represent amounts previously recorded as operating lease prepayments as at 30 June 2019 (Note 3.2C).

The following table reconciles the Departmental lease commitments disclosed in Defence's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	1 July 2019 \$000's
Minimum operating lease commitment at 30 June 2019	6,467,486
Less leases not yet commenced at 1 July 2019	(55,266)
Less: short-term and low value leases not recognised under AASB 16	(142,787)
Less commitments relating to variable leases at 1 July 2019 <sup>1</sup>	(4,823,960)
Plus: amounts previously not recorded as operating lease commitments	51,382
Plus: effect of extension options reasonable certain to be exercised	261,673
<i>Undiscounted lease payments</i>	<u>1,758,528</u>
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(181,005)
<i>Lease liabilities recognised at 1 July 2019</i>	<u>1,577,523</u>

<sup>1</sup>This represents amounts previously recorded as operating commitments under contracts for the provision of accommodation for Defence service members. The contractual arrangements in place involve variability in payments and therefore these balances have not been included within lease liabilities under AASB 16.

#### 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.

#### 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.

#### Breach of Section 83 of the Constitution

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. Payments made which are not supported by appropriation are not consistent with section 83 of the Constitution.

Defence has identified a potential issue within two Defence home loan schemes, *Defence Force (Home Loans Assistance) Act 1990* and the *Defence Home Ownership Assistance Scheme Act 2008*, where overpayments have been made resulting in potential breaches of section 83. It should be noted that both schemes have provisions that allow for the recovery of an overpayment (see s31 of the 1990 Act and s 66-70 of the 2008 Act). The legislation does not currently authorise the appropriation of funds in relation to overpayments. 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.

In 2019-20, Defence identified 4 overpayments totalling \$315 in relation to the *Defence Force (Home Loans Assistance) Act 1990*. Defence undertook recovery action and as at 30 June 2020, \$315 had been recovered.

In 2019-20, Defence identified 219 overpayments totalling \$182,635 in relation to the *Defence Home Ownership Assistance Scheme Act 2008*. Defence undertook recovery action and as at 30 June 2020, \$149,553 had been recovered.

These overpayments represent potential breaches of section 83 and have been derived by analysing data on recovery of overpayments and other identified risk areas for 2019-20. Business processes are in place to ensure that identified overpayments are recovered.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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#### Estimation Uncertainty as a result of COVID-19

##### Departmental

As part of preparing the 2019-20 financial statements, Defence has considered the impacts of COVID-19 on all provisions and estimations made within the financial statements. Key assumptions impacted by COVID-19 include inflation rates used in decommissioning, decontamination, restoration and other provisions, and salary growth rates used in employee provisions. Rates used reflect the current economic climate and do not have a material impact on the recorded provisions. Consequently, Defence considers there is no material uncertainty within the resultant provisions reported as at 30 June 2020.

Defence have considered the impact of COVID-19 on fair valuation activities that have been undertaken with respect to Defence's non-financial assets (which includes general assets and specialist military equipment). Valuation activities undertaken over Defence's general assets (excluding specialist military equipment) have incorporated the impacts of COVID-19 into final valuations. Specifically, the valuations of these assets have been reported on the basis that the valuation is current at the date of the valuation only. The value assessed may change significantly over a relatively short period of time, however the valuers have confirmed that this does not mean valuations cannot be relied upon. Rather, that in the current extraordinary circumstances, less certainty should be attached to valuations that would otherwise be the case.

The fair value of specialist military equipment (SME) is subject to movements in relevant producer price indices of the country of manufacture for each Defence platform. Given the current economic climate, there is some uncertainty regarding the movement in these indices, and the impact on the valuation of SME assets. Despite the uncertainty, Defence considers that indices materially reflect the current economic conditions as at 30 June 2020, and therefore there is no material uncertainty with the reported SME balances at 30 June 2020.

While not relating to estimates or assumptions used in the preparation of the financial statements, Defence also notes that inventory stocktaking procedures were impacted by COVID-19. During 2019-20, Defence was required to perform alternate procedures to ensure no material uncertainty was present within the reported inventory balances. At 30 June 2020, Defence has determined that appropriate coverage was achieved and that balances are free from material misstatement.

##### Administered

The only balance subject to assumptions impacted by COVID-19 is the valuation of Administered employee provisions, which includes salary growth rate, demographic experience and discount rate assumptions. Defence in conjunction with the Australian Government Actuary have considered and accounted for these impacts in the development of the Military Superannuation Provisions in light of known salary, demographic and CPI expectations.

Additionally, within Note 4.5, Defence has disclosed the fair value of superannuation plan assets. Given the uncertainties surrounding financial markets due to the COVID-19 pandemic, there is increased uncertainty surrounding the underlying valuation of Australian and overseas equities, and property and infrastructure. While this does not mean that the valuations cannot be relied upon, less certainty should be attached to valuations that would otherwise be the case.

#### Events After the Reporting Period

##### Departmental

Defence have revisited the capitalisation thresholds for a number of asset classes. These changes will be effective from 1 July 2020 and have an estimated opening balance impact in the range of \$300-\$400 million. The annual impact of the revised thresholds are estimated to result in an annual increase in expenses (or reduction of capitalisation of assets) of \$25-\$50 million. The final assessment of the impact and the relevant disclosures will form part of the 30 June 2021 financial statements.

##### Administered

On 24 August 2020, PGPA Act Determination (DHA Borrowings Special Account 2020) established a new special account to provide an appropriation mechanism to facilitate lending activities between the Commonwealth and Defence Housing Australia (DHA) under section 36 of the Defence Housing Australia Act 1987. This special account will be administered by the Department of Finance with a commencement date of 1 October 2020. Consequently, the DHA loans totalling \$509.6 million, as detailed in Note 4.1B, will no longer be administered by Department of Defence from 1 October 2020.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### FINANCIAL PERFORMANCE

This section analyses the financial performance of Defence for the year ended 30 June 2020

##### 1.1: Expenses

	2020	2019
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
<b>Australian Public Service (APS) employee benefits</b>		
Wages and salaries	1,419,957	1,343,518
Superannuation:		
Defined contribution plans	142,368	123,778
Defined benefit plans	128,771	135,691
Leave and other entitlements	204,589	228,043
Fringe benefits tax	29,816	6,705
Separation and redundancies	13,354	24,446
Other allowances	34,477	37,981
Health expenses	4,251	4,138
Other employee expenses	1,470	1,145
<b>Total APS employee benefits</b>	<b>1,979,053</b>	<b>1,905,445</b>
<b>Australian Defence Force (ADF) employee benefits</b>		
Wages and salaries	5,408,705	5,155,545
Superannuation:		
Defined contribution plans	192,222	131,790
Defined benefit plans	1,499,365	1,568,355
Housing <sup>1</sup>	895,228	915,220
Leave and other entitlements	704,386	633,586
Fringe benefits tax	536,506	481,228
Overseas allowances	142,876	164,932
Separation and redundancies	12,393	13,970
Other allowances	350,183	356,662
Health expenses	473,902	476,369
Other employee expenses	147,308	118,892
<b>Total ADF employee benefits</b>	<b>10,363,074</b>	<b>10,016,549</b>
<b>Total employee benefits</b>	<b>12,342,127</b>	<b>11,921,994</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, and relating to employment agreement between Defence and the ADF members, 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 \$483.9m (2018-19: \$534.1m).

##### 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 2020

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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 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 in its departmental statements as if they were contributions to defined contribution plans in accordance with AASB 119.

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 not expected to be paid within 12 months of the end of reporting period are measured at the one year Commonwealth government bond rate of 0.24 per cent (2018-19: 1.04 per cent). Liabilities for long term employee benefits are discounted using the 10 year Commonwealth government bond rate of 0.87 per cent (2018-19: 1.32 per cent).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 1.1A: Employee benefits (continued)

##### Accounting Judgements and Estimates (continued)

When assessing the application of AASB 16 to the lease payments made to DHA, Defence considers it is necessary to read the Defence Services Agreement (DSA), the Defence Housing Australia Act 1987 (DHA Act) and the Defence Housing Australia Residence Agreement (DRA) as a whole to understand the commercial arrangements between DHA, Defence and the ADF member. The arrangement between DHA and Defence contains a lease for each individual property, with the term of the lease being greater than 12 months. The amount paid as consideration for each lease is based on usage and considered variable as Defence pays these amounts if and when a property is occupied by an ADF member, and therefore not based on an index or rate. Accordingly, the right-of-use asset and lease liability under AASB 16 Leases has a zero value and payments are expensed through the Statement of Comprehensive Income.

Other key Judgements that support the DSA meeting the definition of a lease under AASB 16 are:

- The DSA provides Defence the right to control the properties because it directs when the properties are to be used, including the allocations policy and when properties must be vacated. The ADF members only have a right to occupy a DHA property as a result of their employment with Defence and, if the employment is terminated the entitlement under the DRA ends;
- Defence does not act as an agent for DHA by collecting rental contributions from ADF members. Defence's obligation to pay rent under the DSA is independent of the member's contribution under the DRA; and
- Defence Residences leased from DHA are subleased by Defence to ADF members for a nominal charge which is set based upon their personal and employment conditions rather than the market rate. This sublease can be terminated by Defence or the ADF member with 28 days notice and no penalties incurred.

	2020 \$'000	2019 \$'000
<b>1.1B: Suppliers expenses</b>		
<b>Goods and services supplied or rendered</b>		
Inventory consumption	951,523	918,821
Sustainment (including repair and overhaul)	5,526,858	5,069,487
Garrison support and mess operations	363,181	327,574
Travel	227,110	268,488
Freight, storage and removal	532,884	503,329
Training	481,122	512,626
Communications and information technology	1,678,261	1,526,758
Professional services/technical advice	530,055	415,870
Estate upkeep	1,655,200	1,376,676
Research and development	390,433	289,067
Utilities	405,810	374,942
Purchase of minor assets	250,168	180,863
Project management costs	449,023	267,247
Administration	660,955	655,683
Other	1,338,567	1,026,312
<b>Total goods and services supplied or rendered</b>	<b>15,441,150</b>	<b>13,713,743</b>
<b>Goods and services supplied or rendered are made up of:</b>		
Goods supplied	1,833,630	1,789,711
Services rendered	13,607,520	11,924,032
<b>Total goods and services supplied or rendered</b>	<b>15,441,150</b>	<b>13,713,743</b>
<b>Other supplier expenses</b>		
Operating lease rentals <sup>1</sup>	-	299,737
Short-term leases	8,965	-
Low value leases	11,233	-
Variable lease payments	47,071	-
Workers compensation premiums	19,346	19,847
<b>Total other supplier expenses</b>	<b>86,615</b>	<b>319,584</b>
<b>Total supplier expenses</b>	<b>15,527,765</b>	<b>14,033,327</b>

<sup>1</sup>Defence has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1D, 1.2B, 3.2 and 3.4.

##### Accounting Policy

Defence has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). Defence recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

	2020	2019
	\$'000	\$'000
<b>1.1C: Grants</b>		
State and Territory Governments	1,217	4,400
Non-profit organisations	46,270	33,043
Overseas	117,196	111,933
<b>Total grants</b>	<b>164,683</b>	<b>149,376</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 where grant conditions (such as eligibility criteria) were met.

#### 1.1D: Finance costs

Interest on lease liabilities <sup>1</sup>	115,385	101,628
Unwinding of discount - restoration, decontamination and decommissioning	9,896	9,639
Bank interest	357	5
<b>Total finance costs</b>	<b>125,638</b>	<b>111,272</b>

<sup>1</sup> Defence has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.2B, 3.2 and 3.4.

#### Accounting Policy

All borrowing costs are expensed as incurred.

#### 1.1E: Write-down and impairment of assets

Write-down and impairment of property, plant and equipment <sup>1</sup>	304,422	562,341
Write-down and impairment of intangible assets <sup>1</sup>	25,609	17,445
Write-down and impairment of inventory <sup>1</sup>	375,929	671,183
<b>Total write-down and impairment of assets</b>	<b>705,960</b>	<b>1,250,969</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

#### 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.

#### 1.1F: Foreign exchange

<b>Foreign exchange gains</b>		
Non-speculative	98,834	41,371
<b>Foreign exchange losses</b>		
Non-speculative	(142,755)	(78,036)
<b>Total net (loss)/gain foreign exchange</b>	<b>(43,921)</b>	<b>(36,665)</b>

#### 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.

#### 1.1G: Other expenses

Act of grace payments	367	1,235
Tactical Payment Scheme payments	2	9
Defective Administration Scheme payments	3,909	5,289
Restoration, decontamination and decommissioning costs	205,372	146,861
Other	13,637	87,806
<b>Total other expenses</b>	<b>223,287</b>	<b>241,200</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the period ended 30 June 2020

**1.2: Own-Source Revenue and gains**

<b>Own-Source Revenue</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>1.2A: Revenue from contracts with customers</b>		
<b>Provision of goods</b>		
Rations and quarters - cost recovery	69,189	62,738
Provision of fuel - cost recovery	29,382	17,150
Other (including sale of obsolete and surplus inventory)	18,737	29,411
<b>Total provision of goods</b>	<b>117,308</b>	<b>109,299</b>
<b>Rendering of services</b>		
Logistics support recovery	35,115	32,291
Other recoveries	51,713	42,399
Other governments/agencies <sup>1</sup>	69,506	72,901
Other	49,093	53,593
<b>Total rendering of services<sup>1</sup></b>	<b>205,427</b>	<b>201,184</b>
<b>Total revenue from contracts with customers<sup>1</sup></b>	<b>322,735</b>	<b>310,483</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

**Accounting Policy**

Revenue from the provision of goods is recognised when all of the following criteria has been met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- Defence can identify each party's rights regarding the goods or services to be transferred;
- Defence can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that Defence will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, Defence shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which Defence will be entitled may be less than the price stated in the contract if the consideration is variable because Defence may offer the customer a price concession.
- revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer and Defence retains no managerial involvement or effective control over the goods. The stage of completion of contracts at the reporting date is determined by reference to the services performed to date as a percentage of total services to be performed.

Notwithstanding the above, if a contract that would otherwise be within the scope of AASB 15, does not meet the criteria above as it is unenforceable or not sufficiently specific, Defence will instead consider the requirements of AASB 1058 in accounting for such contracts.

**1.2B: Rental income**

**Operating leases:**

Group rental scheme <sup>1</sup>	203,844	205,277
Other <sup>1</sup>	47,438	30,438
<b>Total rental income<sup>2</sup></b>	<b>251,282</b>	<b>235,715</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

<sup>2</sup> Defence has applied AASB 16 using the modified retrospective approach and therefore the comparative information continues to be reported under AASB 117.

Defence earns rental income under property leases to third party service providers at Defence operating locations or in circumstances where asset capacity is excess to short term operational requirements. Commercial arrangements are in place where lessees agree to maintain the value and/or condition of the property or other leased assets. Lease contracts also have termination clauses that can be exercised if required with notice periods that reflect the potential operational need for the underlying asset.

**Maturity analysis of operating lease income receivables:**

Within one year	46,079
One to two years	27,560
Two to three years	27,778
Three to four years	28,044
Four to five years	28,393
More than five years	94,723
<b>Total undiscounted lease payments receivable</b>	<b>252,577</b>

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D, 3.2 and 3.4.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>1.2C: Other revenue</b>		
Excise refunds	636	563
Settlement of damages	15,300	589
Foreign military sales refunds	7,563	2,959
Interest revenue <sup>1</sup>	12,849	11,862
Other refunds	25,515	4,410
Other minor revenues	511	291
Resources received free of charge:		
Remuneration of auditors	3,675	3,800
Assets received free of charge	5	-
Other resources received free of charge	-	87
<b>Total other revenue</b>	<b>66,054</b>	<b>24,561</b>

<sup>1</sup>Interest revenue includes \$2.729 million in relation to sub-lease receivables.

#### Maturity analysis of finance lease receivables:

Within one year	13,677
One to two years	14,107
Two to three years	14,139
Three to four years	13,259
Four to five years	13,328
More than five years	152,412
<b>Total undiscounted lease payments receivable</b>	<b>220,922</b>
Unearned finance income	(23,708)
<b>Net investment in leases</b>	<b>197,214</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 <sup>1</sup>	948	15,550
Specialist military equipment <sup>1</sup>	223,926	160,809
Infrastructure <sup>1</sup>	5,807	12,285
Plant and equipment <sup>1</sup>	16,577	18,274
Heritage and cultural assets	210	125
Software and intangibles	-	759
<b>Total property, plant and equipment and intangibles</b>	<b>247,468</b>	<b>207,802</b>
Receivables	5,669	2,976
Inventory	127,226	305,705
<b>Total reversal of previous asset write-downs and impairment</b>	<b>380,363</b>	<b>516,483</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

#### 1.2E: Other gains

Reversal/write back of provisions	100,277	179,038
Other gains - ASMTI Contribution	132,701	176,238
<b>Total other gains</b>	<b>232,978</b>	<b>355,276</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 2020*

	2020 \$'000	2019 \$'000
<b>1.2F: Revenue from Government</b>		
Appropriations:		
Departmental appropriations	<b>34,290,209</b>	32,525,834
<b>Total revenue from Government</b>	<b>34,290,209</b>	32,525,834

**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 2020 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 2020

#### 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

	2020 \$'000	2019 \$'000
<b>2.1A: Employee benefits</b>		
Superannuation:		
Defined benefit plans		
Net service cost	6,230,300	4,299,300
Net interest cost	3,488,100	4,017,600
Retention benefits	99,566	91,702
<b>Total employee benefits</b>	<b>9,817,966</b>	<b>8,408,602</b>
<b>2.1B: Subsidies</b>		
Related parties:		
Defence Home Owner Scheme	207	337
Defence Home Ownership Assistance Scheme	110,441	119,988
<b>Total subsidies</b>	<b>110,648</b>	<b>120,325</b>
<b>2.1C: Impairment loss allowance on financial instruments</b>		
Impairment on trade and other receivables 7.3B	-	2
<b>Total impairment on financial instruments</b>	<b>-</b>	<b>2</b>

#### 2.2: Administered - Income

##### Non-Taxation Revenue

##### 2.2A: Fees and fines

License fees	17,384	16,968
<b>Total fees and fines</b>	<b>17,384</b>	<b>16,968</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.

Licence fees are charged to home loan providers under the Defence Home Ownership Assistance Scheme (DHOAS), who are required to remit a portion of home loan revenue to the Australian Government. Licence fee revenue is recognised when amounts have been received from customers by the home loan providers.

##### 2.2B: Interest

Loans to Defence Housing Australia	20,809	24,506
<b>Total interest</b>	<b>20,809</b>	<b>24,506</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 2020*

	<b>2020</b>	2019
	<b>\$'000</b>	<b>\$'000</b>
<b>2.2C: Dividends</b>		
Australian Government entities - Defence Housing Australia	<b>25,604</b>	24,545
<b>Total dividends</b>	<b>25,604</b>	24,545
<b>2.2D: Military superannuation contributions</b>		
Military superannuation contributions	<b>1,351,453</b>	1,388,079
<b>Total military superannuation contributions</b>	<b>1,351,453</b>	1,388,079
<b>2.2E: Other revenue</b>		
Competitive neutrality revenue - Defence Housing Australia	<b>41,124</b>	40,552
Other	<b>13,685</b>	16,345
<b>Total other revenue</b>	<b>54,809</b>	56,897
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	<b>103</b>	300
<b>Total foreign exchange gains</b>	<b>103</b>	300

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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

	2020 \$'000	2019 \$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash on hand	3,780	4,408
Cash at bank - at call <sup>1</sup>	423,638	282,553
<b>Total cash and cash equivalents</b>	<b>427,418</b>	<b>286,961</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

#### 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	51,388	48,047
<b>Total goods and services receivables</b>	<b>51,388</b>	<b>48,047</b>

##### Appropriations receivable

For existing programs	249,000	255,893
<b>Total appropriations receivable</b>	<b>249,000</b>	<b>255,893</b>

5.1A

##### Other receivables

GST receivable from the Australian Taxation Office	229,965	250,481
Accrued revenue	16,614	16,304
Other <sup>2</sup>	383,719	289,613
Sub-Lease receivables	197,214	-
<b>Total other receivables</b>	<b>827,512</b>	<b>556,398</b>
<b>Total trade and other receivables (gross)</b>	<b>1,127,900</b>	<b>860,338</b>

##### Less impairment allowance

Goods and services	(7,457)	(10,703)
<b>Total impairment allowance</b>	<b>(7,457)</b>	<b>(10,703)</b>
<b>Total trade and other receivables (net)</b>	<b>1,120,443</b>	<b>849,635</b>

Credit terms for goods and services were within 1-30 days (2018-19: 1-30 days).

<sup>2</sup> The balance contains no win no loss receivables totalling \$273.0 million (2018-19: \$188.8 million).

