

Management of Food Provisioning in the Australian Defence Force

Performance Audit

Tabled 25 November 1996

Abbreviations

ACLOG	Assistant Chief of the Defence Force (Logistics)
ACPSG	Assistant Chief of the Defence Force Policy and Strategic Guidance (replaced ACLOG in July 1996)
ADF	Australian Defence Force
ADF RSC	Australian Defence Force Ration Scales Committee
ANAO	Australian National Audit Office
A&L	Acquisition and Logistics Program
APIN	Army Presence in the North
AOC	Air Officer Commanding
CARR	Catering Activity Review Report
CDF	Chief of the Defence Force
CSP	Commercial Support Program
DAS	Department of Administrative Services
DCATR-A	Directorate of Catering - Army

Defence	Department of Defence
DEFMIS	Defence Financial Management Information System
DFSC	Defence Food Science Centre
DGFD(L)	Director-General Force Development (Land)
DGLP	Director-General Logistics Policy
DGL	Director-General Logistics (replaced DGLP in July 1996)
DGL-AF	Director-General Logistics - Air Force
DI(G)	Defence Instruction (General)
DI (LOG)	Defence Instruction (Logistics)
DLP-A	Directorate of Logistics Policy - Army
DLS-N	Directorate of Logistic Services - Navy
DSTO	Defence Science and Technology Organisation
DVA	Daily Victualling Allowance
GOC	General Officer Commanding
HQ ADF	Headquarters Australian Defence Force
HQ NZDF	Headquarters New Zealand Defence Force
IHO	In-house Option

LPG	Logistics Policy Group
MAB	Management Audit Branch in Defence
MAB/MIAC	Management Advisory Board/Management Improvement Advisory Committee
MATLOG Review	Materiel Logistics Review
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MRL	Materials Research Laboratory
NAO	National Audit Office, UK
NAVSUPMAN 5	Naval Supply Manual
NFA	National Food Authority
PM&B	Program Management and Budgeting
PMSA	Program of Major Support Activities
R&Q	Rations and Quarters
RAAF	Royal Australian Air Force
SOR	Statement of Requirement
SSLM	Single Service Logistic Management
SUPMAN 4	Supply Manual

UK	United Kingdom
USA	United States of America
VMS	Victualling Management System

Glossary

Casual Meal Charge	A charge for meals levied on all non-entitled personnel consuming rations in Defence messes.
Catering	Catering is the component of food provisioning that deals with the preparation, cooking and serving of food.
CSP bases	Defence bases on which services are contracted out under the Commercial Support Program to the private sector or military managers (in-house options) through contestability (see also paragraphs 7.1 and 7.2).
Daily Victualling Allowance	Navy's Daily Victualling Allowance (DVA) allocates rations through an entitlement system with financial indicators.
Fresh rations	There are two types of fresh rations - one used for base catering and the other used in the field during training exercises.
Food provisioning	A broad function involving the purchase, preparation, storage, cooking and serving of food.
NAVSUPMAN 5	The Navy Supply Manual that outlines the policy and procedures of Navy rationing. It incorporates the DVA system.
Non-CSP bases	Non-CSP bases are bases that have not been the subject of contestability and are run essentially by Defence personnel.
Operational stocks	Stocks maintained to fulfil training requirements.
Rationing or ration provisioning	Rationing or ration provisioning is a sub-set of food provisioning and embraces only the provision of daily food requirements, including forecasting, estimating, procurement and management of stores.
Rations and Quarters	A charge paid to Defence by all members for whom food and accommodation are provided on base.
Requirement-based rationing	This system is also referred to as a demand-based approach and is a way of rationing for expected attendance, rather than against entitlement. Food is provided as required, rather than on the basis of a set entitlement.
Reserve stocks	Minimum stock levels maintained for military contingency needs.

Single Service Logistic Management	Under SSLM one of the three Services (Navy, Army or Air Force) arranges purchasing or exercises other logistics management responsibilities on behalf of two or all three of the Services.
Tri-Service arrangements	Under tri-Service arrangements, the three Services are involved in managing certain functions.
Victualling Management System	A demand approach to rationing based on the principles of program management and budgeting. The Navy is testing this system as a possible replacement of the DVA.

Summary

The Chief of the Defence Force and the Secretary of the Department of Defence share responsibility for administration of the Australian Defence Force. An important element of that administration is food provisioning. Provision of the appropriate quality and quantity of food is an important contributor to the morale, health and well-being of members of the ADF. It also affects combat capability and readiness of the ADF by contributing to the physical fitness of its members.

Audit objective and criteria

The objective of the audit was to assess the efficiency and effectiveness of administrative arrangements for the provision of food to the ADF and identify possible areas for improvement.

The audit criteria for assessing the efficiency and effectiveness of current administrative arrangements concerned the adequacy of policy guidance, planning, performance information and risk management in all areas of ADF food provisioning.

Audit conclusion

The ANAO's overall conclusion was that provisioning for food in the ADF could be better managed and that worthwhile improvements in efficiency and effectiveness are achievable. Administrative costs can be reduced and savings made on food purchasing. The ANAO has formulated recommendations which seek to achieve that outcome.

The audit has identified scope for Defence to improve efficiency and effectiveness of arrangements by reducing the duplication stemming from separate initiatives by the Services and further rationalising their food provisioning activities with appropriate guidance from HQ ADF. Defence has acknowledged the usefulness of the report, particularly the recommendations specific to HQ ADF, and agreed to 11 recommendations. One was disagreed in part.

Even before this report was completed the audit had prompted action by Defence, particularly by the Logistics Policy Group, which is currently reviewing ADF food provisioning policy.

Key findings

Defence is unable to provide information on the total cost of ration provisioning in the ADF. However, the ANAO estimates the cost to amount to about \$100 million per annum.

This does not include costs such as labour and utilities.

To improve management of food provisioning, Defence should focus on the following five key areas:

(i) Policy guidance and coordination of ADF food provisioning

- There is no ADF policy on food provisioning. This has led to the Services pursuing their own initiatives and having different procedures. In the absence of an overarching policy there are risks that procedures are not aligned to ADF objectives and may not be cost-effective or best practice. The ADF would also benefit from having ADF-wide coordination on food provisioning. An active coordinating role by HQ ADF would help to improve outcomes.
- A review by Defence (the Tooth report) in 1983 also concluded that there was no effective Defence policy statement and that HQ ADF lacked the arrangements to exercise a positive systematic influence on the development of food provisioning policies, systems and arrangements. The ANAO notes that little progress has been made since then (Chapter 2).

(ii) Performance information and benchmarking

- Currently there is no system for measuring performance of food provisioning in the ADF and comparing it across the three Services. ADF management would benefit from consistent and better performance information. This would assist management decision-making on food provisioning and facilitate ongoing monitoring of efficiency and best practice.
- Food provisioning in Defence is undertaken either by the military or by contractors under the Commercial Support Program (CSP). Initial research indicates that in Navy the average daily cost of providing an officer with meals is \$122 in a military mess or \$46 in a CSP mess. For Air Force, the comparative figures are \$103 for a military mess and \$42 for a CSP mess. Comparable data for Army were not available. It would be appropriate for the three Services to benchmark their non-CSP catering activities against work practices developed for CSP in-house bids and also against external practices where appropriate (Chapter 3).

(iii) Army's entitlement-based rationing

- Rations are procured by Army units according to the total number of 'entitled' persons on the base rather than the number attending meals and their needs. Attendance rates vary but recent reviews indicate as few as 37 per cent of entitled members attend messes, leading to significant wastage. It would be more appropriate for Army bases to adopt a demand-driven system, of the kind being adopted by Air Force and Navy (Chapter 4).

(iv) Single Service Logistics Management (SSLM) arrangements for food provisioning in Darwin

- The arrangement by which Air Force manages purchasing of fresh rations for the three Services in Darwin is not functioning effectively, leading to inefficient

management of financial resources. This is a major area of concern and may cause logistics problems, given that the Army is increasing its presence in northern Australia. The matter should be addressed by Defence to prevent resource allocation problems from continuing in northern Australia (Chapter 5).