#### 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.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2020*

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**3.1B: Trade and other receivables (continued)**

**Accounting Policy (continued)**

In accordance with AASB 9, impairment of trade receivables is assessed under an 'expected credit loss' (ECL) model. This 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 2020*

**3.2: Non-Financial Assets**

**3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2019-2020)**

Item	Land <sup>1</sup> \$'000	Buildings <sup>1</sup> \$'000	Specialist Military Equipment <sup>1</sup> \$'000	Infra- structure <sup>1</sup> \$'000	Plant and Equipment <sup>1</sup> \$'000	Heritage and Cultural Assets <sup>1,2</sup> \$'000	Computer Software - Purchased <sup>1</sup> \$'000	Computer Software - Internally Generated <sup>1</sup> \$'000	Other Intangibles Purchased \$'000	Other Intangibles Internally Generated <sup>1</sup> \$'000	Total <sup>1</sup> \$'000
<b>As at 1 July 2019</b>											
Gross Book value	5,909,374	14,170,930	69,218,413	6,696,559	1,602,894	501,934	1,014,317	814,062	292,801	149,431	100,370,715
Accumulated depreciation/amortisation and impairment	-	(607,468)	(2,670,624)	(352,674)	(266,564)	(27,897)	(733,829)	(349,754)	(276,985)	(39,251)	(5,325,046)
<b>Net book value 1 July 2019</b>	<b>5,909,374</b>	<b>13,563,472</b>	<b>66,547,789</b>	<b>6,343,885</b>	<b>1,336,330</b>	<b>474,037</b>	<b>280,488</b>	<b>464,308</b>	<b>15,806</b>	<b>110,180</b>	<b>95,045,669</b>
Recognition of right-of-use asset on initial application of AASB 16	-	1,160,268	-	-	265,451	-	-	-	-	-	1,425,719
<b>Adjusted net book value 1 July 2019</b>	<b>5,909,374</b>	<b>14,723,740</b>	<b>66,547,789</b>	<b>6,343,885</b>	<b>1,601,781</b>	<b>474,037</b>	<b>280,488</b>	<b>464,308</b>	<b>15,806</b>	<b>110,180</b>	<b>96,471,388</b>
<b>Additions:</b>											
By purchase	64,558	837,137	8,758,677	690,359	316,066	-	148,050	-	45,723	-	10,850,570
Internally developed	-	-	-	-	-	-	9,716	-	-	-	9,716
Right-of-use assets	-	39,776	-	-	72,547	-	-	-	-	-	112,325
Revaluations/impairments recognised in other comprehensive income <sup>3</sup>	(462,251)	(307,291)	990,461	(183,183)	43,366	24,734	-	-	-	-	105,836
Revaluations/impairments recognised in other comprehensive income for right-of-use assets <sup>3</sup>	16,226	(19,677)	(27,188)	4,887	15,870	341	(6,388)	16,682	(996)	243	-
Depreciation/amortisation expense	-	(612,072)	(4,583,457)	(375,898)	(179,071)	(24,237)	(40,625)	(96,680)	(1,583)	(20,031)	(5,933,654)
Depreciation/amortisation expense on right-of-use assets <sup>5</sup>	-	(219,065)	(31,476)	(3,609)	(70,360)	-	-	-	-	-	(324,510)
Revaluations/write-downs and impairment recognised in net cost of services <sup>3,4</sup>	(625)	(25,724)	(217,193)	(19,425)	(36,477)	(978)	(25,346)	-	(263)	-	(330,031)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Reversal of previous asset write-downs and impairment	-	948	223,926	5,807	16,577	210	-	-	-	-	247,468
Transfers in/(out)	-	10,719	283,556	-	-	-	-	-	-	-	294,275
Transfers (to)/from Assets Held for Sale	100,207	590	(165,707)	102	362	-	-	-	-	-	(64,446)
Disposals:											
Other disposals	(83,490)	(3,948)	(25,533)	-	(10,211)	-	-	-	-	-	(123,182)
<b>Net book value 30 June 2020</b>	<b>5,543,999</b>	<b>14,421,135</b>	<b>71,753,855</b>	<b>6,452,925</b>	<b>1,770,450</b>	<b>474,107</b>	<b>356,179</b>	<b>394,026</b>	<b>55,687</b>	<b>90,392</b>	<b>101,315,755</b>
<b>Net book value as at 30 June 2020 represented by:</b>											
Gross book value	5,543,999	15,437,779	73,817,222	6,851,764	2,052,124	495,429	1,093,730	830,649	124,828	149,674	106,387,198
Accumulated depreciation/amortisation and impairment	-	(1,016,644)	(2,063,367)	(398,839)	(281,674)	(21,322)	(737,551)	(436,623)	(66,141)	(59,282)	(5,081,443)
<b>Closing net book value at 30 June 2020</b>	<b>5,543,999</b>	<b>14,421,135</b>	<b>71,753,855</b>	<b>6,452,925</b>	<b>1,770,450</b>	<b>474,107</b>	<b>356,179</b>	<b>394,026</b>	<b>58,687</b>	<b>90,392</b>	<b>101,315,755</b>
<b>Carrying amount of right-of-use assets as at 30 June 2020<sup>5</sup></b>	<b>61,809</b>	<b>1,956,909</b>	<b>288,469</b>	<b>95,398</b>	<b>455,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,857,677</b>

<sup>1</sup> Opening balances have been restated. Refer to Note 8.4 for further details.

<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> All revaluations were conducted in accordance with the revaluation policy stated at Note 3.2A(f).

<sup>4</sup> Indicators of impairment identified in the current period relate to assets deemed to be obsolete or no longer functioning as intended.

<sup>5</sup> Includes right-of-use assets identified in 2019-20 during the initial application of AASB 16, in addition to leased assets that were already included in the closing balance as at 30 June 2019.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (continued)

	2020 \$'000	2019 \$'000
<b>Commitments payable relating to property, plant and equipment and intangibles</b>		
Land and buildings <sup>1</sup>	1,032,939	1,163,467
Specialist military equipment <sup>2</sup>	24,416,438	22,860,201
Infrastructure, plant and equipment <sup>3</sup>	1,010,185	377,857
Intangibles <sup>4</sup>	60,141	56,981
<b>Total capital commitments</b>	<b>26,519,703</b>	<b>24,458,506</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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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, excluding ROU assets, is measured and disclosed at fair value (or an amount not materially different from fair value), less subsequent 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 credited to equity under the heading of asset revaluation reserve 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.

	2019-20	2018-19
Buildings	1 to 100 years	1 to 100 years
Infrastructure	3 to 99 years	3 to 99 years
Specialist military equipment	2 to 52 years	1 to 50 years
Other plant and equipment	2 to 76 years	2 to 76 years
Heritage and cultural	10 to Indefinite	10 to Indefinite

The depreciation rates for ROU assets are based on the commencement date of the lease to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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#### 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 (2018-19: 2 to 24 years) and the useful lives of Defence's other intangibles are 4 to 35 years (2018-19: 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.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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#### 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.

###### *(m) Lease Right of Use (ROU) Assets*

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 Defence has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Defence, General Government Sector and Whole of Government financial statements.

##### 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.

Significant judgements applied in assessing assets for indicators of impairment include an assessment of each Defence platform's rate of effort against estimated planned performance over each financial period.

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. These include judgements and estimates in relation to reference to comparable assets, recently purchased assets, recent market data available and indexation based on the country of manufacture. Furthermore, 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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>3.2B: Inventories</b>		
Inventories - General <sup>1</sup>	2,335,148	2,307,519
Inventories - Explosive ordnance	4,966,641	4,645,842
Inventories - Fuel	67,696	83,266
<b>Total inventories</b>	<b>7,369,485</b>	<b>7,036,627</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

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	906,094	1,737,196
Non-capital prepayments	919,848	760,158
<b>Total prepayments</b>	<b>1,825,942</b>	<b>2,497,354</b>

#### 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	46,148	146,946
Specialist military equipment	169,635	3,928
Other infrastructure, plant and equipment	39	502
Inventories	-	-
<b>Total assets held for sale</b>	<b>215,822</b>	<b>151,376</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 2020

	2020	2019
	\$'000	\$'000

### 3.3: Payables

#### 3.3A: Suppliers payables

Trade creditors and accruals

**Total suppliers payables**

2,719,992	2,511,261
<b>2,719,992</b>	<b>2,511,261</b>

Settlement is usually made within 20 days.

#### 3.3B: Employee payables

**Australian Public Service (APS) employee payables**

Salaries and wages

Superannuation

21,829	9,006
4,159	2,024

**Australian Defence Force (ADF) employee payables**

Salaries and wages

Superannuation

89,887	55,890
30,102	20,202

**Total employee payables**

145,977	87,122
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#### 3.3C: Other payables

Statutory payable

Other<sup>1</sup>

**Total other payables**

275,969	215,459
282,957	354,950
<b>558,926</b>	<b>570,409</b>

<sup>1</sup> Prior period balances have been restated. Refer to Note 8.4 for further details.

### 3.4: Interest Bearing Liabilities

#### 3.4A: Leases

Lease Liabilities<sup>1</sup>

**Total leases**

2,884,524	1,485,329
<b>2,884,524</b>	<b>1,485,329</b>

<sup>1</sup> Defence has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Total cash outflow for leases for the year ended 30 June 2020 was \$445.3 million.

#### Accounting Policy

Refer overview section for accounting policy on leases.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2020*

<b>3.5: Provisions</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.5A: Employee provisions</b>		
<b>Australian Public Service (APS) employee provisions</b>		
Leave	<u>744,390</u>	<u>689,103</u>
<b>Total APS employee provisions</b>	<u>744,390</u>	<u>689,103</u>
<b>Australian Defence Force (ADF) employee provisions</b>		
Leave	<u>2,644,741</u>	<u>2,347,109</u>
Other provisions	<u>23,464</u>	<u>5,042</u>
<b>Total ADF employee provisions</b>	<u>2,668,205</u>	<u>2,352,151</u>
<b>Total employee provisions <sup>1</sup></b>	<u><u>3,412,595</u></u>	<u><u>3,041,254</u></u>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	<u>1,040,035</u>	<u>889,141</u>
More than 12 months	<u>2,372,560</u>	<u>2,152,113</u>
<b>Total employee provisions</b>	<u><u>3,412,595</u></u>	<u><u>3,041,254</u></u>

**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	<u>720,981</u>	<u>668,107</u>
Provision for decontamination	<u>693,053</u>	<u>635,464</u>
<b>Total restoration, decontamination and decommissioning provisions</b>	<u><u>1,414,034</u></u>	<u><u>1,303,571</u></u>

**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 147 (2018-19: 151) 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. These are management's best estimates based on actual decommissioning costs incurred for similar assets and are reviewed annually. Provisions for land decontamination and site restoration are supported by external valuations. Estimated provisions are adjusted to future value by applying a five year average of forecast consumer price index and discounting back to present value using the long term government bond rate.

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 2020

	2020	2019
	\$'000	\$'000
<b>3.5C: Other provisions</b>		
Other provisions	332,561	432,341
<b>Total other provisions</b>	<b>332,561</b>	<b>432,341</b>

Refer to Note 3.5D for a reconciliation of this balance.

#### 3.5D: Reconciliation of provision balances Movement in relation to 2020

	Restoration and decommissioning provisions \$'000	Decontamination provisions \$'000	Other provisions \$'000
<b>Carrying amount 1 July 2019</b>	668,107	635,464	432,341
Additional provisions made	39,008	204,037	-
Amounts used	(21,690)	(109,678)	(24,984)
Amounts reversed	(4,416)	(38,781)	(26,757)
Unwinding of discount rate	7,885	2,011	-
Parameter changes	32,087	-	(48,039)
<b>Closing balance 30 June 2020</b>	<b>720,981</b>	<b>693,053</b>	<b>332,561</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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

	2020	2019
	\$'000	\$'000
<b>4.1A: Cash and cash equivalents</b>		
Cash held in the OPA - Special Accounts	146,014	114,576
<b>Total cash and cash equivalents</b>	<b>146,014</b>	<b>114,576</b>

The closing balance of cash in special accounts does not include amounts held in trust of \$1.73m (2018-19: \$1.69m). 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	30,545	9,109
<b>Total goods and services receivable</b>	<b>30,545</b>	<b>9,109</b>

##### Other receivables:

Dividends	25,604	24,545
Loans receivable - Defence Housing Australia	509,580	509,580
Competitive neutrality - Defence Housing Australia	5,643	5,106
<b>Total other receivables</b>	<b>540,827</b>	<b>539,231</b>
<b>Total trade and other receivables (gross)</b>	<b>571,372</b>	<b>548,340</b>

##### Less impairment allowance:

Goods and services	(380)	(428)
<b>Total impairment allowance</b>	<b>(380)</b>	<b>(428)</b>
<b>Total trade and other receivables (net)</b>	<b>570,992</b>	<b>547,912</b>

Loans to Defence Housing Australia as at 30 June 2020 have remaining terms of up to 6 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 3.63%. Interest payments are due every quarter or when the loan matures.

Credit terms for goods and services were within 1-30 days (2018-19: 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 2020

	2020 \$'000	2019 \$'000
<b>4.1C: Equity accounted investments</b>		
Other investments shares (or equity in) - Defence Housing Australia	2,630,545	2,809,339
Other investments - Small portfolio entities	80,959	79,686
<b>Total investments accounted for using the equity method</b>	<b>2,711,504</b>	<b>2,889,025</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 of which the Australian Government holds a 100% interest:

- 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	250,157	249,655
<b>Total other non-financial assets</b>	<b>250,157</b>	<b>249,655</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	8,560	7,052
Special accounts liability	146,014	114,576
<b>Total other payables</b>	<b>154,574</b>	<b>121,628</b>



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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) or the Australian Defence Force Superannuation (ADF Super)<sup>1</sup>. DFRB and DFRDB are fully unfunded defined benefit plans while MSBS is a partially funded defined benefit 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. All new ADF members are entitled to an insurance cover for death and invalidity benefits under the provisions of the ADF Cover arrangement. ADF Cover is a fully unfunded scheme with all costs met by the Australian Government. It is a defined benefit plan.

Defence makes employer contributions for DFRB, DFRDB and MSBS based on an agreed employer contribution rate. 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 2020.

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.

<sup>1</sup>Individuals eligible for ADF Super can choose to join a superannuation scheme of their choice to receive employer contributions.

Amounts recognised in the Schedule of Assets and Liabilities	2020 \$'000	2019 \$'000
<b>4.4A: Employee provisions</b>		
Superannuation - DFRB	460,300	513,900
Superannuation - DFRDB	51,559,000	55,023,000
Superannuation - MSBS	134,511,000	125,745,000
Insurance cover - ADFC	1,620,900	736,300
<b>Total employee provisions</b>	<b>188,151,200</b>	<b>182,018,200</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	2,737,000	2,558,000
More than 12 months	185,414,200	179,460,200
<b>Total employee provisions</b>	<b>188,151,200</b>	<b>182,018,200</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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	The scheme has no active members and therefore no employer contributions are made into the scheme. Benefits are paid from consolidated revenue on an emerging cost (or pay as you go) basis, which results in contributions from consolidated revenue made into the scheme equalling the benefits paid out from the scheme.
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. Employer contributions also include the 3 per cent productivity contributions. Member contributions paid are included within the service cost.
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 consolidated revenue. Employer productivity contributions of 3 per cent of superannuation salary, member contributions, usually 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 Military Superannuation and Benefits Act 1991, are paid from consolidated revenue on an emerging (or pay as you go) basis.
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 eligible to be 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.

##### Benefits Paid

The nature of the benefits provided under the schemes are as follows:

Scheme	Benefits Paid
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 pension <sup>1</sup> 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 pension <sup>1</sup> 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.  An Invalidity benefit may also be payable, which depends on the level of invalidity suffered. Invalidity benefit type A pensions (60%-100% incapacity) are larger and have a higher cost compared to the invalidity benefit types B (30%-59% incapacity) and C (less than 30% incapacity).
ADF Cover	ADF Cover provides death and invalidity benefits for ADF personnel eligible to join 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, the invalidity benefit type A is calculated based on a lifetime pension <sup>1</sup> 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, while no benefits are payable for invalidity type C. Invalidity types for ADF Cover are determined using the same incapacity rates that apply for MSBS as outlined above.

<sup>1</sup>These pensions have an attaching lifetime reversionary pension payable to a surviving spouse following the death of the member.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Regulatory Framework

The applicable regulatory framework for each scheme and arrangement is as follows:

Scheme	Enabling Act	Period open for new members	Requirement
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</i> and the <i>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

Commonwealth Superannuation Corporation (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.

##### Risks

The scheme specific risks, as detailed below, apply to all four schemes and arrangements, unless specified otherwise.

Risk	Exposure
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. An increase in the salary (in excess of that assumed) 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 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 and benchmarked against a Male Total Average Weekly Earnings index. Higher than assumed pension increases will increase the defined benefit obligation.
Invalidity Exit Risk	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. 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 due to the absence of active members in these schemes.
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 will increase the defined benefit obligation.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Assumptions

The economic assumptions outlined below 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, a range of other 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 the proportion of members married at the time of their death.

Membership data for DFRB, DFRDB, MSBS and ADF Cover as at 30 June 2019 was used to calculate liabilities in the AASB 119 update. These liabilities were then projected forward to 30 June 2020, 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.

##### Principal actuarial assumptions for the various schemes are as follows:

The demographic assumptions utilised for the 30 June 2020 actuarial estimate of DFRB, DFRDB, MSBS and ADF Cover are based on the assumptions used in the 30 June 2017 LTCR.

	2020	2019
<b>DFRB</b>		
Discount rate at 30 June	1.0%	1.4%
Expected pension increase rate <sup>1</sup>	4.0%	4.0%
Expected salary increase rate <sup>2</sup>	-	-

<sup>1</sup> Pension increase rate is determined using the short term pension increases for the first four years from 2020-21 to 2023-24 (1.7%) before reverting to the long term pension increases (4.0%) using the Age Pension methodology.

<sup>2</sup> Salary growth rate is nil as members are all pensioners.

<b>DFRDB</b>		
Discount rate at 30 June	1.7%	1.9%
Expected salary increase rate <sup>3</sup>	4.0%	4.0%
Expected pension increase rate (aged 55 or more) <sup>4</sup>	4.0%	4.0%
Expected pension increase rate (aged less than 55) <sup>5</sup>	2.5%	2.5%

<sup>3</sup> Separate promotional salary scales are used to allow for promotional salary increase. For the first four years from 2020-21 to 2023-24, assumed salary growth is 2.0% per annum before reverting to 4.0% from the 2024-25 financial year.

<sup>4</sup> For members aged 55 or more, pension increase rate is based on the Age Pension methodology.

<sup>5</sup> Pension increase rate is determined using the short term pension increases for the first four years from 2020-21 to 2023-24 (1.7%) before reverting to the long term pension increases (2.5%) based on CPI.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 4.5: Administered - Defined Benefit Plans (continued)

	2020	2019
<b>MSBS</b>		
Discount rate at 30 June (active members and pensioners)	1.7%	1.9%
Expected rate of return on plan assets	1.7%	1.9%
Expected salary increase rate <sup>1</sup>	4.0%	4.0%
Expected pension increase rate <sup>2</sup>	2.5%	2.5%
Invalidity exits - new <sup>3</sup> (approximate)	1,000 p.a.	1,000 p.a.
Invalidity exits - retrospective <sup>3</sup>	150 p.a.	150 p.a.
Pension take-up rate for direct retirements (officers/other ranks) <sup>4</sup>	100%/90%	100%/90%
Pension take-up rate for current preserved members (officers/other ranks) <sup>4</sup>	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) <sup>3</sup>	90%/80%	90%/80%

<sup>1</sup> Separate promotional salary scales are used to allow for promotional salary increase. For the first four years from 2020-21 to 2023-24, assumed salary growth is 2.0% per annum before reverting to 4.0% from the 2024-25 financial year.

<sup>2</sup> Pension increase rate is determined using the short term pension increases for the first four years from 2020-21 to 2023-24 (1.7%) before reverting to the long term pension increases (2.5%) based on CPI.

<sup>3</sup> In the 2017 LTCR, approximately 1,000 ongoing new invalidity pensions were assumed for 2017-18. 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.

<sup>4</sup> 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.

#### ADF Cover

Discount rate at 30 June	1.7%	1.9%
Expected pension increase rate <sup>5</sup>	2.5%	2.5%
Invalidity exits - new <sup>6</sup>	324	232

<sup>5</sup> Pension increase rate is determined using the short term pension increases for the first four years from 2020-21 to 2023-24 (1.7%) before reverting to the long term pension increases (2.5%) based on CPI.

<sup>6</sup> 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 2020. This represents approximately 1.75% of the current membership base of about 18,500.

#### Maturity Profile

The maturity profiles of the defined benefit obligation under the schemes are as follows:

Scheme	Maturity profile of defined benefit obligation
DFRB	The interest rate and probability weighted mean term of the liabilities is 10.7 years.
DFRDB	The interest rate and probability weighted mean term of the liabilities is 18.6 years.
MSBS	The interest rate and probability weighted mean term of the liabilities is 31.2 years.
ADF Cover	The interest rate and probability weighted mean term of the liabilities is 34.3 years.

#### Expected Contributions

The expected contributions which are the expected amount of benefit payments under the schemes are as follows:

Scheme	Expected contributions
DFRB	The expected employer contribution for 2020-21 is \$35m (2019-20 actual: \$38.4m).
DFRDB	The expected contribution (including 3% productivity contributions) for 2020-21 is \$1,640m (2019-20 actual: \$1,626m). Note that member contributions paid to consolidated revenue would be an offset to this.
MSBS	The expected contribution for 2020-21 is \$1,195m (2019-20 actual: \$1,106m). This includes expected employer contributions to meet unfunded benefit payments and funding via the MSBS Fund.
ADF Cover	The expected contribution for 2020-21 is \$22m (2019-20 actual: \$12.5m).

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 4.5: Administered - Defined Benefit Plans (continued)

##### Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2020 under several scenarios is presented below.

	Change in assumption <sup>1</sup>	Impact on defined benefit obligation	
		Increase in assumption \$m	Decrease in assumption \$m
<b>DFRB</b>			
<b>Reported</b>	<b>\$460.3m</b>		
Discount rate	+/- 0.5%	(23.1)	25.2
Pension increase rate	+/- 0.5%	23.9	(22.2)
<b>DFRDB</b>			
<b>Reported</b>	<b>\$51,559m</b>		
Discount rate	+/- 0.5%	(4,399)	5,044
Salary and Age Pension methodology	+/- 0.5%	3,803	(3,399)
CPI increase rate (aged under 55)	+/- 0.5%	924	(908)
<b>MSBS</b>			
<b>Reported</b>	<b>\$144,784m</b>		
Discount rate	+/- 0.5%	(19,000)	23,000
Salary increase rate	+/- 0.5%	3,000	(3,000)
CPI increase rate	+/- 0.5%	18,000	(16,000)
Invalidity exits - new	+/- 40%	2,000	(3,000)
Pension take-up rate	+/-10%	5,000	(7,000)
<b>ADF Cover</b>			
<b>Reported</b>	<b>\$1,620.9m</b>		
Discount rate	+/- 0.5%	(248.0)	294.0
Pension increase rate	+/- 0.5%	294.0	(248.0)
Invalidity exits	+/- 40%	272.0	(272.0)

<sup>1</sup> 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.

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2020*

**4.5: Administered - Defined Benefit 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 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 the 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 2020

#### 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 the 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 2020. 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.

	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'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	-	-	10,273,000	-	10,273,000
Fair Value of plan assets	-	-	(10,273,000)	-	(10,273,000)
Present value of unfunded obligations	460,300	51,559,000	134,511,000	1,620,900	188,151,200
<b>Net liability recorded:</b>	<b>460,300</b>	<b>51,559,000</b>	<b>134,511,000</b>	<b>1,620,900</b>	<b>188,151,200</b>
<b>The amount recognised in the Administered Schedule of Comprehensive Income are as follows:</b>					
Current service cost	-	124,000	5,444,000	662,300	6,230,300
Interest on obligation	6,900	1,031,000	2,626,000	20,200	3,684,100
Expected return on plan assets	-	-	(196,000)	-	(196,000)
<b>Total expense recognised:</b>	<b>6,900</b>	<b>1,155,000</b>	<b>7,874,000</b>	<b>682,500</b>	<b>9,718,400</b>
Actuarial losses/(gains) on liabilities recognised	(22,100)	(2,993,000)	1,709,000	214,600	(1,091,500)
Expected return on plan assets	-	-	196,000	-	196,000
Actual return on plan assets (interest income)	-	-	93,000	-	93,000
Actuarial (gains)/losses on plan assets recognised	-	-	289,000	-	289,000
<b>Other Comprehensive Income recorded:</b>	<b>(22,100)</b>	<b>(2,993,000)</b>	<b>1,998,000</b>	<b>214,600</b>	<b>(802,500)</b>
	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
<b>Net liability recorded:</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)
<b>Total expense recognised:</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	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	-	-	(445,000)	-	(445,000)
<b>Other Comprehensive Income recorded:</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 2020

**4.5: Administered - Defined Benefit Plans (continued)**

	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
	DFRB	DFRDB	MSBS	ADF Cover	Total
<b>Reconciliation of the net defined benefit liability</b>					
Opening value at 1 July	513,900	55,023,000	125,745,000	736,300	182,018,200
Current Service cost	-	124,000	5,444,000	662,300	6,230,300
Interest cost	6,900	1,031,000	2,626,000	20,200	3,684,100
Expected return on plan assets (interest income)	-	-	(196,000)	-	(196,000)
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Total expense	6,900	1,155,000	7,874,000	682,500	9,718,400
Actuarial losses/(gains) in plan assets recognised	-	-	289,000	-	289,000
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience	(6,500)	(874,000)	(239,000)	157,000	(962,500)
Changes in financial assumptions	(15,600)	(2,119,000)	1,948,000	57,600	(129,000)
Changes in demographic assumptions*	-	-	-	-	-
Contributions	(38,400)	(1,626,000)	(1,106,000)	(12,500)	(2,782,900)
<b>Net defined benefit liability as at 30 June</b>	<b>460,300</b>	<b>51,559,000</b>	<b>134,511,000</b>	<b>1,620,900</b>	<b>188,151,200</b>
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value at 1 July	513,900	55,023,000	136,008,000	736,300	192,281,200
Current Service cost	-	124,000	5,444,000	662,300	6,230,300
Interest cost	6,900	1,031,000	2,626,000	20,200	3,684,100
Losses/(gains) on curtailments and settlements	-	-	-	-	-
Funded contributions by plan participants	-	-	280,000	-	280,000
Actuarial losses /(gains) in liabilities arising from:					
Changes in liability experience	(6,500)	(874,000)	(239,000)	157,000	(962,500)
Changes in financial assumptions	(15,600)	(2,119,000)	1,948,000	57,600	(129,000)
Changes in demographic assumptions*	-	-	-	-	-
Benefits paid	(38,400)	(1,626,000)	(1,283,000)	(12,500)	(2,959,900)
<b>Defined benefit obligation as at 30 June</b>	<b>460,300</b>	<b>51,559,000</b>	<b>144,784,000</b>	<b>1,620,900</b>	<b>198,424,200</b>
* The demographic assumptions used for the 30 June 2020 actuarial estimate are based on the 30 June 2017 LTCR.					
<b>Reconciliation of the fair value of plan assets</b>					
Opening fair value at 1 July	-	-	10,263,000	-	10,263,000
Expected return on plan assets (interest income)	-	-	196,000	-	196,000
Experience actuarial gains/(losses)	-	-	(289,000)	-	(289,000)
Contributions	38,400	1,626,000	1,106,000	12,500	2,782,900
Funded contributions by plan participants	-	-	280,000	-	280,000
Benefits paid	(38,400)	(1,626,000)	(1,283,000)	(12,500)	(2,959,900)
<b>Fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>10,273,000</b>	<b>-</b>	<b>10,273,000</b>
The major categories of plan assets at the end of the reporting period for each category, as follows:					
Australian equities	-	-	2,362,790	-	2,362,790
Overseas equities	-	-	2,362,790	-	2,362,790
Property and infrastructure	-	-	1,232,760	-	1,232,760
Private equity	-	-	719,110	-	719,110
Cash, debt instruments	-	-	2,157,330	-	2,157,330
Other liabilities	-	-	1,438,220	-	1,438,220
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>10,273,000</b>	<b>-</b>	<b>10,273,000</b>

The actual return on plan assets was a loss of \$93m (2018-19: gain of \$737m). 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.

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

**4.5: Administered - Defined Benefit 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	-	-	(445,000)	-	(445,000)
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*	-	-	-	-	-
Contributions	(40,600)	(1,629,000)	(941,000)	(5,600)	(2,616,200)
<b>Net defined benefit liability as 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)
<b>Defined benefit obligation as 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.					
<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)	-	-	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>Fair value of plan assets at 30 June</b>	<b>-</b>	<b>-</b>	<b>10,263,000</b>	<b>-</b>	<b>10,263,000</b>
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>	<b>-</b>	<b>-</b>	<b>10,263,000</b>	<b>-</b>	<b>10,263,000</b>

The actual return on plan assets was \$737m. 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.

Department of Defence  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2020*

<b>FUNDING</b>
This section identifies Defence's funding structure.

**5.1: Appropriations**

5.1A: Annual appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2019-20

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2020 (Current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	34,348,197	1,394,851	35,743,048	(35,417,543)	325,505
Capital budget	-	-	-	-	-
<b>Other services</b>					
Equity injection	4,040,461	-	4,040,461	(4,015,029)	25,432
<b>Total departmental</b>	38,388,658	1,394,851	39,783,509	(39,432,572)	350,937

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 5.1: Appropriations (continued)

##### 5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)

###### Notes:

1. Details of quarantined appropriations are as follows: \$'000

*Amounts withheld under section 51 determinations*

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
2018-19 Appropriation Act 3	215,614
2019-20 Appropriation Act 3	13,249
2019-20 Appropriation Act 4	25,432
<b>Total Quarantined</b>	<b>891,368</b>

2. Adjustment to appropriations relate to PGPA Section 74 receipts.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Unspent departmental annual appropriations 2019-20	389,458	-
Prior year appropriation drawn down	(41,715)	-
Net GST payments made not yet recovered	(35,487)	-
2019-20 Appropriation Act 3 withheld under Section 51	13,249	-
2019-20 Appropriation Act 4 withheld under Section 51	-	25,432
<b>Total</b>	<b>325,505</b>	<b>25,432</b>

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*For the period ended 30 June 2020*

**5.1: Appropriations (continued)**

**5.1A: Annual appropriations ('Recoverable GST exclusive') (continued)**

**Annual Appropriations for 2018-19**

	<b>Annual Appropriation<sup>1</sup> \$'000</b>	<b>Adjustments to appropriation<sup>2,4,5</sup> \$'000</b>	<b>Total Appropriation \$'000</b>	<b>Appropriation applied in 2019 (Current and prior years)<sup>5,6</sup> \$'000</b>	<b>Variance<sup>3</sup> \$'000</b>
<b>DEPARTMENTAL</b>					
Ordinary annual services	32,688,310	1,469,771	34,158,081	(33,631,910)	526,171
Capital Budget	-	-	-	-	-
<b>Other services</b>	3,343,482	-	3,343,482	(3,963,482)	(620,000)
Equity injection	-	-	-	-	-
<b>Total departmental</b>	<b>36,031,792</b>	<b>1,469,771</b>	<b>37,501,563</b>	<b>(37,595,392)</b>	<b>(93,829)</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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 relate to PGPA Section 74 receipts.

3. Reasons for material variance:

	Ordinary Annual Service \$'000	Equity \$'000
Unspent departmental annual appropriations 2018-19	433,222	-
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>526,171</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.

5. It has been identified in 2019-20 that notional receipts recorded by the Department in relation to rental contributions recovered from employees were not recorded as s74 receipts in 2018-19. As these represent retainable receipts of Defence, both 'Adjustments to Appropriation' and 'Appropriation Applied in 2019' have been restated by \$205.279 million. This has no impact on the available Appropriation or reported Appropriation receivable in 2018-19.

6. It has been identified in 2019-20 that amounts drawn down from Departmental Appropriations which were unspent at 30 June 2020 (\$175.893 million) were included in the amount disclosed as Appropriation applied in 2018-19. As these amounts were not actually spent by the Department, 'Appropriation Applied in 2019' and 'unspent departmental annual appropriations' have been restated by \$175.9 million. This has no impact on the available Appropriation or reported Appropriation receivable in 2018-19.

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 2020

#### 5.1B: Unspent annual appropriations ('Recoverable GST exclusive')

Authority	2020 \$'000	2019 \$'000
<b>DEPARTMENTAL</b>		
<b>Operating</b>		
Act 1 2019-20 <sup>1</sup>	531,418	-
Act 1 2018-19 <sup>2</sup>	50,562	392,655 <sup>3</sup>
Act 1 2016-17 <sup>4</sup>	-	9,812 <sup>5</sup>
Act 3 2019-20 <sup>6</sup>	158,249	-
Act 3 2018-19 <sup>2</sup>	215,614	244,584
Act 3 2017-18 <sup>2</sup>	22,521	22,521
Act 5 2017-18 <sup>2</sup>	194,202	194,202 <sup>5</sup>
<b>Total Operating</b>	<b>1,172,566</b>	<b>863,774<sup>3,5</sup></b>
<b>Equity</b>		
Act 4 2019-20 <sup>2</sup>	25,432	-
Act 2 2017-18 <sup>2</sup>	369,788	369,788
Act 2 2016-17 <sup>4</sup>	-	636,623
<b>Total Equity</b>	<b>395,220</b>	<b>1,006,411</b>
<b>Total</b>	<b>1,567,786</b>	<b>1,870,185</b>
<b>Total unspent annual appropriations<sup>7</sup></b>	<b>1,567,786</b>	<b>1,870,185</b>

#### Notes

- Includes unspent amounts held within cash and cash equivalents of \$427.418m.
- Unspent annual appropriations have been formally reduced by the Department of Finance.
- Prior year unspent appropriations have been adjusted to include amounts held within cash and cash equivalents of \$286.961m which were not disclosed against an Appropriation Act in the prior period. The amount reported as cash and cash equivalents has also been adjusted as a result of restatement, refer to Note 8.4 for further details.
- Appropriation Acts have been repealed in the current period.
- Prior year unspent appropriations have been adjusted to account for GST receipts that have been recovered by the Department subsequent to the end of the relevant financial period but which should have been attributed to the Act to which they relate.
- Unspent annual appropriations have been partially reduced by the Department of Finance. Of the \$158.249m of unspent appropriations, \$13.249m has been formally reduced by the Department of Finance.
- The unspent annual appropriations are \$1,567.786m, allocated as follows:
  - \$891.368m has been formally extinguished by Department of Finance; and
  - \$676.418m of unspent annual appropriations (including cash and cash equivalents) available to the Department.

**Department of Defence**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the period ended 30 June 2020

**5.1: Appropriations (continued)**

5.1C: Special appropriations ('Recoverable GST exclusive')					Appropriation Applied	
Authority	Nature	Type	Purpose		2020 \$'000	2019 \$'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.		38,375	40,648
<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.		1,608,370	1,601,998
<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.		1,112,392	911,698
<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.		100,026	102,396
<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.		207	331
<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.		108,933	121,905
<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.		12,508	5,610
<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
<b>Total</b>					<b>2,980,811</b>	<b>2,784,641</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 2020*

**5.2: Special Accounts**

	Defence Endowments, Trust Moneys Special Account <sup>1,6</sup>		Service for Other Entities And Trust Moneys Defence Special Account <sup>2,6</sup>		Young Endeavour Youth Program Special Account <sup>3,6</sup>		Defence Endowments Special Account <sup>4</sup>		Fedorczenko Legacy Special Account <sup>5,6</sup>	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance brought forward from previous period	-	-	115,240	111,519	-	1,578	51	50	167	164
<b>Total increases</b>	<b>324,817</b>	-	<b>1,852</b>	<b>267,964</b>	-	<b>52</b>	-	<b>1</b>	-	<b>3</b>
<b>Available for payments</b>	<b>324,817</b>	-	<b>117,092</b>	<b>379,483</b>	-	<b>1,630</b>	<b>51</b>	<b>51</b>	<b>167</b>	<b>167</b>
<b>Decreases:</b>										
Departmental	-	-	-	-	-	-	-	-	-	-
<b>Total Departmental</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administered</b>										
<b>Total Administered</b>	<b>(171,732)</b>	-	<b>(117,092)</b>	<b>(264,243)</b>	-	<b>(1,630)</b>	<b>(51)</b>	-	<b>(167)</b>	-
<b>Total Decreases</b>	<b>(171,732)</b>	-	<b>(117,092)</b>	<b>(264,243)</b>	-	<b>(1,630)</b>	<b>(51)</b>	-	<b>(167)</b>	-
<b>Total Balance to be carried forward to next period</b>	<b>153,085</b>	-	-	<b>115,240</b>	-	-	-	<b>51</b>	-	<b>167</b>
<b>Balance represented by:</b>										
Cash held in entity bank accounts	-	-	-	-	-	-	-	-	-	-
Cash held in the Official Public Account	<b>153,085</b>	-	-	<b>115,240</b>	-	-	-	<b>51</b>	-	<b>167</b>

**Notes**

**1. Appropriation: Public Governance, Performance and Accountability (PGPA) Act 2013 section 78.**

- Establishing Instrument: PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019).
- Purpose: This account was created to:
  - (a) disburse amounts held on trust or otherwise for the benefit of persons other than the Commonwealth;
  - (b) carry out activities consistent with the Fedorczenko Trust;
  - (c) undertake activities approved by the Young Endeavour Youth Program Board of Management, or the Commonwealth, in relation to the STS Young Endeavour;
  - (d) to disburse an amount in connection with services performed for or on behalf of any entities or bodies other than non-corporate Commonwealth entities;
  - (e) to disburse an amount in connection with services performed for, on behalf of, or together with, another government, or in connection with an agreement between the Commonwealth and another government;
  - (f) to credit an amount to the ASD account;
  - (g) to repay an amount where a court order, Act or other law requires or permits the repayment of an amount received;
  - (h) to carry out activities that are incidental to one or more of the purposes of the special account, including costs of administering the special account;
  - (i) to reduce the balance of the special account (and, therefore, the available appropriation for the special account) without making a real or notional payment.
- This special account was established on 15 July 2019 and replaces Defence's existing special accounts which were repealed under section 78(3) of the PGPA Act. The opening balance is equal to the sum of the amounts standing to the credit of Defence's existing special accounts immediately prior to 15 July 2019.
- Special account is disclosed on a recoverable GST exclusive basis.
- This account is non-interest bearing.

## Department of Defence NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

### 5.2: Special Accounts (continued)

#### 2. *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.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

#### 3. *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*. This amount was subsequently transferred to the Defence Endowments, Bequests and Other Trust Moneys Special Account upon its establishment.

#### 4. *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.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

#### 5. *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.
- This account was repealed on 15 July 2019 through the PGPA Act Determination (Defence Endowments, Bequests and Other Trust Moneys Special Account 2019) in accordance with section 78(3) of the PGPA Act.

#### 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 2020

#### 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 Defence Minister;
- v) Secretary, Department of Defence;
- vi) Chief of the Defence Force;
- vii) Vice Chief of the Defence Force;
- viii) Associate Secretary, Department of Defence;
- 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;
- xxi) Deputy Secretary National Naval Shipbuilding and Infrastructure; and
- xxii) Commander Defence COVID-19 Task Force

Key management personnel remuneration is reported in the table below.

	2020	2019
	\$	\$
Short-term employee benefits	8,901,855	8,312,966
Post-employment benefits	1,713,509	1,639,908
Long-term benefits	195,860	144,356
<b>Total key management personnel remuneration expenses <sup>1</sup></b>	<b>10,811,224</b>	<b>10,097,230</b>

#### 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 these Ministers are not paid by the Department of Defence. Consequently, the total number of key management personnel that are disclosed within the remuneration expense balance is 21 (2018-19: 26). This includes instances where multiple individuals have fulfilled the same role within the period.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2020*

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#### 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 (2018-19: 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.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period (including comparative year) by Defence, it has been determined that there are no related party transactions to be separately disclosed.

Defence from time to time may gift items such as historical military pieces to other related parties.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Contingent Assets</b>				
Balance from previous period	1,500	2,200	1,500	2,200
New	-	1,500	-	1,500
Re-measurement	(1,500)	(2,200)	(1,500)	(2,200)
Assets realised	-	-	-	-
Rights expired	-	-	-	-
<b>Total contingent assets</b>	-	1,500	-	1,500
<b>Contingent Liabilities</b>				
Balance from previous period	67,460	53,777	67,460	53,777
New	55,900	63,220	55,900	63,220
Re-measurement	154,563	4,768	154,563	4,768
Liabilities realised	(212,523)	(28)	(212,523)	(28)
Obligations expired	-	(54,277)	-	(54,277)
<b>Total Contingent liabilities</b>	<b>65,400</b>	<b>67,460</b>	<b>65,400</b>	<b>67,460</b>
<b>Net contingent assets (liabilities)</b>	<b>(65,400)</b>	<b>(65,960)</b>	<b>(65,400)</b>	<b>(65,960)</b>

##### Quantifiable Contingencies

Contingent Assets: At 30 June 2020, there are no instances (2018-19: 1) of non-remote, quantifiable contingent assets in respect of claims by the Department (2018-19: \$1.5m).

Contingent Liabilities: At 30 June 2020, there are 6 (2018-19: 9) instances of non-remote, quantifiable contingent liabilities in respect of claims on the Department valued at \$65.4m (2018-19: \$67.5m). 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 2020 Defence had no instances (2018-19: 2) of unquantifiable non-remote contingent assets.

Contingent Liabilities: At 30 June 2020 Defence had 1 (2018-19: 1) 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 2020 Defence had 1 (2018-19: 2) instances of quantifiable remote contingent assets valued at \$0.7m (2018-19: \$0.7m).

Remote Contingent Liabilities: At 30 June 2020 Defence had 152 (2018-19: 171) instances of quantifiable remote contingent liabilities valued at \$4,501m (2018-19: \$5,312m). This balance relates to an Indemnity Register, which Defence maintains and records all potential quantifiable and unquantifiable contingent liabilities arising from Defence's legal and contractual obligations.



## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*For the period ended 30 June 2020*

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#### **7.1: Contingent Liabilities and Assets (continued)**

##### ***Unquantifiable Remote Contingencies***

Contingent Assets: At 30 June 2020 Defence had 3 instances of unquantifiable remote contingent assets (2018-19: nil).

Contingent Liabilities: At 30 June 2020 Defence had 1,326 instances of unquantifiable remote contingent liabilities (2018-19: 1,377).

##### **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 2020

#### 7.2: Financial Instruments

	Notes	2020 \$'000	2019 \$'000
<b>7.2A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	3.1A	427,418	286,961
Loans and receivables:			
Trade and other receivables		641,478	343,261
<b>Total financial assets at amortised cost</b>		<b>1,068,896</b>	<b>630,222</b>
<b>Carrying amount of financial assets</b>		<b>1,068,896</b>	<b>630,222</b>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Suppliers	3.3A	2,719,992	2,511,261
Other payables		341,512	354,879
Leases	3.4A	2,884,524	1,485,329
<b>Total financial liabilities measured at amortised cost</b>		<b>5,946,028</b>	<b>4,351,469</b>
<b>Carrying amount of financial liabilities</b>		<b>5,946,028</b>	<b>4,351,469</b>

As Defence is a government appropriated entity, its total financial assets are primarily funded through appropriations which are utilised to meet the department's liabilities as and when they fall due. The department's liabilities are considered as part of the yearly appropriation process. As the department will continue to be funded on an appropriation basis, this will enable the department to meet its liabilities as and when they fall due. Consequently, no liquidity issues are present as at 30 June 2020.

#### Accounting Policy

##### Financial Assets

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.

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.

##### (a) Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

- the financial asset is held in order to collect the contractual cash flows; and
- 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 based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

**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.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 7.2: Financial Instruments (continued)

##### Accounting Policy (continued)

###### *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.

###### *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.

	2020 \$'000	2019 \$'000
<b>7.2B: Net gains or losses on financial assets</b>		
<b>Financial assets at amortised cost</b>		
Exchange gain	994	3,083
Impairment reversal/(loss)	2,963	(2,103)
<b>Net gain on financial assets at amortised cost</b>	<b>3,957</b>	<b>980</b>
<b>Net gain on financial assets</b>	<b>3,957</b>	<b>980</b>

The net interest income from financial assets not at fair value through net cost of services is nil (2018-19: nil).

#### 7.2C: Net gains or losses on financial liabilities

##### Financial liabilities measured at amortised cost

Exchange (loss)	(44,915)	(39,748)
Interest expense	(115,742)	(101,633)
<b>Net (loss) on financial liabilities measured at amortised cost</b>	<b>(160,657)</b>	<b>(141,381)</b>
<b>Net (loss) on financial liabilities</b>	<b>(160,657)</b>	<b>(141,381)</b>

The net interest expense from financial liabilities not at fair value through net cost of services is nil (2018-19: nil).