(v) Management of Commercial Support Program (CSP) contracts

- In the management of CSP contracts, there is a lack of consistency with regard to minimum specifications for catering. The ANAO considers that there would be advantages in coordinating the development of up-to-date guidance on catering contracts. There is also an inconsistent approach to performance measurement requirements in contracts. Defence could promote the application among the Services of a common contract performance and reporting system that enables catering contracts to be evaluated on an ADF-wide basis leading to better administrative effectiveness.
- Training for personnel responsible for negotiating, preparing and managing CSP catering contracts could be more effective. Problems are exacerbated by the continuing transfer of Service personnel. The ANAO considers that Defence would benefit from providing officers with training on CSP contract administration, particularly contract formulation, evaluation, negotiation and administration of service contracts prior to or at the commencement of posting to a contract management position (Chapter 7).

The audit also addressed other areas of food provisioning mentioned below that have the potential to improve overall management by generating further efficiencies:

- There is scope for greater use of common contracts in the same locality for the supply of common fresh food items. This would provide an opportunity for the Services in the same region to take advantage of the generally lower prices and reduced administrative costs of larger combined contracts.
- Management of food provisioning in the field is generally efficient. It comprises combat ration packs and fresh field rations. There are, however, two areas warranting further attention by Defence. First, operational and reserve stocks of combat ration packs should be identified separately when further guidance on stockholding policy is provided by Defence. Second, Army is not formally required to list the components of combat ration packs on the packs themselves. There is a risk that, through lack of awareness of ration pack ingredients, some personnel may suffer allergic reactions and other health problems as a result of consuming these rations. This constitutes a field risk (i.e. at the time that there is most need for healthy personnel) for Defence.
- The management of CSP contracts could be further improved by requiring base support contracts that include a number of services, including catering, to provide performance information specific to catering alone.
- There is scope for CSP contracts to be amalgamated on a regional basis, generating efficiencies through economies of scale.

Potential savings

The ANAO is of the view that there are substantial savings to be made in this area through improved management, although it has not been practicable to quantify the full savings potential from available data. The Services lack performance information and comparable costing data on which any such assessment could be based.

However, changes already implemented by some areas in Defence point to a potential saving of \$4 million per annum if Army moves away from the entitlement system to a requirement-driven system. There are also potential savings from moving away from the volume of administration required under current procedures for administering the entitlement-based system. In addition, there is the possibility for savings from the amalgamation of local food supply contracts as tri-Service standing offers. The ANAO's other recommendations also contribute to a more cost-effective management of food provisioning, with potential for further savings.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and Defence's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that Defence should give priority to Recommendations Nos. 1, 3, 4, 5, 6, 10, 11 and 12.

Recommendation
No. 1
Para. 2.21

The ANAO recommends that HQ ADF put in place arrangements for coordination of food provisioning in the ADF by:

- a) developing and promulgating an ADF food provisioning policy that identifies clearly the key result areas;
- b) establishing a mechanism for ongoing policy review;
- c) developing consistent and comparable performance information;
- d) clarifying the HQ ADF position in relation to the Services on ADF food provisioning; and
- e) facilitating coordination of initiatives by individual Services.

Impact

HQ ADF guidance and coordination would provide greater efficiency in food provisioning to the Australian Defence Force through increased commonality and standardised performance measures. It would also lead to more effective procedural guidance in the three Services.

Defence Response:

Agreed.

Recommendation
No. 2
Para. 3.5

The ANAO recommends that the Services communicate timely and accurate information on Defence personnel movement between and within Services to ensure more effective and efficient ration planning.

Impact

Implementation of this recommendation will result in more effective and efficient ration planning between and within the three Services. This will

reduce the risk of funding shortfalls or overspending.

Defence Response:

Agreed.

The ANAO recommends that the three Services develop cost-effective performance indicators of food provisioning services, including indicators relating to the cost of providing the service, to assist with management decision-making, consistent with HQ ADF policy guidance (refer to Recommendation No. 1).