Department of Defence

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

**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	2020 \$'000	2019 \$'000
<b>7.3A: Categories of financial instruments</b>			
<b>Financial assets at amortised cost</b>			
Cash and cash equivalents	4.1A	146,014	114,576
Loans and receivables:			
Trade and other receivables	4.1B	570,992	547,912
<b>Total financial assets at amortised cost</b>		<b>717,006</b>	<b>662,488</b>
<b>Financial assets at fair value through other comprehensive income (investments in equity instruments)</b>			
Investment - Defence Housing Australia	4.1C	2,630,545	2,809,339
Investment - Small Portfolio bodies	4.1C	80,959	79,686
<b>Total financial assets at fair value through other comprehensive income (investments in equity instruments)</b>		<b>2,711,504</b>	<b>2,889,025</b>
<b>Carrying amount of financial assets</b>		<b>3,428,510</b>	<b>3,551,513</b>
<b>Financial Liabilities</b>			
Financial liabilities measured at amortised cost:			
Other payables	4.3A	8,560	7,052
Special accounts	4.3A	146,014	114,576
<b>Total financial liabilities measured at amortised cost</b>		<b>154,574</b>	<b>121,628</b>
<b>Carrying amount of financial liabilities</b>		<b>154,574</b>	<b>121,628</b>
<b>7.3B: Net gains or losses on financial assets</b>			
<b>Financial assets at amortised cost</b>			
Interest revenue	2.2B	20,809	24,506
Impairment		-	(2)
Exchange gains/(loss)	2.2F	103	300
<b>Net gains on financial assets at amortised cost</b>		<b>20,912</b>	<b>24,804</b>
<b>Investments in equity instruments at fair value through other comprehensive income (designated)</b>			
Dividend revenue	4.1B	25,604	24,545
<b>Net gains on investments in equity instruments at fair value through other comprehensive income (designated)</b>		<b>25,604</b>	<b>24,545</b>
<b>Net gain on financial assets</b>		<b>46,516</b>	<b>49,349</b>
The net interest income from financial assets not at fair value through net cost of service is nil (2018-19: nil).			
<b>7.3C: Net gains or losses on financial liabilities</b>			
There was no net gain/(loss) from financial liabilities.			

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 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	
		2020 \$'000	2019 \$'000
<b>7.4A: Fair Value Measurements</b>			
<b>Non-financial assets - Recurring fair value</b>			
Land	3.2A	5,543,999	5,909,374
Buildings	3.2A	14,421,135	13,563,472
Specialist military equipment	3.2A	71,753,855	66,547,789
Infrastructure	3.2A	6,452,925	6,343,885
Plant and equipment	3.2A	1,770,450	1,336,330
Heritage and cultural	3.2A	474,107	474,037
Assets held for sale <sup>2</sup>	3.2D	215,822	151,376
<b>Total Non-financial assets - Recurring fair value</b>		<b>100,632,293</b>	<b>94,326,263</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	427,418	286,961
Trade and other receivables	3.1B	1,120,443	849,635
<b>Non-financial assets</b>			
Inventories	3.2B	7,369,485	7,036,627
Intangibles	3.2A	899,284	870,782
Prepayments	3.2C	1,825,942	2,497,354
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>11,642,572</b>	<b>11,541,359</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 2020*

		<b>2020</b>	2019
		<b>\$'000</b>	<b>\$'000</b>
<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	<b>2,719,992</b>	2,511,261
Other payables and personal benefits	3.3B, 3.3C	<b>704,903</b>	657,531
<b>Interest bearing liabilities</b>			
Finance lease payables	3.4A	<b>2,884,524</b>	1,485,329
<b>Provisions</b>			
Employee provisions	3.5A	<b>3,412,595</b>	3,041,254
Restoration, decontamination and decommissioning	3.5B	<b>1,414,034</b>	1,303,571
Other provisions	3.5C	<b>332,561</b>	432,341
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>11,468,609</b>	9,431,287

<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 2020

#### 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.

		Fair value measurements at the end of the reporting period	
		2020 \$'000	2019 \$'000
<b>7.5A: Administered Fair value measurements</b>			
<b>Financial assets</b>			
Administered Investment	4.1C	2,711,504	2,889,025
<b>Total Financial Assets</b>		<b>2,711,504</b>	<b>2,889,025</b>
<b>Assets not measured at fair value in the statement of financial position<sup>1</sup></b>			
Cash and cash equivalents	4.1A	146,014	114,576
Trade and other receivables	4.1B	570,992	547,912
Prepayments	4.2A	250,157	249,655
<b>Total assets not measured at fair value in the statement of financial position</b>		<b>967,163</b>	<b>912,143</b>
<b>Liabilities not measured at fair value in the statement of financial position<sup>1</sup></b>			
Other payables	4.3A	154,574	121,628
Employee provisions	4.4A	188,151,200	182,018,200
<b>Total liabilities not measured at fair value in the statement of financial position</b>		<b>188,305,774</b>	<b>182,139,828</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 2020*

**OTHER INFORMATION**

**8.1: Assets Held in Trust**

	2020 \$'000	2019 \$'000
<b>Young Endeavour Youth Program Public Fund (Trust)</b>		
As at 30 June 2020, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
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 sunseting of the Young Endeavour Youth Program Special Account on 1 April 2019.		
<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	1,523	1,495
Other receipts	42	34
<b>Total credits</b>	<b>1,565</b>	<b>1,529</b>
Payment made to suppliers	(2)	(6)
<b>Total debits</b>	<b>(2)</b>	<b>(6)</b>
<b>Total amount held at the end of the reporting period</b>	<b>1,563</b>	<b>1,523</b>
<b>Peter Mitchell Trust Fund (Trust)</b>		
As at 30 June 2020, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
As at 30 June 2019, 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".		
<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	1	6
Other receipts	9	3
<b>Total credits</b>	<b>10</b>	<b>9</b>
Payment made to suppliers	(7)	(8)
<b>Total debits</b>	<b>(7)</b>	<b>(8)</b>
<b>Total amount held at the end of the reporting period</b>	<b>3</b>	<b>1</b>
<b>Fedorczenko Legacy Fund Special Account (Trust)</b>		
As at 30 June 2020, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Defence Endowments, Bequests and Other Trust Moneys Special Account".		
As at 30 June 2019, monetary assets held in trust were also disclosed in Note 5.2 Special Accounts in the table titled "Fedorczenko Legacy Special Account".		
<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	167	164
Other receipts	2	3
<b>Total credits</b>	<b>169</b>	<b>167</b>
Payment made to suppliers	(4)	-
<b>Total debits</b>	<b>(4)</b>	<b>-</b>
<b>Total amount held at the end of the reporting period</b>	<b>165</b>	<b>167</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 8.2 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

#### 8.2A Departmental Restructuring

	2020	2019
		ASD
FUNCTIONS RELINQUISHED	\$'000	\$'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>	-	263,011
<b>Liabilities Relinquished</b>		
Employee provisions	-	60,803
<b>Total liabilities relinquished</b>	-	60,803
<b>Net assets relinquished</b>	-	202,208

**Department of Defence**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2020*

**8.3: Aggregate Assets and Liabilities**

**8.3A: Aggregate Assets and Liabilities**

	2020 \$'000	2019 \$'000
<b>Assets expected to be recovered in</b>		
No more than 12 months	4,322,696	4,590,152
More than 12 months	107,952,169	101,277,470
<b>Total assets</b>	<b>112,274,865</b>	<b>105,867,622</b>
<b>Liabilities expected to be settled in</b>		
No more than 12 months	4,943,300	4,945,101
More than 12 months	6,525,309	4,486,186
<b>Total liabilities</b>	<b>11,468,609</b>	<b>9,431,287</b>

**8.3B: Administered - Aggregate Assets and Liabilities**

<b>Assets expected to be recovered in</b>		
No more than 12 months	352,564	311,517
More than 12 months	3,326,103	3,489,651
<b>Total assets</b>	<b>3,678,667</b>	<b>3,801,168</b>
<b>Liabilities expected to be settled in</b>		
No more than 12 months	2,891,574	2,679,628
More than 12 months	185,414,200	179,460,200
<b>Total liabilities</b>	<b>188,305,774</b>	<b>182,139,828</b>

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 8.4: Restatement of Prior Period Errors

##### 8.4A Restatement of Prior Period Errors

In the 2019-20 financial period, Defence has identified a number of errors relating to balances reported in prior financial periods resulting in the restatement of comparatives within the 2019-20 financial statements. The impact of the restatement was to:

- reduce the reported 2018-19 surplus by \$242.9 million (restated 2018-19 surplus of \$115.2 million);
- reduce the reported 2018-19 net asset value by \$210.2 million (restated 2018-19 net assets of \$96,436.3 million); and
- reduce the reported opening retained surpluses of 2018-19 by \$32.7 million.

	2018-19 Original Balance \$'000	2018-19 Restated Balance \$'000	Increase/ (Decrease) \$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Expenses</b>			
Write-down and impairment of assets <sup>1</sup>	860,259	1,250,969	390,710
<b>Own-Source Income</b>			
Revenue from contracts with customers <sup>2</sup>	539,654	310,483	(229,171)
Rental Income <sup>2</sup>	6,544	235,715	229,171
<b>Gains</b>			
Reversals of previous asset write-downs and impairment <sup>1</sup>	368,665	516,483	147,818
Surplus attributable to the Australian Government	358,059	115,167	(242,892)
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Financial assets</b>			
Cash and cash equivalents <sup>3</sup>	76,179	286,961	210,782
<b>Non-financial assets</b>			
Land and buildings <sup>1</sup>	19,454,331	19,472,846	18,515
Specialist military equipment <sup>1</sup>	66,559,643	66,547,789	(11,854)
Infrastructure <sup>1</sup>	6,342,088	6,343,885	1,797
Plant and equipment <sup>1</sup>	1,393,661	1,336,330	(57,331)
Heritage and cultural assets <sup>1</sup>	473,307	474,037	730
Intangibles <sup>1</sup>	890,442	870,782	(19,660)
Inventories <sup>1</sup>	7,178,986	7,036,627	(142,359)
<b>Payables</b>			
Other payables <sup>3</sup>	359,627	570,409	210,782
NET ASSETS	96,646,497	96,436,335	(210,162)
<b>Equity</b>			
Retained surpluses <sup>1</sup>	36,987,405	36,777,243	(210,162)
<b>CASH FLOW STATEMENT</b>			
<b>Cash received</b>			
Other <sup>3</sup>	66,418	395,692	329,274
<b>Cash used</b>			
Other <sup>3</sup>	(71,554)	(228,872)	(157,318)
Net increase/(decrease) in cash held	1,315	173,271	171,956

Increases/(decreases) to balances are reflected as positive/(negative) amounts above, irrespective of the nature of the balance.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

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#### 8.4A: Restatement of Prior Period Errors (continued)

##### 8.4A Restatement of Prior Period Errors (continued)

###### Notes:

1. In the 2019-20 financial period, asset review activities have identified significant write-downs and impairment of assets that should have been recorded in prior financial periods:

- a) \$390.7 million of write-down and impairment of asset expenses have been restated in 2018-19 comparatives, relating to land and buildings, specialist military equipment, infrastructure, plant and equipment, intangibles and general inventories. These were identified through asset remediation activities undertaken in 2019-20, representing only 0.4% of the 2018-19 closing balance of non-financial assets.
- b) \$147.8 million of reversals of previous asset write-downs have been restated in 2018-19 comparatives, relating to land and buildings, specialist military equipment, infrastructure, and plant and equipment. These were identified through asset remediation activities undertaken in 2019-20, representing only 0.1% of the 2018-19 closing balance of non-financial assets.
- c) A net impact of \$32.7 million of write-downs and impairment of asset expenses, and reversals of previous asset write-downs relating to financial periods prior to 2018-19, have been restated in 2018-19 comparatives for retained surpluses. This restatement relates to the cumulative impact of restatements to land and buildings, specialist military equipment, infrastructure, plant and equipment, heritage and cultural assets, intangibles and inventories relating to financial periods prior to 2018-19.

2. Group rental scheme income which represent contributions made by Defence service members for residences sub-leased by Defence were classified as revenue from customer contracts in 2018-19. In the current financial period, upon further guidance and review by Defence, it has been determined that this represents rental income and has subsequently been reclassified. Given the size of the reclassification, prior period comparatives have been restated to reflect this change (\$205.3 million), however there is no change to the 2018-19 or 2019-20 reported surplus.

Additionally, \$23.9 million of revenue recorded in the prior period has been reclassified from rendering of services to Other rental income. This relates to amounts received from ASD specifically in relation to ASD's ongoing use of buildings owned by Defence that was previously recorded as revenue from contracts with customers. This has no impact on the 2018-19 or 2019-20 reported surplus.

3. Defence has entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is received in advance of expenditure being incurred. In 2018-19, funding received was reported as assets held in relation to activities performed on behalf of foreign governments, and subsequently not reported within Defence's statement of financial position. In 2019-20, it has been determined the funding received represents both cash and cash equivalents of Defence, in addition to amounts payable, as the funding received is only to be utilised for specific purposes. The restatement of comparatives in the current period (\$210.8 million) also includes a restatement of comparatives within the cash flow statement to recognise additional other cash received, other cash used and opening cash (\$38.8 million) to reflect the cash flows associated with the restated cash balance.

Refer to Note 8.4B for the quantum of the adjustment for each financial statement line item impacted.

## Department of Defence

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2020

#### 8.4: Restatement of Prior Period Errors (continued)

##### 8.4B: Reconciliation of Adjustments (Adj) to 2018-19 Financial Statements

	Adj 1a \$'000s	Adj 1b \$'000s	Adj 1c \$'000s	Adj 2 \$'000s	Adj 3 \$'000s	Total Adjustments \$'000s
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
<b>Expenses</b>						
Write-down and impairment of assets	390,710	-	-	-	-	390,710
<b>Own-Source Income</b>						
Revenue from contracts with customers	-	-	-	(229,171)	-	(229,171)
Rental Income	-	-	-	229,171	-	229,171
<b>Gains</b>						
Reversals of previous asset write-downs and impairment	-	147,818	-	-	-	147,818
Increase/(Decrease) in surplus attributable to the Australian Government	(390,710)	147,818	-	-	-	(242,892)
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	-	-	-	210,782	210,782
<b>Non-financial assets</b>						
Land and buildings	(8,952)	4,354	23,113	-	-	18,515
Specialist military equipment	(282,946)	127,573	143,519	-	-	(11,854)
Infrastructure	(6,924)	11,925	(3,204)	-	-	1,797
Plant and equipment	(11,010)	3,966	(50,287)	-	-	(57,331)
Heritage and cultural assets	-	-	730	-	-	730
Intangibles	(15,488)	-	(4,172)	-	-	(19,660)
Inventories	(65,390)	-	(76,969)	-	-	(142,359)
<b>Payables</b>						
Other payables	-	-	-	-	210,782	210,782
NET ASSETS	(390,710)	147,818	32,730	-	-	(210,162)
<b>Equity</b>						
Retained surpluses	(390,710)	147,818	32,730	-	-	(210,162)
<b>CASH FLOW STATEMENT</b>						
<b>Cash received</b>						
Other	-	-	-	-	329,274	329,274
<b>Cash used</b>						
Other	-	-	-	-	(157,318)	(157,318)
Net increase/(decrease) in cash held	-	-	-	-	171,956	171,956

Increases/(decreases) to balances are reflected as positive/(negative) amounts above, irrespective of the nature of the balance.

## Appendix B: Additional workforce tables

Table B.1: All ongoing APS employees by location, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	1,336	20	1,356	955	162	1,117	–	–	–	2,473
Qld	622	12	634	523	73	596	–	–	–	1,230
SA	1,451	35	1,486	480	73	553	–	1	1	2,040
Tas	31	2	33	31	5	36	–	–	–	69
Vic <sup>1</sup>	2,017	47	2,064	1,087	167	1,254	1	–	1	3,319
WA	262	1	263	163	25	188	–	–	–	451
ACT <sup>2</sup>	3,257	79	3,336	3,390	454	3,844	2	–	2	7,182
NT	87	2	89	111	4	115	–	–	–	204
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	82	1	83	50	1	51	–	–	–	134
<b>Total</b>	<b>9,145</b>	<b>199</b>	<b>9,344</b>	<b>6,790</b>	<b>964</b>	<b>7,754</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>17,102</b>

**Notes:** Figures in this table show headcount, based on actual location. 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 APS employees by location, 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	1,347	26	1,373	930	174	1,104	–	–	–	2,477
Qld	615	14	629	530	65	595	–	–	–	1,224
SA	1,420	38	1,458	454	78	532	–	1	1	1,991
Tas	28	2	30	32	7	39	–	–	–	69
Vic <sup>1</sup>	2,067	48	2,115	1,074	173	1,247	1	–	1	3,363
WA	271	1	272	160	27	187	–	–	–	459
ACT <sup>2</sup>	3,136	75	3,211	3,091	437	3,528	1	–	1	6,740
NT	98	2	100	105	4	109	–	–	–	209
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	93	1	94	45	–	45	–	–	–	139
<b>Total</b>	<b>9,075</b>	<b>207</b>	<b>9,282</b>	<b>6,421</b>	<b>965</b>	<b>7,386</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>16,671</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 2018–19* 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 APS employees by location, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
NSW	10	2	12	15	2	17	–	–	–	29
Qld	6	–	6	9	–	9	–	–	–	15
SA	16	17	33	10	3	13	–	–	–	46
Tas	1	–	1	5	–	5	–	–	–	6
Vic <sup>1</sup>	71	3	74	58	–	58	–	–	–	132
WA	2	–	2	3	–	3	–	–	–	5
ACT <sup>2</sup>	52	1	53	51	12	63	–	–	–	116
NT	–	–	–	2	–	2	–	–	–	2
External Territories	–	–	–	–	–	–	–	–	–	–
Overseas	1	–	1	–	–	–	–	–	–	1
<b>Total</b>	<b>159</b>	<b>23</b>	<b>182</b>	<b>153</b>	<b>17</b>	<b>170</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>352</b>

**Notes:** Figures in this table show headcount, based on actual location. 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 APS employees by location, 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	5	3	8	–	–	–	39
Tas	–	–	–	–	–	–	–	–	–	–
Vic <sup>1</sup>	37	–	37	39	–	39	–	–	–	76
WA	1	–	1	1	–	1	–	–	–	2
ACT <sup>2</sup>	34	1	35	32	11	43	1	–	1	79
NT	–	–	–	1	–	1	–	–	–	1
External Territories	–	–	–	–	–	–	–	–	–	0
Overseas	1	–	1	–	–	–	–	–	–	1
<b>Total</b>	<b>104</b>	<b>12</b>	<b>116</b>	<b>85</b>	<b>15</b>	<b>100</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>217</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 2018–19* 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, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	29	–	29	12	–	12	–	–	–	41
SES 1	47	1	48	50	–	50	–	–	–	98
EL 2	1,120	21	1,141	461	26	487	–	–	–	1,628
EL 1	2,161	40	2,201	1,217	161	1,378	1	1	2	3,581
APS 6	2,825	58	2,883	1,845	328	2,173	–	–	–	5,056
APS 5	1,464	29	1,493	1,244	140	1,384	–	–	–	2,877
APS 4	654	18	672	878	121	999	–	–	–	1,671
APS 3	414	15	429	694	135	829	–	–	–	1,258
APS 2	328	8	336	307	43	350	2	–	2	688
APS 1	97	9	106	79	10	89	–	–	–	195
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>9,145</b>	<b>199</b>	<b>9,344</b>	<b>6,790</b>	<b>964</b>	<b>7,754</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>17,102</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, 2018–19

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	1	–	1	–	–	–	–	–	–	1
SES 3	5	–	5	3	–	3	–	–	–	8
SES 2	27	–	27	10	–	10	–	–	–	37
SES 1	49	1	50	40	–	40	–	–	–	90
EL 2	1,109	14	1,123	420	25	445	–	–	–	1,568
EL 1	2,115	33	2,148	1,073	158	1,231	–	1	1	3,380
APS 6	2,735	80	2,815	1,702	312	2,014	1	–	1	4,830
APS 5	1,476	29	1,505	1,166	141	1,307	–	–	–	2,812
APS 4	716	15	731	852	129	981	–	–	–	1,712
APS 3	413	16	429	719	149	868	–	–	–	1,297
APS 2	337	11	348	365	40	405	1	–	1	754
APS 1	92	8	100	71	11	82	–	–	–	182
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>9,075</b>	<b>207</b>	<b>9,282</b>	<b>6,421</b>	<b>965</b>	<b>7,386</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>16,671</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 2018–19* to account for retrospective transactions.

Table B.7: Australian Public Service Act non-ongoing employees, 2019–20

	Male			Female			Indeterminate			Total
	Full time	Part time	Total male	Full time	Part time	Total female	Full time	Part time	Total indeterminate	
Secretary	–	–	–	–	–	–	–	–	–	–
SES 3	2	–	2	–	–	–	–	–	–	2
SES 2	2	–	2	–	–	–	–	–	–	2
SES 1	2	–	2	–	–	–	–	–	–	2
EL 2	7	14	21	5	1	6	–	–	–	27
EL 1	14	3	17	6	3	9	–	–	–	26
APS 6	25	4	29	20	5	25	–	–	–	54
APS 5	13	1	14	24	4	28	–	–	–	42
APS 4	9	–	9	25	3	28	–	–	–	37
APS 3	19	1	20	26	–	26	–	–	–	46
APS 2	22	–	22	23	1	24	–	–	–	46
APS 1	44	–	44	24	–	24	–	–	–	68
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>159</b>	<b>23</b>	<b>182</b>	<b>153</b>	<b>17</b>	<b>170</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>352</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.

Table B.8: 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	
Secretary	–	–	–	–	–	–	–	–	–	–
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	2	11	5	2	7	–	–	–	18
APS 6	24	1	25	15	2	17	1	–	1	43
APS 5	11	–	11	11	6	17	–	–	–	28
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	14	–	14	8	–	8	–	–	–	22
Other	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>104</b>	<b>12</b>	<b>116</b>	<b>85</b>	<b>15</b>	<b>100</b>	<b>1</b>	<b>–</b>	<b>1</b>	<b>217</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 2018–19* to account for retrospective transactions.

Table B.9: Australian Public Service Act employees by full-time and part-time status, 2019–20

	Ongoing			Non-ongoing			Total
	Full time	Part time	Total ongoing	Full time	Part time	Total non-ongoing	
Secretary	1	–	1	–	–	–	1
SES 3	8	–	8	2	–	2	10
SES 2	41	–	41	2	–	2	43
SES 1	97	1	98	2	–	2	100
EL 2	1,581	47	1,628	12	15	27	1,655
EL 1	3,379	202	3,581	20	6	26	3,607
APS 6	4,670	386	5,056	45	9	54	5,110
APS 5	2,708	169	2,877	37	5	42	2,919
APS 4	1,532	139	1,671	34	3	37	1,708
APS 3	1,108	150	1,258	45	1	46	1,304
APS 2	637	51	688	45	1	46	734
APS 1	176	19	195	68	–	68	263
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>15,938</b>	<b>1,164</b>	<b>17,102</b>	<b>312</b>	<b>40</b>	<b>352</b>	<b>17,454</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.

Table B.10: 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	
Secretary	1	–	1	–	–	–	1
SES 3	8	–	8	1	–	1	9
SES 2	37	–	37	2	–	2	39
SES 1	89	1	90	1	–	1	91
EL 2	1,529	39	1,568	8	7	15	1,583
EL 1	3,188	192	3,380	14	4	18	3,398
APS 6	4,438	392	4,830	40	3	43	4,873
APS 5	2,642	170	2,812	22	6	28	2,840
APS 4	1,568	144	1,712	29	5	34	1,746
APS 3	1,132	165	1,297	24	2	26	1,323
APS 2	703	51	754	27	–	27	781
APS 1	163	19	182	22	–	22	204
Other	–	–	–	–	–	–	–
<b>Total</b>	<b>15,498</b>	<b>1,173</b>	<b>16,671</b>	<b>190</b>	<b>27</b>	<b>217</b>	<b>16,888</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 2018–19* to account for retrospective transactions.

Table B.11: Permanent ADF members by location, 2019–20

	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	5,109	4,608	3,292	13,009	1,344	743	1,001	3,088	–	–	1	1	6,453	5,351	4,294	16,098
Qld	604	10,433	2,547	13,584	206	1,910	833	2,949	–	1	–	1	810	12,344	3,380	16,534
SA	150	1,619	1,510	3,279	19	181	408	608	–	–	–	–	169	1,800	1,918	3,887
Tas	17	40	6	63	4	12	4	20	–	–	–	–	21	52	10	83
Vic <sup>1</sup>	1,604	2,617	807	5,028	481	430	298	1,209	–	–	–	–	2,085	3,047	1,105	6,237
WA	2,188	812	219	3,219	527	92	54	673	1	–	–	1	2,716	904	273	3,893
ACT <sup>2</sup>	1,339	2,429	1,538	5,306	583	595	680	1,858	1	1	2	4	1,923	3,025	2,220	7,168
NT	490	2,398	690	3,578	163	418	234	815	–	–	–	–	653	2,816	924	4,393
Overseas <sup>3</sup>	167	261	275	703	30	27	42	99	–	–	–	–	197	288	317	802
Total	11,668	25,217	10,884	47,769	3,357	4,408	3,554	11,319	2	2	3	7	15,027	29,627	14,441	59,095

**Notes:** Figures in this table are headcount and are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2). Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Figures in this table are based on substantive location for the ADF.

- Victorian figures include individuals located in Albany 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.12: Permanent ADF members by location, 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	4,964	4,439	3,303	12,706	1,280	709	958	2,947	–	–	2	2	6,244	5,148	4,263	15,655
Qld	601	10,417	2,558	13,576	203	1,845	825	2,873	–	–	–	–	804	12,262	3,383	16,449
SA	117	1,712	1,538	3,367	16	176	360	552	–	–	–	–	133	1,888	1,898	3,919
Tas	19	48	8	75	3	8	3	14	–	–	–	–	22	56	11	89
Vic <sup>1</sup>	1,437	2,591	805	4,833	437	475	278	1,190	1	–	–	1	1,875	3,066	1,083	6,024
WA	2,030	817	238	3,085	488	93	61	642	1	–	–	1	2,519	910	299	3,728
ACT <sup>2</sup>	1,312	2,381	1,510	5,203	516	569	649	1,734	1	1	1	3	1,829	2,951	2,160	6,940
NT	451	2,488	718	3,657	127	419	203	749	–	–	–	–	578	2,907	921	4,406
Overseas <sup>3</sup>	176	297	283	756	26	25	41	92	–	–	–	–	202	322	324	848
Total	11,107	25,190	10,961	47,258	3,096	4,319	3,378	10,793	3	1	3	7	14,206	29,510	14,342	58,058

**Notes:** Figures in this table are headcount and are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2). Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF.

- Victorian figures include individuals located in Albany 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.13: Reserve members by location, 2019–20

	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	859	4,638	1,257	6,754	222	747	312	1,281	–	–	–	–	1,081	5,385	1,569	8,035
Qld	375	4,147	1,088	5,610	100	818	316	1,234	–	–	–	–	475	4,965	1,404	6,844
SA	78	1,363	537	1,978	26	288	122	436	–	–	–	–	104	1,651	659	2,414
Tas	68	416	43	527	18	84	17	119	–	–	–	–	86	500	60	646
Vic <sup>1</sup>	232	3,010	351	3,593	71	479	72	622	–	–	–	–	303	3,489	423	4,215
WA	261	1,702	169	2,132	68	290	45	403	–	–	–	–	329	1,992	214	2,535
ACT <sup>2</sup>	882	832	891	2,605	286	170	285	741	–	–	–	–	1,168	1,002	1,176	3,346
NT	65	536	77	678	18	108	32	158	–	–	–	–	83	644	109	836
Overseas <sup>3</sup>	3	4	–	7	–	–	–	–	–	–	–	–	3	4	–	7
Total	2,823	16,648	4,413	23,884	809	2,984	1,201	4,994	–	–	–	–	3,632	19,632	5,614	28,878

**Notes:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3, and Reserves undertaking continuous full-time service (Service Option C). Figures in this table are based on substantive location for the ADF. This does not include members in Service Category 2, who do not render service.

1. Victorian figures include individuals located in Albany 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.14: Reserve members by location, 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	4,537	1,054	6,383	219	717	255	1,191	–	–	–	–	1,011	5,254	1,309	7,574
Qld	378	4,005	1,088	5,471	103	796	295	1,194	–	2	–	2	481	4,803	1,383	6,667
SA	77	1,238	429	1,744	22	259	102	383	–	–	–	–	99	1,497	531	2,127
Tas	67	419	44	530	15	84	16	115	–	–	–	–	82	503	60	645
Vic <sup>1</sup>	218	2,855	337	3,410	68	447	60	575	–	–	–	–	286	3,302	397	3,985
WA	217	1,606	173	1,996	60	260	45	365	–	–	–	–	277	1,866	218	2,361
ACT <sup>2</sup>	758	813	841	2,412	255	155	266	676	–	–	–	–	1,013	968	1,107	3,088
NT	69	469	75	613	18	100	26	144	–	–	–	–	87	569	101	757
Overseas <sup>3</sup>	8	5	–	13	–	–	–	–	–	–	–	–	8	5	–	13
Total	2,584	15,947	4,041	22,572	760	2,818	1,065	4,643	–	2	–	2	3,344	18,767	5,106	27,217

**Notes:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3, and Reserves undertaking continuous full-time service (Service Option C). Some 30 June 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF. This does not include members in Service Category 2, who do not render service.

1. Victorian figures include individuals located in Albany 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, 2019–20

	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force
<b>Officer</b>												
General (E)	–	1	–	1	–	–	–	–	–	–	–	1
Lieutenant General (E)	3	3	2	8	–	–	–	–	–	3	3	2
Major General (E)	8	18	8	34	2	4	1	7	–	10	22	9
Brigadier (E)	38	51	32	121	6	9	6	21	–	44	60	38
Colonel (E)	139	164	135	438	29	28	25	82	–	168	192	160
Lieutenant Colonel (E)	403	607	434	1,444	102	107	105	314	1	506	714	539
Major (E)	689	1,591	871	3,151	183	281	259	723	–	872	1,872	1,130
Captain (E)	915	1,515	1,482	3,912	282	301	461	1,044	–	1,197	1,816	1,944
Lieutenant (E)	290	834	513	1,637	90	293	214	597	–	380	1,128	727
2nd Lieutenant (E)	51	3	331	385	10	–	111	121	–	61	3	443
Officer Cadet (E)	355	552	243	1,150	147	142	135	424	–	502	694	378
<b>Officer total</b>	<b>2,891</b>	<b>5,339</b>	<b>4,051</b>	<b>12,281</b>	<b>851</b>	<b>1,165</b>	<b>1,317</b>	<b>3,333</b>	<b>1</b>	<b>4</b>	<b>6,505</b>	<b>5,370</b>
<b>Other ranks</b>												
Regimental Sergeant Major (E)	–	1	–	1	1	–	1	2	–	–	1	1
Warrant Officer Class 1 (E)	227	611	476	1,314	25	71	72	168	–	252	682	548
Warrant Officer Class 2 (E)	913	1,765	647	3,325	131	178	117	426	–	1,044	1,943	764
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	2	–
Sergeant (E)	1,295	2,148	1,278	4,721	272	272	263	807	–	1,567	2,420	1,541
Corporal (E)	2,038	3,670	1,772	7,480	573	619	473	1,665	–	2,611	4,290	2,245
Lance Corporal (E)	–	1,408	–	1,408	–	165	–	165	–	–	1,573	–
Private Proficient (E)	2,500	6,684	1,978	11,162	905	1,164	826	2,895	–	3,405	7,848	2,805
Private (E)	600	1,663	267	2,530	268	371	254	893	1	869	2,034	521
Private Trainee (E)	914	1,339	316	2,569	218	235	165	618	–	1,132	1,574	481
Recruit (E)	290	587	99	976	113	168	66	347	–	403	755	165
<b>Other ranks total</b>	<b>8,777</b>	<b>19,878</b>	<b>6,833</b>	<b>35,488</b>	<b>2,506</b>	<b>3,243</b>	<b>2,237</b>	<b>7,986</b>	<b>1</b>	<b>3</b>	<b>11,284</b>	<b>9,071</b>
<b>Total ADF</b>	<b>11,668</b>	<b>25,217</b>	<b>10,884</b>	<b>47,769</b>	<b>3,357</b>	<b>4,408</b>	<b>3,554</b>	<b>11,319</b>	<b>2</b>	<b>7</b>	<b>15,027</b>	<b>14,441</b>

**Note:** Figures in this table are headcount for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2). Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).

Table B.16: 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	–
Lieutenant General (E)	2	3	3	8	–	–	–	–	–	–	–	–	–	2	3	8
Major General (E)	10	15	8	33	1	3	2	6	–	–	–	–	–	11	18	39
Brigadier (E)	33	51	33	117	5	7	4	16	–	–	–	–	–	38	58	133
Colonel (E)	126	169	126	421	22	29	22	73	–	–	–	–	–	148	198	494
Lieutenant Colonel (E)	372	594	432	1,398	77	100	103	280	–	–	–	–	–	449	694	1,678
Major (E)	647	1,582	890	3,119	172	281	248	701	1	–	–	–	1	820	1,863	3,821
Captain (E)	929	1,525	1,419	3,873	283	277	467	1,027	–	–	1	1	1	1,212	1,802	4,901
Lieutenant (E)	251	828	512	1,591	69	289	192	550	–	–	–	–	–	320	1,117	2,141
2nd Lieutenant (E)	45	7	307	359	8	1	103	112	–	–	–	–	–	53	8	471
Officer Cadet (E)	307	562	245	1,114	126	140	127	393	–	1	1	2	433	703	373	1,509
<b>Officer total</b>	<b>2,722</b>	<b>5,337</b>	<b>3,975</b>	<b>12,034</b>	<b>763</b>	<b>1,127</b>	<b>1,268</b>	<b>3,158</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</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	3
Warrant Officer Class 1 (E)	214	593	495	1,302	20	71	77	168	–	–	–	–	–	234	664	1,470
Warrant Officer Class 2 (E)	874	1,747	646	3,267	113	173	111	397	–	–	–	–	–	987	1,920	3,664
Staff Sergeant (E)	–	2	–	2	–	–	–	–	–	–	–	–	–	–	2	–
Sergeant (E)	1,206	2,128	1,317	4,651	242	267	268	777	–	–	–	–	–	1,448	2,395	5,428
Corporal (E)	1,893	3,686	1,800	7,379	519	600	463	1,582	1	–	–	–	1	2,413	4,286	8,962
Lance Corporal (E)	–	1,343	–	1,343	–	147	–	147	–	–	–	–	–	–	1,490	–
Private Proficient (E)	2,709	7,178	2,161	12,048	894	1,037	693	2,624	–	–	1	1	3,603	8,215	2,855	14,673
Private (E)	616	1,456	289	2,361	273	453	254	980	–	–	–	–	–	889	1,909	543
Private Trainee (E)	658	1,270	188	2,116	208	297	186	691	1	–	–	–	1	867	1,567	374
Recruit (E)	214	449	89	752	64	147	58	269	–	–	–	–	–	278	596	147
<b>Other ranks total</b>	<b>8,385</b>	<b>19,853</b>	<b>6,986</b>	<b>35,224</b>	<b>2,333</b>	<b>3,192</b>	<b>2,110</b>	<b>7,635</b>	<b>2</b>	<b>–</b>	<b>1</b>	<b>3</b>	<b>10,720</b>	<b>23,045</b>	<b>9,097</b>	<b>42,862</b>
<b>Total ADF</b>	<b>11,107</b>	<b>25,190</b>	<b>10,961</b>	<b>47,258</b>	<b>3,096</b>	<b>4,319</b>	<b>3,378</b>	<b>10,793</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>7</b>	<b>14,206</b>	<b>29,510</b>	<b>14,342</b>	<b>58,058</b>

**Notes:** Figures in this table are headcount for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2). Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G). Some 30 June 2019 figures have been adjusted from what was reported in the Defence Annual Report 2018–19 to account for retrospective transactions.



Table B.17: ADF Reserve members, 2019-20

	Male			Female			Indeterminate			Total		
	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force	Navy	Army	Air Force
<b>Officer</b>												
General (E)	-	-	1	1	-	-	-	-	-	-	-	1
Lieutenant General (E)	4	2	3	9	-	-	-	-	-	4	2	3
Major General (E)	19	16	25	60	2	2	6	-	-	21	18	27
Brigadier (E)	51	80	69	200	4	8	7	19	-	55	88	76
Colonel (E)	114	240	171	525	6	28	23	57	-	120	268	194
Lieutenant Colonel (E)	280	499	327	1,106	41	70	61	172	-	321	569	388
Major (E)	381	1,128	643	2,152	90	199	151	440	-	471	1,327	794
Captain (E)	393	1,012	615	2,020	131	237	235	603	-	524	1,249	850
Lieutenant (E)	6	425	30	461	8	178	27	213	-	14	603	57
2nd Lieutenant (E)	-	1	-	1	-	-	1	1	-	-	1	1
Officer Cadet (E)	-	414	-	414	-	88	88	-	-	-	502	-
<b>Officer total</b>	<b>1,248</b>	<b>3,817</b>	<b>1,884</b>	<b>6,949</b>	<b>282</b>	<b>810</b>	<b>507</b>	<b>1,599</b>	<b>-</b>	<b>1,530</b>	<b>4,627</b>	<b>2,391</b>
<b>Other ranks</b>												
Regimental Sergeant Major (E)	-	-	-	-	-	-	-	-	-	-	-	-
Warrant Officer Class 1 (E)	120	446	366	932	5	65	36	106	-	125	511	402
Warrant Officer Class 2 (E)	327	639	254	1,220	49	75	53	177	-	376	714	307
Staff Sergeant (E)	-	13	-	13	-	1	-	1	-	-	14	-
Sergeant (E)	279	1,012	411	1,702	110	197	144	451	-	389	1,209	555
Corporal (E)	445	1,945	669	3,059	195	372	208	775	-	640	2,317	877
Lance Corporal (E)	-	1,075	-	1,075	-	108	-	108	-	-	1,183	-
Private Proficient (E)	396	3,829	673	4,898	162	620	201	983	-	558	4,449	874
Private (E)	5	2,159	101	2,265	5	391	32	428	-	10	2,550	133
Private Trainee (E)	1	837	41	879	1	180	15	196	-	2	1,017	56
Recruit (E)	2	876	14	892	-	165	5	170	-	2	1,041	19
<b>Other ranks total</b>	<b>1,575</b>	<b>12,831</b>	<b>2,529</b>	<b>16,935</b>	<b>527</b>	<b>2,174</b>	<b>694</b>	<b>3,395</b>	<b>-</b>	<b>2,102</b>	<b>15,005</b>	<b>3,223</b>
<b>Total ADF</b>	<b>2,823</b>	<b>16,648</b>	<b>4,413</b>	<b>23,884</b>	<b>809</b>	<b>2,984</b>	<b>1,201</b>	<b>4,994</b>	<b>-</b>	<b>3,632</b>	<b>19,632</b>	<b>5,614</b>

**Note:** Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.18: ADF 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
Officer																
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)	51	72	64	187	3	7	4	14	–	–	–	–	54	79	68	201
Colonel (E)	106	227	167	500	7	22	24	53	–	–	–	–	113	249	191	553
Lieutenant Colonel (E)	253	496	320	1,069	40	70	55	165	–	–	–	–	293	566	375	1,234
Major (E)	364	1,101	608	2,073	92	186	143	421	–	–	–	–	456	1,287	751	2,494
Captain (E)	374	991	576	1,941	123	233	206	562	–	–	–	–	497	1,224	782	2,503
Lieutenant (E)	5	408	32	445	5	161	22	188	–	–	–	–	10	569	54	633
2nd Lieutenant (E)	–	2	–	2	–	1	1	2	–	–	–	–	–	3	1	4
Officer Cadet (E)	–	454	–	454	–	102	–	102	–	–	–	–	–	556	–	556
Officer total	1,175	3,773	1,791	6,739	272	784	456	1,512	–	–	–	–	1,447	4,557	2,247	8,251
Other ranks																
Regimental Sergeant Major (E)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Warrant Officer Class 1 (E)	114	469	334	917	5	61	30	96	–	–	–	–	119	530	364	1,013
Warrant Officer Class 2 (E)	315	650	244	1,209	45	73	44	162	–	–	–	–	360	723	288	1,371
Staff Sergeant (E)	–	18	–	18	–	1	–	1	–	–	–	–	–	19	–	19
Sergeant (E)	246	996	366	1,608	109	187	131	427	–	–	–	–	355	1,183	497	2,035
Corporal (E)	385	1,768	593	2,746	172	350	186	708	–	–	–	–	557	2,118	779	3,454
Lance Corporal (E)	–	955	–	955	–	95	–	95	–	1	–	1	–	1,051	–	1,051
Private Proficient (E)	341	3,636	571	4,548	150	601	177	928	–	–	–	–	491	4,237	748	5,476
Private (E)	6	1,910	105	2,021	6	301	30	337	–	–	–	–	12	2,211	135	2,358
Private Trainee (E)	–	806	24	830	–	165	9	174	–	–	–	–	–	971	33	1,004
Recruit (E)	2	966	13	981	1	200	2	203	–	1	–	1	3	1,167	15	1,185
Other ranks total	1,409	12,174	2,250	15,833	488	2,034	609	3,131	–	2	–	2	1,897	14,210	2,859	18,966
Total ADF	2,584	15,947	4,041	22,572	760	2,818	1,065	4,643	–	2	–	2	3,344	18,767	5,106	27,217

Notes: Figures in this table are headcount. Reserves include all members who render Reserve service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service. Some 30 June 2019 figures have been adjusted from what was reported in the Defence Annual Report 2018–19 to account for retrospective transactions.