Recommendation
No. 3
Para. 3.18

Impact

Adoption of this recommendation would lead to more informed decision-making by the three Services. With the introduction of comparable and consistent performance information across the three Services, HQ ADF would be in a position to evaluate food provisioning between the three Services.

Defence Response:

Agreed.

The ANAO recommends that the Services benchmark catering activities against the work practices developed in CSP in-house bids and, where feasible, benchmark against similar catering activities in other organisations.

Recommendation
No. 4
Para. 3.26

Impact

Implementation of this recommendation would help the Services to benchmark their catering activities against more efficient work practices already developed in the CSP in-house bids or in other organisations. There are potential savings from adopting better practice with the view to achieving more efficient procedures and further enhancing outcomes.

Defence Response:

Agreed.

The ANAO recommends that Army adopt a requirement/demand-driven system as the basis for on-base ration provisioning, drawing on Air Force and Navy experience.

Recommendation
No. 5
Para. 4.16

Impact

There are potential savings in excess of \$4 million that could be achieved by Army if it adopted a requirement/demand-driven system.

Defence Response:

Agreed.

The ANAO recommends that HQ ADF in conjunction with the three Services review the SSLM arrangement for food provisioning in Darwin in light of the changed circumstances in northern Australia.

Recommendation
No. 6
Para. 5.10

Impact

Implementation of this recommendation should help to overcome the

current SSLM management problems in Darwin, leading to better management of financial resources across the three Services.

Defence Response:

Agreed.

The ANAO recommends that, where it is cost-effective to do so, the Services amalgamate local food supply contracts on a regional basis.

Recommendation
No. 7
Para. 5.17

Impact

Implementation of this recommendation is expected to generate significant savings and improve efficiency in the administration of contracts.

Defence Response:

Agreed.

The ANAO recommends that Army, with the assistance of the Surgeon-General, employ risk management procedures to control the risks of Defence personnel suffering reactions to ingredients in combat ration packs.

Recommendation
No. 8
Para. 6.12

Impact

Implementation of this recommendation would result in better risk management procedures for combat ration packs, lower field risk (i.e. healthy soldiers in the field) and less risk of Commonwealth liability.

Defence Response:

Agreed.

The ANAO recommends that Defence improve management arrangements for Commercial Support Program contracts with respect to food provisioning by:

a) requiring base support contractors to provide cost information and other performance data on the catering services provided under the contract to enable catering services to be compared and evaluated across Defence bases; and

b) amalgamating catering contracts on a regional basis where there are likely to be economies of scale from doing so.

Recommendation
No. 9
Para. 7.9

Impact

Implementation of this recommendation would provide information to help in efficient management of the catering component of base support contracts. Savings could be realised by amalgamating Commercial Support Program catering contracts on a regional basis.

Defence Response:

a) Agreed.

b) Agreed.

Recommendation
No. 10

The ANAO recommends that Defence provide officers with training on

Para. 7.24

CSP catering contract administration, particularly contract formulation, evaluation, negotiation and administration of service contracts, prior to or at the commencement of posting to a contract management position.

Impact

Implementation of this recommendation would assure Defence that personnel handling CSP contract management issues are properly trained and proficient in CSP contract administration.

Defence Response:

Agreed.

The ANAO recommends that Defence:

- a) prepare detailed guidelines for catering contract documentation to help the Services in the development of catering contract arrangements for their own needs; and
- b) delete the need for catering contracts to refer to SUPMAN 4 and equivalent documents.

Recommendation
No. 11
Para. 7.35

Impact

Implementation of this recommendation would help protect the Commonwealth's interests through better guidance to the Services on contract formulation for CSP contracts and follow-on contracts and that lessons learnt are passed on to the three Services. Deletion of the need to refer to SUPMAN 4 would avoid unnecessary compliance with an outdated document.

Defence Response:

- a) Agreed.
- b) Not agreed.

The ANAO recommends that Defence centrally coordinate the development of key performance measures in catering contracts, develop a common contractor performance and reporting system, and clarify contractor liability issues in catering contracts.

Recommendation
No. 12
Para. 7.47

Impact

Implementation of this recommendation would lead to better management of CSP contracts and their performance across the three Services and reduce the risk of Commonwealth liability.