Table B.19: ADF permanent and Reserve members, 2019–20

	Permanent <sup>1</sup>				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)	3	3	2	8	4	2	3	9
Major General (E)	10	22	9	41	21	18	27	66
Brigadier (E)	44	60	38	142	55	88	76	219
Colonel (E)	168	192	160	520	120	268	194	582
Lieutenant Colonel (E)	506	714	539	1,759	321	569	388	1,278
Major (E)	872	1,872	1,130	3,874	471	1,327	794	2,592
Captain (E)	1,197	1,816	1,944	4,957	524	1,249	850	2,623
Lieutenant (E)	380	1,128	727	2,235	14	603	57	674
2nd Lieutenant (E)	61	3	443	507	–	1	1	2
Officer Cadet (E)	502	694	378	1,574	–	502	–	502
<b>Officer total</b>	<b>3,743</b>	<b>6,505</b>	<b>5,370</b>	<b>15,618</b>	<b>1,530</b>	<b>4,627</b>	<b>2,391</b>	<b>8,548</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	252	682	548	1,482	125	511	402	1,038
Warrant Officer Class 2 (E)	1,044	1,943	764	3,751	376	714	307	1,397
Staff Sergeant (E)	–	2	–	2	–	14	–	14
Sergeant (E)	1,567	2,420	1,541	5,528	389	1,209	555	2,153
Corporal (E)	2,611	4,290	2,245	9,146	640	2,317	877	3,834
Lance Corporal (E)	–	1,573	–	1,573	–	1,183	–	1,183
Private Proficient (E)	3,405	7,848	2,805	14,058	558	4,449	874	5,881
Private (E)	869	2,034	521	3,424	10	2,550	133	2,693
Private Trainee (E)	1,132	1,574	481	3,187	2	1,017	56	1,075
Recruit (E)	403	755	165	1,323	2	1,041	19	1,062
<b>Other ranks total</b>	<b>11,284</b>	<b>23,122</b>	<b>9,071</b>	<b>43,477</b>	<b>2,102</b>	<b>15,005</b>	<b>3,223</b>	<b>20,330</b>
<b>Total ADF</b>	<b>15,027</b>	<b>29,627</b>	<b>14,441</b>	<b>59,095</b>	<b>3,632</b>	<b>19,632</b>	<b>5,614</b>	<b>28,878</b>

**Notes:**

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.20: **ADF permanent and Reserve members, 2018–19**

	Permanent <sup>1</sup>				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	54	79	68	201
Colonel (E)	148	198	148	494	113	249	191	553
Lieutenant Colonel (E)	449	694	535	1,678	293	566	375	1,234
Major (E)	820	1,863	1,138	3,821	456	1,287	751	2,494
Captain (E)	1,212	1,802	1,887	4,901	497	1,224	782	2,503
Lieutenant (E)	320	1,117	704	2,141	10	569	54	633
2nd Lieutenant (E)	53	8	410	471	–	3	1	4
Officer Cadet (E)	433	703	373	1,509	–	556	–	556
<b>Officer total</b>	<b>3,486</b>	<b>6,465</b>	<b>5,245</b>	<b>15,196</b>	<b>1,447</b>	<b>4,557</b>	<b>2,247</b>	<b>8,251</b>
<b>Other ranks</b>								
Regimental Sergeant Major (E)	1	1	1	3	–	–	–	–
Warrant Officer Class 1 (E)	234	664	572	1,470	119	530	364	1,013
Warrant Officer Class 2 (E)	987	1,920	757	3,664	360	723	288	1,371
Staff Sergeant (E)	–	2	–	2	–	19	–	19
Sergeant (E)	1,448	2,395	1,585	5,428	355	1,183	497	2,035
Corporal (E)	2,413	4,286	2,263	8,962	557	2,118	779	3,454
Lance Corporal (E)	–	1,490	–	1,490	–	1,051	–	1,051
Private Proficient (E)	3,603	8,215	2,855	14,673	491	4,237	748	5,476
Private (E)	889	1,909	543	3,341	12	2,211	135	2,358
Private Trainee (E)	867	1,567	374	2,808	–	971	33	1,004
Recruit (E)	278	596	147	1,021	3	1,167	15	1,185
<b>Other ranks total</b>	<b>10,720</b>	<b>23,045</b>	<b>9,097</b>	<b>42,862</b>	<b>1,897</b>	<b>14,210</b>	<b>2,859</b>	<b>18,966</b>
<b>Total ADF</b>	<b>14,206</b>	<b>29,510</b>	<b>14,342</b>	<b>58,058</b>	<b>3,344</b>	<b>18,767</b>	<b>5,106</b>	<b>27,217</b>

**Notes:** Some 30 June 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* to account for retrospective transactions.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.21: **Australian Public Service Act employment type by location, 2019–20**

	Ongoing	Non-ongoing	Total
NSW	2,473	29	2,502
Qld	1,230	15	1,245
SA	2,040	46	2,086
Tas	69	6	75
Vic <sup>1</sup>	3,319	132	3,451
WA	451	5	456
ACT <sup>2</sup>	7,182	116	7,298
NT	204	2	206
<b>External Territories</b>			
Overseas	134	1	135
<b>Total</b>	<b>17,102</b>	<b>352</b>	<b>17,454</b>

**Notes:** Figures in this table show headcount, based on actual location. 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.22: **Australian Public Service Act employment type by location, 2018–19**

	Ongoing	Non-ongoing	Total
NSW	2,477	10	2,487
Qld	1,224	9	1,233
SA	1,991	39	2,030
Tas	69	–	69
Vic <sup>1</sup>	3,363	76	3,439
WA	459	3	462
ACT <sup>2</sup>	6,740	78	6,818
NT	209	1	210
<b>External Territories</b>	<b>–</b>	<b>–</b>	<b>–</b>
Overseas	139	1	140
<b>Total</b>	<b>16,671</b>	<b>217</b>	<b>16,888</b>

**Notes:** Figures in this table show headcount, based on actual location. 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 30 June 2019 figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* 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 Reserve members by location, 2019–20**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	16,098	8,035	24,133
Qld	16,534	6,844	23,378
SA	3,887	2,414	6,301
Tas	83	646	729
Vic <sup>3</sup>	6,237	4,215	10,452
WA	3,893	2,535	6,428
ACT <sup>4</sup>	7,168	3,346	10,514
NT	4,393	836	5,229
<b>External Territories</b>			
Overseas <sup>5</sup>	802	7	809
<b>Total</b>	<b>59,095</b>	<b>28,878</b>	<b>87,973</b>

**Notes:** Figures in this table show headcount, based on substantive location.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include active members rendering service in Service Categories 5, 4 and 3 and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
- 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.24: **ADF permanent and Reserve members by location, 2018–19**

	Permanent <sup>1</sup>	Reserve <sup>2</sup>	Total
NSW	15,655	7,574	23,229
Qld	16,449	6,667	23,116
SA	3,919	2,127	6,046
Tas	89	645	734
Vic <sup>3</sup>	6,024	3,985	10,009
WA	3,728	2,361	6,089
ACT <sup>4</sup>	6,940	3,088	10,028
NT	4,406	757	5,163
<b>External Territories</b>			
Overseas <sup>5</sup>	848	13	861
<b>Total</b>	<b>58,058</b>	<b>27,217</b>	<b>85,275</b>

**Notes:** Some figures have been adjusted from what was reported in the *Defence Annual Report 2018–19* to account for retrospective transactions. Figures in this table are based on substantive location for the ADF. Figures are a headcount.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all members (Service Categories 5, 4 and 3) and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.
- 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.25: **Australian Public Service Act Indigenous employment, 2019–20**

	Total
Ongoing	399
Non-ongoing	6
<b>Total</b>	<b>405</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, 2018–19**

	Total
Ongoing	396
Non-ongoing	3
<b>Total</b>	<b>399</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 2018–19* to account for retrospective transactions.

Table B.27: **ADF Indigenous members, 2019–20**

	Navy	Army	Air Force	Total
Permanent <sup>1</sup>	527	1,022	356	<b>1,905</b>
Reserve <sup>2</sup>	47	626	70	<b>743</b>
<b>Total</b>	<b>574</b>	<b>1,648</b>	<b>426</b>	<b>2,648</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.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all active members (Service Categories 5, 4 and 3) and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.28: **ADF Indigenous members, 2018–19**

	Navy	Army	Air Force	Total
Permanent <sup>1</sup>	483	1,008	315	<b>1,806</b>
Reserve <sup>2</sup>	43	564	57	<b>664</b>
<b>Total</b>	<b>526</b>	<b>1,572</b>	<b>372</b>	<b>2,470</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 2018–19* to account for retrospective transactions.

- Figures are for permanent members (Service Categories 7 and 6) and do not include Reserves (Service Categories 5, 4, 3 and 2), Reserves undertaking continuous full-time service (Service Option C) or ADF Gap Year participants (Service Option G).
- Reserves include all active members (Service Categories 5, 4 and 3) and Reserves undertaking continuous full-time service (Service Option C). This does not include members in Service Category 2, who do not render service.

Table B.29: Australian Public Service Act employment salary ranges by classification level, 2019–20

	Minimum salary	Maximum salary
Secretary	775,910	864,580 <sup>1</sup>
SES 3	247,687	540,600 <sup>2</sup>
SES 2	199,189	375,438 <sup>3</sup>
SES 1	164,152	290,437 <sup>4</sup>
EL 2	118,376	190,230 <sup>5</sup>
EL 1	101,955	142,087 <sup>6</sup>
APS 6	80,669	94,930 <sup>7</sup>
APS 5	73,636	79,841 <sup>8</sup>
APS 4	67,100	73,256
APS 3	59,237	65,270
APS 2	52,004	59,065 <sup>9</sup>
APS 1	45,952	51,583
Other		
Minimum/Maximum range	45,952	864,580

**Notes:**

1. Pay points for the offices of Departmental Secretary are set by the Remuneration Tribunal, with the Secretary of the Department of Defence determined as Level 1.
2. Maximum salary paid under an individual remuneration arrangement shown.
3. Includes rates for Chief of Division Grade 2 and Medical Officer Class 6.
4. Includes rates for Chief of Division Grade 1 and Medical Officer Class 5.
5. Maximum rate includes Executive Level 2.1, Executive Level 2.2, Legal and Science specialist structures and Medical Officer Class 3 and 4.
6. Maximum rate includes Public Affairs and Legal specialist structures and Medical Officer Class 1 and 2.
7. Maximum rate includes Public Affairs Grade 2 retained pay point.
8. Maximum rate includes Senior Technical Officer Grade 1 retained pay point.
9. Maximum rate includes Technical Assistant Grade 2 retained pay point.



Table B.30: Permanent ADF salary ranges by rank, 2019–20

	Minimum salary	Maximum salary
<b>Officer of permanent force (equivalent)</b>		
Lieutenant General (E) <sup>1</sup>	413,896	490,614
Major General (E) <sup>2</sup>	245,113	298,914
Brigadier (E) <sup>2, 3</sup>	201,100	273,348
Colonel (E) <sup>2, 3, 5</sup>	153,743	260,960
Lieutenant Colonel (E) <sup>2, 4</sup>	130,758	248,321
Major (E) <sup>2, 4</sup>	91,569	223,694
Captain (E) <sup>2, 4</sup>	71,741	212,322
Lieutenant (E) <sup>5</sup>	59,636	125,008
2nd Lieutenant (E) <sup>5</sup>	55,719	116,699
<b>Other rank of permanent force (equivalent)</b>		
Warrant Officer Class 1 (E)	81,238	125,033
Warrant Officer Class 2 (E)	74,823	115,855
Staff Sergeant (E)	72,314	111,767
Sergeant (E)	64,657	106,888
Corporal (E)	55,872	97,740
Lance Corporal (E)	51,395	90,846
Private Proficient (E)	50,333	89,784
Private (E)	49,292	88,748

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.

Table B.31: Australian Public Service Act employment performance pay by classification level, 2019–20

	Number of employees receiving performance pay	Aggregate (sum total) of all payments made	Average of all payments made	Minimum payment made to employees	Maximum payment made to employees
SES 3	–	–	–	–	–
SES 2	–	–	–	–	–
SES 1	–	–	–	–	–
EL 2	961	1,634,968.00	1,701.31	14.00	30,000.00
EL 1	2,240	2,590,943.00	1,156.67	11.00	14,951.00
APS 6	2,880	2,633,358.00	914.36	27.00	9,584.00
APS 5	1,662	1,332,777.00	801.91	52.00	4,338.00
APS 4	970	686,113.00	707.33	53.00	1,465.00
APS 3	856	589,177.00	685.95	74.00	1,088.00
APS 2	417	293,180.00	703.06	309.00	1,450.00
APS 1	39	26,816.00	687.58	309.00	1,088.00
Other	–	–	–	–	–
Total	10,025	9,787,332.00	976.00	–	–

Table B.32: Details of accountable authority during the reporting period, 2019–20

		Period as the accountable authority or member within the reporting period	
Name	Position title / Position held	Date of commencement	Date of cessation
Greg Moriarty	Secretary	4 September 2017	–

Table B.33: Key management personnel remuneration, 2019–20

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> (\$)		Long service leave (\$)	Other long-term benefits (\$)		
Mr Greg Moriarty	Secretary	823,320	-	-	109,115	22,080	-	-	964,515
GEN Angus Campbell	Chief of the Defence Force	798,453	-	30,125	217,865	16,675	-	-	1,063,118
VADM David Johnston	Vice Chief of the Defence Force	557,167	-	475	153,622	12,227	-	-	723,491
Ms Rebecca Skinner	Associate Secretary	315,957	-	-	53,648	8,054	-	-	377,659
Ms Katherine Jones	Associate Secretary	12,693	-	-	3,862	-	-	-	16,555
VADM Michael Noonan	Chief of Navy	522,922	-	12,369	146,642	11,671	-	-	693,604
LTGEN Richard Burr	Chief of Army	534,083	-	5,235	146,642	11,691	-	-	697,652
AIRMSHL Gavin Davies	Chief of Air Force	4,450	-	1,833	1,202	-	-	-	7,485
AIRMSHL Mel Hupfeld	Chief of Air Force	520,704	-	12,661	122,349	11,594	-	-	667,308
Mr Steven Groves	Chief Finance Officer	386,069	-	18,607	67,485	10,682	-	-	482,843
Mr Glen Casson	Chief Finance Officer	71,523	-	7,798	13,161	1,772	-	-	94,254
Mr Stephen Pearson	Chief Information Officer	474,650	-	45,786	20,762	9,110	-	-	550,308
Mr Peter Tasch	Deputy Secretary Strategic Policy & Intelligence	340,286	-	28,711	55,362	9,643	-	-	434,002
LT GEN Gregory Bliton	Chief Joint Operations	506,418	-	55,380	147,909	11,801	-	-	721,508
Ms Justine Greig	Deputy Secretary Defence People	338,626	-	33,428	63,598	9,643	-	-	445,295
AIRMSHL Warren McDonald	Chief of Joint Capabilities	418,751	-	-	147,909	11,704	-	-	578,364
Mr Steven Grzeskowiak	Deputy Secretary Estate & Infrastructure	348,296	-	30,321	64,179	10,219	-	-	453,015

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> (\$)		Long service leave (\$)	Other long-term benefits (\$)		
Prof Tanya Monro	Chief Defence Scientist	454,588	40,000	17,570	25,137	7,698	-	-	544,993
Mr Tony Fraser	Deputy Secretary Capability Acquisition & Sustainment	564,726	-	10,457	83,163	9,645	-	-	667,991
Mr Tony Dalton	Deputy Secretary National Naval Shipbuilding	366,252	-	52,058	23,489	5,991	-	-	447,790
LTGEN John Frewen	Commander Defence COVID-19 Task Force	136,355	-	2,751	46,408	3,959	-	-	189,474
<b>Total</b>		<b>8,496,289</b>	<b>40,000</b>	<b>365,566</b>	<b>1,713,509</b>	<b>195,860</b>	<b>0</b>	<b>0</b>	<b>10,811,224</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 and cost of living allowances (to support members and their families in remote or overseas locations) and any Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.

Table B.34: Senior executive Australian Public Service (APS) remuneration, 2019–20

Remuneration band	Number of senior executives <sup>1</sup>	Short-term benefits			Post-employment benefits Average superannuation contributions (\$)	Other long-term benefits		Termination benefits Average termination benefits <sup>3</sup> (\$)	Total remuneration Average total remuneration (\$)
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances <sup>2</sup> (\$)		Average long service leave (\$)	Average other long-term benefits (\$)		
\$0 – \$220,000	53	82,108	351	13,129	14,971	2,688	-	4,576	117,824
\$220,001 – \$245,000	32	172,107	333	24,855	29,505	4,854	-	-	231,653
\$245,001 – \$270,000	39	189,738	-	25,524	34,303	5,271	-	-	254,836
\$270,001 – \$295,000	18	211,657	651	26,318	37,794	5,588	-	-	282,008
\$295,001 – \$320,000	15	230,704	1,405	30,216	40,927	6,397	-	-	309,650
\$320,001 – \$345,000	9	241,463	-	37,100	44,715	6,907	-	-	330,185
\$345,001 – \$370,000	3	268,849	-	34,765	46,495	6,767	-	-	356,875
\$370,001 – \$395,000	1	257,124	-	79,932	46,845	7,124	-	-	391,026
\$395,001 – \$420,000	-	-	-	-	-	-	-	-	-
\$420,001 – \$445,000	-	-	-	-	-	-	-	-	-
\$445,001 – \$470,000	1	343,470	-	53,132	54,537	5,746	-	-	456,885

**Notes:**

- 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.
- 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 Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
- 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 ranked Australian Defence Force (ADF) personnel remuneration, 2019-20

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 long service leave (\$)	Average other long-term benefits (\$)		
\$0 - \$220,000	39	85,393	0	18,341	26,774	2,309	0	2,331	135,147
\$220,001 - \$245,000	2	155,396	0	23,550	50,128	4,385	0	0	233,459
\$245,001 - \$270,000	7	164,145	0	35,971	54,983	4,879	0	0	259,978
\$270,001 - \$295,000	4	109,842	0	20,363	35,421	3,141	0	116,716	285,482
\$295,001 - \$320,000	18	190,583	0	32,033	63,610	5,786	0	22,457	314,469
\$320,001 - \$345,000	45	219,252	0	34,175	70,591	6,282	0	0	330,300
\$345,001 - \$370,000	26	229,430	0	48,888	72,740	7,215	0	0	358,272
\$370,001 - \$395,000	31	230,151	2,304	61,655	71,880	7,102	0	7,681	380,772
\$395,001 - \$420,000	13	212,030	7,692	46,113	71,853	6,358	0	59,532	403,578
\$420,001 - \$445,000	14	222,367	0	60,241	70,534	6,769	0	72,362	432,273
\$445,001 - \$470,000	8	210,892	0	94,916	66,892	6,086	0	76,011	454,796
\$470,001 - \$495,000	4	286,261	0	120,202	71,229	8,019	0	0	485,710
\$495,001 - \$520,000	3	255,621	0	169,164	72,472	6,869	0	0	504,125
\$520,001 - \$545,000	1	186,827	0	28,609	58,201	5,834	0	251,630	531,101
\$570,001 - \$595,000	1	202,516	0	26,213	62,902	6,311	0	275,165	573,106
\$595,001 - \$620,000	2	218,901	0	99,759	66,598	6,490	0	220,189	611,936
\$620,001 - \$645,000	-	-	-	-	-	-	-	-	-
\$645,001 - \$670,000	-	-	-	-	-	-	-	-	-
\$670,001 - \$695,000	-	-	-	-	-	-	-	-	-
\$695,001 - \$720,000	1	425,985	-	151,901	121,781	13,994	0	0	713,660

**Notes:**

- 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.
- 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 Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.
- 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, 2019-20

Remuneration band	Number of highly paid ADF personnel	Short-term benefits			Post-employment benefits Average superannuation contributions (\$)	Other long-term benefits		Termination benefits Average termination benefits (\$)	Total remuneration Average total remuneration (\$)
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>1</sup>		Average long service leave (\$)	Average other long-term benefits (\$)		
\$225,001 - \$245,000	1,517	134,566	12,498	33,790	48,333	4,548	0	658	234,394
\$245,001 - \$270,000	1,170	143,684	14,745	42,124	51,105	4,915	0	548	257,122
\$270,001 - \$295,000	575	155,830	15,527	49,006	54,375	5,264	0	434	280,435
\$295,001 - \$320,000	263	153,461	34,777	59,876	53,954	5,309	0	540	307,917
\$320,001 - \$345,000	215	150,259	67,953	51,579	53,250	4,881	0	4,148	332,071
\$345,001 - \$370,000	118	160,618	56,038	70,813	55,554	5,309	0	8,791	357,123
\$370,001 - \$395,000	79	158,432	82,129	64,007	55,967	5,229	0	15,689	381,453
\$395,001 - \$420,000	43	161,021	112,637	66,019	56,219	5,262	0	4,391	405,549
\$420,001 - \$445,000	27	165,372	109,049	67,493	58,041	5,357	0	26,371	431,683
\$445,001 - \$470,000	11	198,386	99,413	65,946	68,088	6,361	0	16,310	454,504
\$470,001 - \$495,000	4	210,738	134,079	48,141	75,365	7,089	0	0	475,413
\$495,001 - \$520,000	3	313,381	67,403	5,452	103,995	6,938	0	0	497,169
\$520,001 - \$545,000	1	225,221	226,836	10,075	74,888	6,557	0	0	543,578

**Notes**

- 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 Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.

Table B.37: Other highly paid staff — Australian Public Service remuneration, 2019–20

Remuneration band	Number of highly paid APS staff	Short-term benefits			Post-employment benefits Average superannuation contributions (\$)	Other long-term benefits		Termination benefits Average termination benefits (\$)	Total remuneration Average total remuneration (\$)
		Average base salary (\$)	Average bonuses (\$)	Average other benefits and allowances (\$) <sup>1</sup>		Average long service leave (\$)	Average other long-term benefits (\$)		
\$225,001 - \$245,000	40	155,896	2,242	22,388	27,348	4,221	0	21,312	233,407
\$245,001 - \$270,000	26	148,940	2,417	55,336	27,292	4,264	0	16,776	255,025
\$270,001 - \$295,000	8	221,581	2,934	10,385	39,734	5,871	0	1,875	282,380
\$295,001 - \$320,000	5	218,673	2,216	37,933	40,527	5,508	0	0	304,856
\$320,001 - \$345,000	14	264,039	3,125	15,885	41,598	6,851	0	0	331,498
\$345,001 - \$370,000	1	292,404	2,794	0	52,294	7,999	0	0	355,491
\$420,001 - \$445,000	3	357,445	8,282	1,146	50,674	9,568	0	0	427,115

**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 Reportable Fringe Benefits Tax payable by Defence. This column includes non-cash benefits.



# 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 2019-20 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 2019-20, Defence entered into 330 new consultancy contracts, based on information presented on AusTender, involving total contract value of \$66.6 million and actual expenditure of \$42.0 million (including GST) for 2019-20. In addition, 310 existing consultancy contracts were active during the 2019-20 reporting year, with total actual expenditure of \$68.1 million (including GST).

Table C.1 shows a summary, sorted by Defence Program, of new consultancy contracts entered into during 2019-20 (including GST), based on information presented on AusTender.