Defence Response:

Agreed.

1. Introduction

This chapter details the audit objective, criteria, scope and methodology, provides an overview of food provisioning arrangements in the Australian Defence Force, makes some international comparisons and provides information on costs.

Food provisioning in the Australian Defence Force

1.1 The mission of the Department of Defence is to promote the security of Australia and to protect its people and its interests. It does this by, among other things, maintaining the Australian Defence Force (ADF), the main components being the three armed Services: the Royal Australian Navy, the Australian Army and the Royal Australian Air Force (RAAF).

1.2 The Chief of the Defence Force (CDF) and the Secretary of the Department of Defence share responsibility for administration of the ADF. An important element of that administration is the feeding of the ADF Service personnel, who number some 60 000. Provision of the appropriate quality and quantities of food is an important contributor to the morale, health and well being, combat capability and readiness of the ADF.

1.3 The CDF and the Secretary delegate responsibility for food provisioning to the Chiefs of the three Services, with some guidance on standards and with broad resource oversight through the Departmental programming process. The Services use their own allocated resources and, to a large extent, their own systems to meet their individual requirements, including determining entitlements, purchasing and distributing food.

1.4 In recent years the rationing and catering function has been a major area of activity under the Commercial Support Program (CSP) in Defence. CSP involves market testing of non-core services and contracting out to private enterprise or in-house managers to achieve efficiencies.

Objective of the audit

1.5 The objective of the audit was to assess the efficiency and effectiveness of current administrative arrangements for the provision of food within the ADF and identify possible areas for improvement.

Audit criteria

1.6 The audit criteria for assessing the efficiency and effectiveness of current administrative arrangements included:

- the adequacy of ADF-wide policy guidance and coordination of ADF food provisioning;
- the adequacy of procedures and planning at the individual Service level and the effectiveness of entitlements as the basis for rationing;
- the extent to which performance information and benchmarking assist with management of messes, whether managed by the Services or by contractors;
- the effectiveness of SSLM arrangements and possibilities for rationalising current contracts on a regional basis at the tri-Service level;
- the identification and management of risks associated with the arrangements for provision of combat ration packs;
- the adequacy of CSP market testing and contracting and whether lessons learned have resulted in improved management; and

- whether there are systems in place to evaluate catering contracts on an ADF-wide basis.

Scope

1.7 The audit covered management of procurement, supply and distribution of fresh rations including provision of fresh rations on base and in the field, the tri-Service arrangements for procurement, supply and distribution of combat rations to all three Services, and arrangements under CSP for provision of catering. Provision of in-flight rations, rationing at sea and food to military hospitals were not addressed in the audit.

1.8 Arrangements for research through the Defence Food Science Centre, and for the provision of fresh field rations and combat rations, were found to be satisfactory during the preliminary study for the audit. Although they are addressed in this report, the prime focus is on rationing in a base environment.

1.9 The terms food provisioning, catering and rationing as used by the ANAO are explained in the glossary.

Audit methodology

1.10 The audit was conducted in the period from January to September 1996 and cost \$248 000. The audit was conducted in conformance with the ANAO Auditing Standards.

1.11 Field work included interviews and file searches at Defence, HQ ADF and relevant offices of Army, Navy and Air Force in Canberra. Interstate field work was undertaken at a number of Defence bases. The ANAO also had regard to internal reviews of Defence rationing that had been conducted in recent years.

1.12 Discussions were held with ESSO Australia (Melbourne), the NSW Restaurateurs and Caterers' Association (Sydney), Department of Health (Canberra), Canberra Hospital and Long Bay Gaol. Information on Defence rationing was sought from the United Kingdom National Audit Office, the US General Accounting Office, the US Department of Defense and the New Zealand Department of Defence.

1.13 The ANAO engaged two consultants, Mr Noel Sutton from Mercadier Consultancy and Mr John Moten, to assist with the audit. Ms Colleen Gilbert of the Wesley Centre was consulted during the preliminary study for the audit.