**Table C.1: New consultancy contracts entered into during 2019–20 (based on AusTender), by program (including GST)**

Program	Number of new contracts	Total contract value (\$)
Program 2.1 Strategic Policy and Intelligence	29	4,063,864
Program 2.2 Defence Executive Support	15	3,354,123
Program 2.3 Defence Finance	3	198,019
Program 2.4 Joint Capabilities	45	8,859,229
Program 2.5 Navy Capabilities	13	3,147,358
Program 2.6 Army Capabilities	5	772,470
Program 2.7 Air Force Capabilities	25	3,784,143
Program 2.8 Australian Defence Force Headquarters	13	1,491,799
Program 2.9 Capability Acquisition and Sustainment	96	23,380,748
Program 2.10 Estate and Infrastructure	28	7,514,135
Program 2.11 Chief Information Officer	13	4,097,146
Program 2.12 Defence People	34	4,077,663
Program 2.13 Defence Science and Technology	11	1,832,469
<b>Total</b>	<b>330</b>	<b>66,573,166</b>

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, 2017-18 to 2019-20**

	2017–18 (\$m)	2018–19 (\$m)	2019–20 (\$m)
Defence	108.8	109.6	114.2

**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 2019-20, Defence had 26 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, 2019–20**

Group and company	2019–20 (\$)	Purpose	Reason for non- inclusion of ANAO access clause
<b>Army</b>			
United States Government	465,996.80	Training	Foreign Military Sale
<b>Total for the Army</b>	<b>465,997</b>		
<b>Estate and Infrastructure Group (E&amp;IG)</b>			
United States Government	55,352,563.26	Decontamination Services	Foreign Military Sale
<b>Total for E&amp;IG</b>	<b>55,352,563</b>		
<b>Chief Information Officer Group (CIOG)</b>			
United States Government	148,920.25	Software Support	Foreign Military Sale
<b>Total for CIOG</b>	<b>148,920</b>		
<b>Capability Acquisition and Sustainment Group (CASG)</b>			
United States Government	970,742.34	Technical and Engineering Services	Foreign Military Sale
United States Government	4,229,161.58	Technical Data and Support	Foreign Military Sale
United States Government	397,287.44	Explosive Ordnance	Foreign Military Sale
United States Government	13,719,934.47	Special Military Equipment	Foreign Military Sale
United States Government	22,970,772.00	Special Military Equipment	Foreign Military Sale
United States Government	2,884,556.44	Special Military Equipment	Foreign Military Sale
United States Government	8,122,172.74	Explosive Ordnance	Foreign Military Sale
United States Government	258,875.79	Laboratory and scientific equipment	Foreign Military Sale
United States Government	11,906,818.90	Special Military Equipment	Foreign Military Sale
United States Government	465,602.86	Technical Data and Support	Foreign Military Sale
United States Government	2,627,489.35	Communication equipment	Foreign Military Sale
United States Government	1,310,616.00	Communication equipment	Foreign Military Sale
United States Government	1,300,591.92	Communication equipment	Foreign Military Sale
United States Government	1,444,081.50	Communication equipment	Foreign Military Sale
United States Government	1,087,665.66	Communication equipment	Foreign Military Sale
United States Government	589,202,327.42	Explosive Ordnance	Foreign Military Sale
United States Government	2,183,476.31	Explosive Ordnance	Foreign Military Sale
United States Government	3,520,051.00	Electronic hardware and component parts	Foreign Military Sale
United States Government	1,966,269.15	Communication equipment	Foreign Military Sale

Group and company	2019–20 (\$)	Purpose	Reason for non-inclusion of ANAO access clause
United States Government	2,961,878.84	Technical and Engineering Services	Foreign Military Sale
United States Government	226,199.21	Training	Foreign Military Sale
United States Government	40,002,543.02	Communication equipment	Foreign Military Sale
United States Government	65,529,000.00	Electronic hardware and component parts	Foreign Military Sale
<b>Total for CASG</b>	<b>779,288,114</b>		
<b>Total Groups and Services</b>	<b>835,255,594</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 2018–19* contained the following errors:

**Table 6.15: APS Executive Level employees and below, by gender and classification, as at 30 June 2019 (page 95)**

The 2018–19 separation details by gender were entered in the wrong columns. A data transfer error occurred with the 'Men' and 'Women' separation figures being entered in the wrong columns. Correct separation totals should have been 1,067 men and 752 women.

**Table B.30: APS Permanent Australian Defence Force salary ranges by rank, 2018–19 (page 248)**

Table B.30 reported the salary ranges for the ranks of Lieutenant General (E), Major General (E), Brigadier (E) and Colonel (E) twice.

**Defence Diversity—Women (page 114)**

Representation of women on Defence boards was reported as 48 per cent. The correct representation was 44.9 per cent.

**Figure 6.1 — Indigenous Participation (page 116)**

Indigenous participation in ADF Reserves as at 01 Jul 2019 was represented as 369 in Figure 6.1. The correct total was 639 as indicated in Table 6.27 (page 115).

## Appendix D: Supplementary online material

The following 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/mjs/reports.asp">www.defence.gov.au/mjs/reports.asp</a>
Women in ADF Report	<a href="https://www.defence.gov.au/annualreports/">https://www.defence.gov.au/annualreports/</a>
Acquisition, sustainment, facilities and infrastructure information	
Top 30 sustainment products by expenditure 2019–20	Web table D.1
Top 30 acquisition projects by expenditure 2019–20	Web table D.2
Top 30 acquisition projects by expenditure (variations), 2019–20	Web table D.3
Major acquisition projects closed in 2019–20	Web table D.4
New major acquisition projects approved by Government 2019–20	Web table D.5
Performance of major capital facilities projects 2019–20	Web table D.6
Major Defence establishments and bases	Web table D.7
Status of 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
2019 -20 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://niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp">https://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 287-293	Alphabetical index.	Mandatory
17AJ(c)	Page 282-283	Glossary of abbreviations, acronyms and definitions.	Mandatory
17AJ(d)	Page 278	List of requirements.	Mandatory
17AJ(e)	Page 294	Details of contact officer.	Mandatory
17AJ(f)	Page 294	Entity's website address.	Mandatory
17AJ(g)	Page 294	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 12	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Page 15	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Page 14	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Page 12	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Page 267	Name of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(ii)	Page 267	Position title of the accountable authority or each member of the accountable authority.	Mandatory
17AE(1)(aa)(iii)	Page 267	Period as the accountable authority or member of the accountable authority within the reporting period.	Mandatory
17AE(1)(b)	Page 13	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 22-64	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 66-78	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Page 66	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 83-88	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 88	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>Audit committee</b>		
17AG(2A)(a)	Page 84	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Pages 84-85	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Pages 84-85	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Pages 84-85	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Pages 84-85	The remuneration of each member of the entity's audit committee.	Mandatory
	<b>External scrutiny</b>		
17AG(3)	Pages 93-95	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Page 93	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 93	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 94	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 95-145	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Pages 110-121 249-264	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

PGPA Rule reference	Part of report	Description	Requirement
17AG(4)(b)	Pages 110-121 249-264 265-272	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
17AG(4)(c)	Pages 127-128 267-262	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 129	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 128	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Page 130	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Page 131	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	Page 131	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	Page 131	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 131	Information on aggregate amount of performance payments.	If applicable, mandatory
<b>Assets management</b>			
17AG(5)	Pages 148-154	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 150	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
<b>Consultants</b>			
17AG(7)(a)	Page 274	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 274	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 274	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 274	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

PGPA Rule reference	Part of report	Description	Requirement
<b>Australian National Audit Office access clauses</b>			
17AG(8)	Pages 274-275	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 94	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
<b>Small business</b>			
17AG(10)(a)	Pages 150	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)	Pages 150	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Pages 150	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 166-248	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
<b>Executive remuneration</b>			
17AD(da)	Pages 130-131 267-272	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 75-77	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)	Pages 75	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)	Pages 108	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Pages 94	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)	Pages 275	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	Pages 75-77 77-78 88 121-123	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
CIOG	Chief Information Officer Group
DACC	Defence Assistance to the Civil Community
DIO	Defence Intelligence Organisation
DREAMS	Defence Remote Electronic Access Management System
DRSP Act	<i>Defence Reserve Service (Protection) Act 2001</i>
DSTG	Defence Science and Technology Group
EL	Executive Level
FTE	full-time equivalent
GST	goods and services tax
HMAS	Her Majesty's Australian Ship
ICT	information and communications technology
IGADF	Inspector-General of the Australian Defence Force
JMPU	Joint Military Police Unit
LGBTI	lesbian, gay, bisexual, transgender and intersex
MP	Member of Parliament
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
SeMPRO	Sexual Misconduct Prevention and Response Office
SES	Senior Executive Service
STEM	science, technology, engineering and mathematics
UN	United Nations
VERA	Virtual Environment for Remote Access

## Definitions

**Capability Manager**—Responsible for raising, training and sustaining capabilities as directed by the Secretary and Chief of the Defence Force.

**Capability Program Architecture**— A framework that aligns accountabilities and resourcing, and provides links between decisions and strategic guidance.

**Domain Lead**—A Capability Manager who is responsible to the Joint Force Authority, and manages prioritisation proposals for capital investment and sustainment decisions and any variations to budgets within that Domain agreed as part of the formal Investment Committee budget process.

**Force-in-Being**—The current disposition of the Australian Defence Force, including all elements of the fundamental inputs to capability, as well as force structure and posture.

**Objective Force**—The Force-in-Being along with the Planned Force out to 10 years, as set out in the Integrated Investment Program.

# List of figures and tables

## Figures

Figure 1.1: ADF operations during 2019–20	7
Figure 2.1: Defence's outcomes and programs, 2019–20	14
Figure 2.2: Defence organisational structure as at 30 June 2020	15
Figure 2.3: ADF and APS comparative funded strength for 2018–19 and 2019–20	17
Figure 3.1: Defence enterprise performance management	23
Figure 3.2: Linkages between Defence Purpose, Outcomes, Performance Criteria and Portfolio Budget Statements	27
Figure 5.1: Defence enterprise committee structure and roles, indicating incumbent Chairs as at 30 June 2020	83
Figure 6.1: APS review of actions applications, 2014–15 to 2019–20	140
Figure 6.2: Unacceptable behaviour complaints reported as received, finalised and having occurred, 2015–16 to 2019–20	141
Figure 6.3: Incidents of unacceptable behaviour are managed well in my workplace	142
Figure 6.4: Defence has a culture that supports individuals who report fraud, corruption or unethical Behaviour	142

## Tables

Table 3.1: Unit availability days, flying hours and HydroScheme products	45
Table 4.1: Defence resource statement, 2019–20	66
Table 4.2: Total cost of Defence outcomes and programs on an accrual basis, 2019–20	68
Table 4.3: Net additional cost of operations from 1999–2000 to 2023–24	73
Table 4.4: Net Cost of Defence Operations 2019–20	75
Table 4.5: Total advertising and market research, by type, 2018–19 and 2019–20	75
Table 4.6: Total advertising and market research expenditure, by Service and Group, 2018–19 and 2019–20	75
Table 4.7: Individual payments of more than \$14,000 to advertising and market research agencies, by Service and Group, 2019–20	76
Table 4.8: Estimated expenditure on internal and external legal services, 2018–19 and 2019–20	77
Table 4.9: Estimated cost breakdown of internal legal expenses, 2018–19 and 2019–20	77
Table 4.10: Estimated cost breakdown of external legal expenses, 2018–19 and 2019–20	77
Table 4.11: Accounts paid by due date, 2018–19 to 2019–20	78
Table 5.1 Audit committee disclosure requirements	84
Table 5.2: Determined fraud losses and cash recoveries, 2015–16 to 2019–20	87
Table 5.3 Instances of significant non-compliance with financial law 2019–20	88
Table 5.4: Defence's involvement with parliamentary committees, 2019–20	91
Table 5.5: Defence projects that achieved parliamentary approval through the Parliamentary Standing Committee on Public Works, 2019–20	92
Table 5.6 Defence notifications to the Parliamentary Standing Committee on Public Works, 2019–20	92
Table 5.7: Auditor-General's performance audit reports on Defence, 2019–20	93
Table 5.8: Auditor-General's priority assurance review involving Defence, 2019–20	94

Table 6.1: Indigenous participation	107
Table 6.2: Total Workforce System—Service Spectrum continuum	110
Table 6.3: Australian Defence Force staffing figures, 2018–19 and 2019–20	110
Table 6.4: Australian Defence Force permanent force (Service Categories 7 and 6) and Reserves undertaking continuous full-time service (Service Option C), average funded strength	111
Table 6.5: ADF permanent force (Service Categories 7 and 6) and ongoing APS, 12-month rolling separation rates as at 30 June 2019 and 30 June 2020	112
Table 6.6: ADF permanent force (Service Categories 7 and 6) separations, 2018–19 and 2019–20	112
Table 6.7: ADF Reserve paid strength (Service Categories 5, 4 and 3), 2018–19 and 2019–20	113
Table 6.8: APS staffing figures, 2018–19 and 2019–20	113
Table 6.9: APS workforce, average full-time equivalent, 2018–19 and 2019–20	114
Table 6.10: APS workforce, end-of-year actual full time equivalent, 2018–19 and 2019–20	114
Table 6.11: APS separations, 2018–19 and 2019–20	114
Table 6.12: Defence workforce headcount as at 30 June 2019 and 30 June 2020	116
Table 6.13: Defence workforce by employment location as at 30 June 2020	117
Table 6.14: Star-ranked officers as at 30 June 2020	117
Table 6.15: APS Senior Executive Service employees as at 30 June 2020	118
Table 6.16: APS Executive Level employees and below, by gender and classification as at 30 June 2020	118
Table 6.17: APS employees by gender as at 30 June 2019 and 30 June 2020	119
Table 6.18: 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 2019 and 30 June 2020	119
Table 6.19: ADF Gap Year (Service Option G) participants as at 30 June 2020	121
Table 6.20: Permanent Australian Defence Force salary ranges as at 30 June 2020	127
Table 6.21: Australian Public Service salary ranges as at 30 June 2019	128
Table 6.22: Employment arrangements of SES and non-SES employees	129
Table 6.23: Key management personnel, 2019–20	129
Table 6.24: Key management personnel remuneration, 2019–20	130
Table 6.25: APS employee performance bonus payments, 2019–20	131
Table 6.26: Number of Comcare work health and safety notices, 2017–18 to 2019–20	138
Table 6.27: Number of work health and safety incidents and number of people involved, 2017–18 to 2019–20	139
Table 6.28: Reported Defence sexual assault incidents per year	143
Table 6.29: SeMPRO new incident management advice clients, 2013–14 to 2019–20	144
Table 7.1: Projects of Concern as at 30 June 2020	153
Table B.1: All ongoing APS employees by location, 2019–20	249
Table B.2: All ongoing APS employees by location, 2018–19	249
Table B.3: All non-ongoing APS employees by location, 2019–20	250
Table B.4: All non-ongoing APS employees by location, 2018–19	250
Table B.5: Australian Public Service Act ongoing employees, 2019–20	251
Table B.6: Australian Public Service Act ongoing employees, 2018–19	251
Table B.7: Australian Public Service Act non-ongoing employees, 2019–20	252
Table B.8: Australian Public Service Act non-ongoing employees, 2018–19	252
Table B.9: Australian Public Service Act employees by full-time and part-time status, 2019–20	253
Table B.10: Australian Public Service Act employees by full-time and part-time status, 2018–19	253
Table B.11: Permanent ADF members by location, 2019–20	254

Table B.12: Permanent ADF members by location, 2018–19	254
Table B.13: Reserve members by location, 2019–20	255
Table B.14: Reserve members by location, 2018–19	255
Table B.15: ADF permanent members, 2019–20	256
Table B.16: ADF permanent members, 2018–19	257
Table B.17: ADF Reserve members, 2019–20	258
Table B.18: ADF Reserve members, 2018–19	259
Table B.19: ADF permanent and Reserve members, 2019–20	260
Table B.20: ADF permanent and Reserve members, 2018–19	261
Table B.21: Australian Public Service Act employment type by location, 2019–20	262
Table B.22: Australian Public Service Act employment type by location, 2018–19	262
Table B.23: ADF permanent and Reserve members by location, 2019–20	263
Table B.24: ADF permanent and Reserve members by location, 2018–19	263
Table B.25: Australian Public Service Act Indigenous employment, 2019–20	264
Table B.26: Australian Public Service Act Indigenous employment, 2018–19	264
Table B.27: ADF Indigenous members, 2019–20	264
Table B.28: ADF Indigenous members, 2018–19	264
Table B.29: Australian Public Service Act employment salary ranges by classification level, 2019–20	265
Table B.30: Permanent ADF salary ranges by rank, 2019–20	266
Table B.31: Australian Public Service Act employment performance pay by classification level, 2019–20	267
Table B.32: Details of accountable authority during the reporting period, 2019–20	267
Table B.33: Key management personnel remuneration, 2019–20	268
Table B.34: Senior executive Australian Public Service (APS) remuneration, 2019–20	269
Table B.35: Star rank Australian Defence Force (ADF) personnel remuneration, 2019–20	270
Table B.36: Other highly paid staff—Australian Defence Force remuneration, 2019–20	271
Table B.37: Other highly paid staff—Australian Public Service remuneration, 2019–20	272
Table C.1: New consultancy contracts entered into during 2019–20 (based on AusTender), by program (including GST)	274
Table C.2: : Total expenditure on consulting contracts, 2017–18 to 2019–20	274
Table C.3: Contracts that do not include the ANAO access clause, 2019–20	274
Table D.1: Additional online information	277
Table D.2: Reference websites and supporting documentation	277

# Index

## A

abbreviations and acronyms, 282  
accounts paid by due date, 78  
acquisition projects, 42  
ADF members and their families, support for,  
26, 58, 99, 100, 132–133  
administered items, 66–67  
administered programs, 59  
Administrative Arrangements Order, 13  
advertising and market research, 75–77  
advice to Government, 28  
aerial surveillance, 34  
aeromedical evacuation, 30  
aerospace capability, 48  
aerospace platform maintenance, 25  
African peacekeeping operations, 24–25  
AIMEE cognitive assistant, 74  
air capability, 3, 19, 152  
Air Force Indigenous Recruitment Pathway, 105  
Air Force Plan Jericho, 74  
amphibious landing and assault capability, 3, 89  
ANAO access clauses, 274  
annual performance statements, 22–64  
Antarctic operations, 28, 30, 31  
appropriation, 16  
Approved Facilities and Infrastructure Project, 51  
APS Executive Level employees, 118  
APS review of actions scheme, 140  
Arafura class patrol boats, 3, 43, 145, 151, 154  
Armed Reconnaissance Helicopter, 48  
artificial intelligence and autonomous systems, 74  
ASEAN–Australia Informal Defence  
Ministers' Meeting, 34  
asset management, 51, 148  
Assistant Defence Minister, 13, 15  
Association of Southeast Asian Nations (ASEAN), 12  
Attack class submarines, 3, 37, 43, 154  
audit  
external, 53, 87  
internal, 87, 90  
work health and safety, 138  
Auditor-General's reports, 93–94  
AUSMIN US–Australia consultations, 35  
AusTender, 94  
Australia–India Comprehensive Strategic  
Partnership, 49  
Australia–Japan fighter jet exercise, 34  
Australian Defence College, 41  
Australian Defence Export Office, 26, 33  
Australian Defence Force Academy, 41  
Australian Defence Force Cadets, 13

Australian Defence Force staffing, 110–112, 116–121,  
258–261, 263, 266, 270–271  
Australian Federal Police, 48  
Australian Geospatial-Intelligence Organisation, 36  
Australian Industry Capability Plans, 43  
Australian Maritime College Tasmania, 3  
Australian National Audit Office, 53, 86, 87, 274–276  
Australian Public Service workforce, 113–114,  
116–120, 248–253, 262–265, 267–269, 272  
enlistments and separations, 114–115  
Australian Signals Directorate, 13, 78  
awards *see* honours and awards  
B  
base COVID-19 assessment stations, 62  
base service hubs, 51  
biodiversity offsets, 158  
Biosafety Level 4 Zoonotic Laboratory Network, 49  
border control, assistance with, 24, 32  
border protection operations, 30  
Boxer 211 reconnaissance vehicles, 3, 154  
budget deliverables, 53  
Build on You program, 101  
bushfire monitoring technology, 19–20  
bushfires 2019–2020, 16, 18–20, 24–25, 28, 31–32  
*see also* Operation BUSHFIRE ASSIST 2019–20  
Bushido Guardian, 34  
C  
C-17 infrastructure project, 82  
Cadets, 122–123  
Campbell, General Angus J (Chief of the  
Defence Force), 5–8, 15  
Canberra class landing helicopter docks, 89  
Capability Improvement Grants, 35  
capability investment and development, 12, 25–26,  
33, 39–42, 86, 151–152, 154  
Capability Life Cycle, 42, 86  
Capability Life Cycle Manual, 38  
Cape class patrol boats, 3, 43  
capital projects *see* capability investment  
and development  
cash result, 66  
Centre for Defence Industry Capability, 35  
chart of accounts, new, 54  
Chester, the Hon Darren MP, 13, 15  
Chief of the Defence Force, 13, 15  
review 2019–20, 5–8  
childcare centres, 58, 100, 133  
children of ADF service members, 58  
civil community and civilian agencies, assistance to,  
16, 18–20, 24–25, 28, 31–32  
climate adaptation, 159  
Collins class submarine, 25

combat clothing, 25  
 Combat Reconnaissance Vehicles, 154  
 combat systems development, 12  
 Combined Maritime Forces, 29  
 Comcare, 57, 138  
 Commonwealth Budget Management System, 53  
 Commonwealth Ombudsman, 93  
 communication strategy, 55  
 community capacity building, ADF members, 26  
 Community Support Coordinator Program, 58  
 complaint handling and resolution, 140  
 compliance with financial law, 88  
 compulsory call out, Reserve Brigades, 18–20, 24, 40  
 conferences and events, 102–103  
 Construction Environmental Management Plan, 51  
 consultancy contracts, 273  
 consumer engagement forums, 50  
 contact tracing teams, 24, 64  
 continuous shipbuilding program, 25, 37  
 contracts and standing offers, 94  
 corporate plan *see* *Defence Corporate Plan, 2019–20*  
*Corporations Act 2001*, 13  
 counselling and crisis intervention, 58, 132  
 Counter Improvised Threat Grand Challenge, 39  
 COVID-19 Operations Cell, Defence, 62  
 COVID-19 pandemic, 16, 25–26, 28, 31–32, 35, 49  
     assistance during, 24–25, 28, 39, 60, 62, 64  
     effect on operating environment, 24, 40  
     effect on preparedness, 25, 40, 62, 85  
     impacts of, 9, 28, 34, 37, 43, 90, 98  
     remote working, 36  
     workforce supports, 36, 62, 98, 99, 101, 133, 137  
     *see also* Operation COVID-19 ASSIST  
 COVID-19 Taskforce, 24, 60  
 COVID-19 Taskforce Industry Support Cell, 63  
 credit card acquittal improvements, 51  
 CSIRO, 49, 63  
 cultural and linguistic diversity, 107  
 cultural reform priorities, 55, 99, 101  
 culture, organisational, 4, 55, 98, 140–142  
*Customs Act 1901*, Minister for Defence's  
     statement under, 88  
 cyber and intelligence security, 25  
 cyber capability, 3, 78  
 Cyber Gap Year Program, 78  
 Cyber Professional Framework, 100  
 D  
 Daesh, operation to disrupt, 30  
 Dassault Systemes Virtual Shipyard Training  
     Program, 43  
 days of significance, participation in, 102  
 deaths of ADF members, inquiries into, 90  
 Defence 2022—Embedding One Defence,  
     50, 99, 80–81, 99, 101–102  
*Defence Act 1903*, 12, 13, 54, 90  
 Defence Artificial Intelligence Centre, 74  
 Defence Assistance to the Civil Community  
     arrangements, 24–25, 31–32, 40  
 Defence Audit and Risk Committee, 83–85  
 Defence Australian Industry Capability Program, 3  
 Defence Capability Assessment Program, revised, 38  
 Defence Childcare Program, 58, 133  
 Defence Committee, 83  
 Defence Cooperation Program, 26, 34  
*Defence Corporate Plan, 2019–20*, 12, 22–23, 85  
 Defence COVID-19 Strategy, 60  
 Defence Enterprise Learning Strategy 2035, 100  
 Defence Estate Asset Management Framework, 51  
 Defence Estate Strategy, 2016–36, 51  
 Defence Export Strategy, 26, 35  
 Defence Family Helpline, 58  
*Defence Force Discipline Act 1982*, 87  
 Defence Force Ombudsman, 93  
 Defence Force Retirement and Death Benefits, 59  
 Defence Force Transition Program, 58  
 Defence Forces Retirement Benefits, 59  
 Defence Fuel Transformation Program, 41  
 Defence Global Competitiveness Grants program, 26,  
     35  
 Defence Graduate Program, 126  
 Defence Home Ownership Assistance Scheme, 59  
 Defence Housing Australia, 13  
*Defence Housing Australia Act 1987*, 13  
 Defence Industry Security Program, 54  
 Defence Industry Skilling and STEM Strategy, 100  
 Defence Innovation Hub, 25, 33, 35, 96  
 Defence Intelligence Organisation, 36  
 Defence Investment Committee, 38, 39  
 Defence Logistics Enterprise, 41  
 Defence Mental Health and Wellbeing Strategy  
     2018–2023, 136–137  
 Defence Online Academy, 101  
 Defence Operations Research Network, 39  
 Defence Planning Guidance, 33  
 Defence Portfolio Budget Submission, 53  
 Defence Public Interest Disclosure Scheme, 95  
*Defence Reserve Service (Protection) Act 2001*, 121  
 Defence Risk Management Policy, 85  
 Defence School Mentor Program, 58, 133  
 Defence Science and Technology Implementing  
     Arrangement with India, 49  
 Defence Science and Technology Strategy, 37  
 Defence Science Partnerships, 49  
 Defence Seaworthiness Management System, 89  
 Defence Single Information Environment, 148–149  
 Defence STEM Cadetship Program, 126  
 Defence STEM Council, 100  
 Defence STEM Workforce Strategic Vision, 49

*Defence Strategic Update, 2020*, 12, 25, 33, 50, 81, 98

Defence Strategic Workforce Plan 2016–2026, 50, 56, 98, 108

Defence values, 4

*Defence White Paper, 2016*, 12, 25, 33, 37, 40, 42, 86, 151–152

Defence White Paper People Initiatives, 98

Defence Work Experience Program, 105

Defence Work Health and Safety Strategy, 136

definitions, 286

Department of Foreign Affairs and Trade, 32

Department of Veterans' Affairs, 13, 59

departmental overview, 12–20

Dependants With Special Needs Program, 58

diagnostic platform development, 24, 48, 63

dialogues, bilateral and multilateral, 34

digital workflows, 51

disability reporting, 107

disability, people with, 107

disaster relief assistance, 24, 28–30

diversity initiatives, 102–108

E

ecologically sustainable development, 159

Education Assistance Scheme, 58

education sector, engagement with, 100, 101

emergency response see natural disasters and emergencies

Emergency Response Decision Support System, 48

emergency supplies, transport of, 19

emerging hazards, 138

Emerging Threats and Response Group, 38

Employee Assistance Program, 137

energy consumption, 159

Enhanced Defence Cooperation Program—Philippines, 24, 28

enlistments and separations, 111–112

Enterprise Committee Governance Framework, 52

Enterprise Information Management, 54, 81

Enterprise Information Management Centre of Expertise, 54

enterprise performance management, 22–23, 85

Enterprise Resource Management, 4, 54, 81

Enterprise Resource Planning Program, 41, 50, 54

enterprise risk management, 85

*Environment Protection and Biodiversity Conservation Act 1999* referrals, 157

environmental management, 51

environmental performance, 156–163

EpiFX influenza forecast tool, 39

Estate Engineering, Governance and Integrity System, 51

Ethics Advisory Service, 87

ethics and workplace behaviours, 55, 87

evacuations, aeromedical, 30

evacuations, bushfire, 18–19, 31

Exercise TALISMAN SABRE, 158

expenses by outcomes, 68–75

explosive ordnance disposal, 30

Explosive Ordnance Logistics Reform Program, 41

F

families, ADF, see ADF members and their families, support for

family and domestic violence awareness, 100, 132

Family Sensitive Practice in Health Care, 135

Family Support Funding Program, 26, 133

financial statements, 53, 166–248

financial summary, 16, 66–78

firefighters, assistance to, 19–20, 31

First Principles Review, 12, 50, 54, 80–81, 99

Five Eyes partners, 38, 78

Five Nation Research and Development Council, 49, 63

flexible work arrangements, 109

flying hours, 45–47

*Force Structure Plan, 2020*, 25, 33, 38, 42, 48, 50, 81, 86, 98

fraud and corruption control, 87

freedom of information, 94–95

fuel supply chain reform and initiatives, 159–160

funded strength, workforce, 17, 108, 111

G

Gap Year program, 17, 110, 111, 120–121

geospatial intelligence, 36

Geospatial Support System for Land Force, 151

Global Supply Chain Program, 25

Good Soldiering cultural program, 55, 102

governance committees see senior enterprise committees

graduate program, 126

grants, 26, 35, 75

grey-zone challenges, response to, 2, 33, 74

Guardian class patrol boats, 34, 43, 145

H

Hawke, the Hon Alex MP, 13, 15

health and welfare services, ADF members, 26, 134–135 see also mental health initiatives and services

Health Aspects of Transition policy, 135

helicopter docks, 89

Henderson Maritime Precinct, 43

heritage management, 158

highly paid staff, 276

HMAS *Sydney*, 43

Hobart class destroyers, 43

honours and awards, 102, 139

humanitarian assistance, 24, 28–30

Hunter class frigates, 3, 37, 43, 145



Hydrographic Data Collection Capability, 151  
 HydroScheme products, 45–47  
 I  
 ICT Service Desk improvement program, 50  
 Indigenous ADF Pre-Recruit Program, 105  
 Indigenous Australians in Defence, 98, 100, 105, 107, 109, 264  
 Indigenous procurement, 150  
 industry, defence, 12, 35, 78, 82, 100, 115, 154  
   opportunities for, 26, 33,  
   priorities, 25,  
   support for, 16, 32  
 information and communications technology,  
   81, 148–149  
 information management, 54  
 Information Publication Scheme, 95  
 injuries and illnesses, 57, 132, 138  
 innovation projects and contracts, 35  
 Inspector-General of the Australian Defence  
   Force report, 90  
 Integrated Investment Program, 37, 38, 41, 42, 86,  
   98, 151–152  
 Integrated Service Delivery, 50  
 Integrated Ship System enterprise, 48  
 Integrated Soldier System—Tranche 2, 3, 152  
 intelligence products, 36  
*Intelligence Services Act 2001*, 13  
 international assistance, bushfires 2019–2020, 20  
 international engagement, 12, 26, 28–30,  
   34–35, 49, 51  
 International Maritime Security Construct, 25, 29  
 international trade shows and missions, 26, 35  
 Intranet home page improvements, 51  
 investment, defence, 3, 37, 38, 42  
 invoice payments, supplier, 35, 63  
 Iraqi Security Forces, capability building, 25, 30  
 J  
 Jindalee Operational Radar, 3  
 Job Family renewal project, 56  
 Joint Counter Improvised Explosive Device, 151  
 joint enabling elements, 41  
 Joint Professional Military Education, 41  
 Joint Strike Fighter projects, 152, 154  
 Joint Warfare Committee, 38  
 judicial and administrative tribunal decisions, 93  
 K  
 key management personnel, 129–130  
 L  
 land and water management, 156  
 land capability, 3, 40, 151–152  
 land combat vehicles, 25  
 land vehicle modernisation, 48  
 leadership development, 4, 55, 98, 99, 101  
 legal expenses, 77  
 legal services, 54, 81  
 legislation, 12–13  
 lesbian, gay, bisexual, transgender and intersex  
   people, 102, 107  
 Local Industry Capability Plan, 51  
 M  
 M2 Pathfinder Satellite, 96  
 Major Projects Report, 42, 86  
 mapping, 36  
 Marine Rotational Force—Darwin, 35  
 Maritime Border Command, 28, 31  
 maritime capability, 3, 19, 151  
 maritime surveillance and security, 29, 31, 34  
 media enquiries, 55  
 medical assistance and supplies, 24, 32, 34, 61  
 medical testing, COVID-19, 32, 39, 62  
 mental health initiatives and services, 57, 100,  
   134–135, 136–137  
 Middle East peacekeeping operations, 24–25  
 military equipment, 44  
 military exercises, 34  
 military justice system, 90  
 military observers, Lebanon, Syria and Israel, 30  
 Military Police, 41, 90, 102  
 Military Police Reform Program 2018–2020, 102  
 Military Superannuation and Benefits Scheme, 59  
 Minister for Defence, 13, 15, 63  
 Minister for Defence Industry, 13, 15, 63  
 Minister for Defence Personnel, 12–13, 15  
 Minister for International Development and  
   the Pacific, 13, 15  
 Minister for Veterans' Affairs, 13, 15  
 ministerial and cabinet submissions, 52  
 ministerial responsibilities, 13  
 misconduct, inquiry into allegations of, 90  
 mobility support, ADF members, 26  
*More, Together: The New Defence Science and  
   Technology Strategy 2030*, 39, 49  
 Moriarty, Greg (Secretary), 2–4, 15, 83  
 Multinational Force and Observers, 29  
 munitions and small arms research, 25  
 N  
 National Action Plan on Women, Peace  
   and Security, 104  
 National Commissioner for Defence and Veteran  
   Suicide Prevention, 90  
 National Naval Shipbuilding Enterprise, 37, 43, 145  
 National PFAS Investigation and Management  
   Program, 160–162  
 National Reconciliation Week, 106  
 National Security Science and Technology Strategy, 48

NATO Resolute Support Mission—Afghanistan, 29  
 natural disasters and emergencies, 2, 3, 18–20, 31  
     *see also* bushfires, 2019–2020;  
         COVID-19 pandemic  
 Naval Shipbuilding College, 43, 101  
 Naval Shipbuilding Plan, 2017, 3, 37, 43  
 Navy and Army Indigenous Development  
     Programs, 105  
 Navy Women's Development Program 2019–2021, 103  
 net assets, 66  
 Network Stability Taskforce, 149  
 New Horizon cultural program, 55, 102  
 New Starters Program, 57  
 Next Generation Navy cultural program, 55, 101  
 Next Generation Technologies Fund, 25, 37, 39  
 North West Regional Hospital, Tasmania, 32, 61–62  
 notifiable incidents, 57, 139  
 O  
     oceanographic measurement, 39  
     Office of the Information Commissioner, 94  
     Ombudsman reports, 93  
     omissions and errors, 279  
     One Defence Leadership Behaviours, 4, 55, 99  
     1800 Defence contact centre, 19  
     online information, supplementary, 280  
     operating result, 66  
     Operation ACCORDION (Middle East region), 28  
     Operation ARGOS (North-East Asia), 29  
     Operation ASLAN (South Sudan), 29  
     Operation AUGURY (Philippines), 24, 28  
     Operation BANNISTER (worldwide), 29  
     Operation BUSHFIRE ASSIST 2019–20, 18–20,  
         24–25, 31, 37, 40, 48, 99  
     Operation CHARTER (Cyprus), 29  
     Operation COVID-19 ASSIST, 24, 25, 32, 37, 40, 48,  
         60–64, 98  
     Operation FORTITUDE (Lebanon/Syria), 29  
     Operation GATEWAY (North Indian Ocean / South  
         China Sea), 29  
     Operation HIGHROAD (Afghanistan), 29  
     Operation LINESMAN (Republic of Korea), 29  
     Operation MANITOU (Middle East region /  
         maritime area), 29  
     Operation MAZURKA (Egypt), 29  
     Operation OKRA (Middle East region and  
         Iraq/Syria), 30  
     Operation ORENDA (Mali), 30  
     Operation PALADIN (Israel/Lebanon/Syria), 30  
     Operation RENDER SAFE (Solomon Islands), 30, 48  
     Operation RESOLUTE (border protection), 30, 48  
     Operation SOLANIA (South-West Pacific), 30  
     Operation SOUTHERN DISCOVERY (Antarctica), 30  
     Operation STEADFAST (Iraq), 30  
     operational briefs, 28  
     ordnance, exploded and unexploded, 51  
     organisational capability reviews, 94  
     organisational structure, 15  
     Osborne South shipyard, South Australia, 37, 43  
     out-of-school-hours care centres, 58, 133  
     outcomes, 14, 22  
     PBS programs contributing to, 25, 26  
     overseas engagement *see* international engagement;  
         regional engagement  
 P  
     Pacific Islands, assistance in, 30  
     Pacific Maritime Security Program, 34  
     Pacific Step-Up, 12, 24, 34  
     pandemic modelling, 24, 48, 63  
     parliamentary committees, 86, 91–92  
     parliamentary questions on notice, 52  
     Partner Employment Assistance Program, 58, 99, 132  
     partnerships and collaboration, 12, 24–25, 48, 63, 78,  
         100, 115  
         bushfire assistance, 20  
         international, 51  
         science and technology, 49  
     Pathway to Change: Evolving Defence  
         Culture 2017–2022, 4, 55, 98–99, 101–102, 140  
     patrol vessels, 3, 37, 43, 145, 151, 154  
     peacekeeping operations, 24–25, 29, 34  
     per- and poly-fluoroalkyl substances (PFAS)  
         contamination, 160–162  
     performance criteria and targets, 14, 22  
     performance management, 22–23, 85  
     performance pay, 131  
     performance reporting, 22–23, 50  
         linkages, 27  
     personal protective equipment, 19, 24, 32, 48  
     personnel exchanges, 34  
     piracy, 29  
     Plan Galileo, 145  
     Plan Jericho, 74  
     pollution prevention program, 158  
     Portfolio Additional Estimates Statements, 22–23, 53  
     Portfolio Budget Statements, 14, 22–23, 53, 85  
     portfolio structure, 13  
     post-traumatic stress disorder treatment, 135  
     preparedness, 25–26, 37, 40, 89  
         effect of COVID-19 on, 25, 40, 62, 85  
     Price, the Hon Melissa MP, 13, 15  
     procurement, 150  
     programs, 14  
     Project RESTORE, 135  
     Project Suakin, 109  
     Projects of Concern, 42, 153  
     Prolonged Exposure treatment, 135  
     protected cloud environment, 50, 54  
     *Public Governance, Performance and Accountability*

*Act 2013*, 12, 22, 84  
*Public Service Act 1999*, 12  
 purchasing, 150  
 purpose, 12, 22  
 Q  
 quarantine compliance assistance, 24, 32, 61, 98  
 R  
 RAAF Base Amberley, telescopic docking system at, 82  
 radar, 3, 25, 96  
 radiation legislation, compliance with, 41  
 Reconciliation Action Plan 2019–2022, 101, 105, 106  
 recruitment, 98, 100, 108, 123–126  
     Indigenous, 98, 100, 105  
     women, 98, 100, 102–103  
 redeployments to Services Australia, 64, 98  
 reform, Defence, 3–4, 12, 50, 54, 80–81  
 Regional Contamination Investment Program 2017–2020, 51  
 regional engagement, 12, 24–25, 34–35  
 remediation programs, 158  
 remuneration and benefits, 84–85, 127–131, 265–272  
 repatriation of Australian citizens during COVID-19, 32, 61, 98  
 reporting framework, 22–23, 50  
     linkages, 27  
 Republic of Fiji Military Forces, 29  
 research, 25, 39, 48–49, 63, 151–152  
 Reserve Service protection, 121  
 Reserves, 24, 64, 100, 109, 113, 116–121  
     statistics, 111, 262–265  
     see also compulsory call out, Reserve Brigades  
 Reynolds, Senator the Hon Linda, 13, 15  
 Rheinmetall NIOA Munitions Plan Queensland, 3  
 risk management, 85  
 risk review, 33  
 Robotic and Autonomous Systems Implementation and Coordination Office, 163  
*Royal Australian Air Force Veterans' Residences Act 1953*, 13  
 Royal Commission into National Natural Disaster Arrangements, 32  
 Royal Edinburgh Military Tattoo, Sydney, 24–25  
 S  
 SARA (Supply Assistance Robot — Autonomous Hardware), 74  
 satellites, 96  
 science and technology activities, 37, 39, 48–49, 151–152  
 Science, Technology and Research (STaR) Shots, 39  
 science, technology, engineering and mathematics (STEM), 98, 100, 102–103, 123–126  
 Secretary, 13, 15, 83  
     review 2019–20, 2–4  
     security vetting services, 54, 81  
     Senate Estimates hearings, 52  
     senior enterprise committees, 83–85  
     Senior Executive Service employees, 118  
     senior leadership, 15–16  
     sensor and effector technologies, 39  
     Service Categories, 109–110, 112  
     Service Delivery Framework, 50  
     service integration, 3  
     Services Australia redeployments, 64, 98  
     *Services Trust Funds Act 1947*, 13  
     sexual misconduct prevention and response, 99, 142–144  
     shared service model, 55  
     Shoalwater Bay Training Area expansion, 51  
     signal processing, 25  
     skills requirements and development, 56, 100, 101  
     small and medium businesses, 33, 35, 43, 150  
     Smart Buyer framework, 86  
     SMART programs, 58  
     SmartSat Cooperative Research Centre, 96  
     South Pacific virtual musical project, 24–25  
     Sovereign Industrial Capability Grants and Priorities, 25, 33, 35  
     space capabilities, investment in, 96, 152  
     Space Surveillance Telescope, 96  
     Special Operations Capability Enhancements and Continuous Development Program, 151  
     star-ranked officers, statistics on, 116–117  
     state and territory governments, support for, 24, 31–32, 60–61  
     statutory redress of grievance scheme, 90  
     STEM Cadetships Program, 126  
     STEM Outreach and Engagement Plan, 49  
     Straits of Hormuz, freedom of navigation in, 25  
     strategic planning and review, 12, 25–26, 33, 50, 56, 80–81  
     Strategic Policy Review, 25  
     Strategic Risk Reviews, 33  
     Submarine Combat Control System, 48  
     submarines, 25, 39, 43, 48  
     submissions to Government, 28  
     Super Hornet cockpit ejector seat, 48  
     supply chains, 12  
     surplus, 16  
     surveillance and intelligence collection, 25  
     surveys, 26, 55, 59  
     sustainment products, 3, 44–47  
 T  
 tactical payments scheme, 78  
 Team Defence Australia, 26, 39  
 telescopic docking facility, 82

- Temporary Employment Register, 124
- terrorism and violent extremism, 28, 34
- Total Workforce Model, 56, 100
- Total Workforce System, 98, 100, 109–110
- training, 26, 34, 41, 43, 99, 100, 101, 107, 124
- transition support for ADF members, 26, 58, 99, 109, 133, 135
- U
- unacceptable behaviour, 140–142
- unit availability days, 45–47
- United Nations Disengagement Observer Force, 29
- United Nations Multidimensional Integrated Stabilization Mission, Mali, 30
- United Nations operations, support for, 25, 29
- United Nations sanctions, enforcement of, 25, 29, 34
- United Nations Truce Supervision Organization, 30
- United States, cooperation with, 48
- unmanned aerial systems, 163
- V
- ventilator re-purposing, 24, 32, 48, 62
- virus survivability research, 24, 48, 63
- W
- waste management, 156
- water consumption, 159
- water purification supplies, 19, 31
- Western Sydney Airport environmental offsets, 157
- white paper *see Defence White Paper, 2016*
- women in Defence, 98, 100, 102–104, 125
- Women in STEM, 125
- women, peace and security, 34, 104
- work health and safety, 57, 99, 136–139
  - audits, 138
- workforce, 16, 17, 50, 108–114
  - flexible work arrangements, 109
- funded strength, 17, 108, 111
  - impacts of COVID-19, 36, 62, 98, 99, 101, 133
  - Indigenous participation, 98, 100, 105, 107, 109, 264
  - key initiatives and achievements, 100
  - recruitment, 98, 100, 108, 123–126
  - reforms, 3–4, 12, 50, 54, 80–81
  - remuneration and benefits, 127–131, 265–271
  - Services Australia redeployments, 64
  - statistics, 109–114, 116–121, 249–272
  - summary, 98
  - supports for, 58
  - women, participation rate, 103–104
  - work from home arrangements, 60
  - see also Australian Defence Force staffing; Australian Public Service employees*
- workshops, 74

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