Overview of current arrangements

1.14 The ADF has a responsibility to feed all personnel when on operations or periods of training away from their normal source of food provision. Otherwise its responsibility is to feed only those 'entitled' members of the ADF who are living in single quarters provided and maintained by Defence. These personnel contribute to the costs through a Rations and Quarters payment.

1.15 On most ADF bases the Services provide a facility for 'non-entitled' members of the ADF, civilians working on the base, and short-term visitors to receive meals on payment of a casual meal charge.

1.16 The rationing system for Army and Air Force is based on the *ADF Ration Scales and*

Scales of Issue, SUPMAN 4, now sponsored by the General Officer Commanding Logistics Command - Army, on advice from the ADF Ration Scales Committee (ADF RSC). Navy uses a manual called NAVSUPMAN 5, which allocates rations through an entitlement system based on financial indicators.

1.17 Joint or tri-Service sponsored units, such as the Joint Services Staff College, the ADF Warfare Centre and the Australian College of Defence and Strategic studies, are rationed under arrangements determined by HQ ADF.

1.18 The Officer Commanding Logistics Command - Army is responsible, under Single Service Logistic Management (SSLM) arrangements, for all aspects of the development, procurement, quality control and distribution of combat rations to all three Services.

The ADF food provisioning environment

1.19 The environment in which the ADF must provide rations for its members is characterised by:

- a transient population and the need for flexibility to deal with changing circumstances and different entitlements;
- the need to purchase food from time to time in foreign countries;
- the necessity to feed under field conditions;
- consideration of issues such as readiness to deploy, and morale, fitness and health;
- conformance with public sector guidelines; and
- different systems and procedures for each of the three Services.

1.20 These conditions increase the level of complexity and present challenges for the ADF. However, they are not unique and, to varying degrees, are faced by other providers of catering services.

International comparisons

1.21 Information on feeding arrangements for the United Kingdom, United States and New Zealand Defence Forces was examined by the ANAO. The main observations from these international reviews that are of relevance to this ANAO report are outlined below.

UK Armed Forces

1.22 The supply of all food to the UK Armed Forces was rationalised in 1993 and contracted out in 1994 for three years to one organisation - the Navy, Army, Air Force Institute. In 1997 the contracting process will be on a fully competitive basis.

1.23 A key finding of the consultant's report that recommended the rationalisation in 1993 was that no single body had a coherent overview of the Department's requirements. This finding has parallels with the situation in the ADF today, where there is no overview of the Department's requirements for food provisioning.

United States Defense Force

1.24 The conclusions from the *President's Private Sector Survey of Cost Control - 1983 Report on Federal Feeding* are outlined below. Although now ten years old, the Report is relevant because it was an important basis for the current US system. The issues addressed and the general themes of the recommendations are consistent with the findings in this ANAO Report. The US Report:

- acknowledged that the system for Defense Force feeding had remained essentially unchanged for over 50 years;
- noted that the quality and quantity of what was actually being served and eaten in messes was quite different from the funding/budgetary allowance for food that was based on the formal procedures;
- recommended a new system that was more closely related to what actually happens in mess halls, that is, a closer relationship between the budgeting and menu planning process; and
- recommended a uniform management information system for Defense Force feeding that would allow collecting and monitoring of performance information.

The New Zealand Defence Force

1.25 Until recently HQ NZDF promulgated a document on rations that was part policy, but mainly procedures, similar to the ADF's SUPMAN 4. HQ NZDF has now devolved procedures to the Services and replaced that document with brief policy guidance.

Reviews

1.26 The ADF rationing systems have been the subject of a range of reviews, studies and internal audits over recent years. The principal reports are listed in Appendix 1.

1.27 A common theme of these reviews has been the need to improve efficiency of service delivery, and the need to adopt best practice where possible. The recent moves to contracting out of food provisioning under CSP arrangements has been one reaction to these reviews.

Cost of rations

1.28 Defence could not provide the ANAO with the total cost of food provisioning in the ADF.

1.29 For 1995-96 Army allocated \$20.1 million, Air Force \$14.6 million and Navy \$15.2 million for fresh rations. However, this annual budget of \$50 million does not include the total cost of catering services provided by the military or payments to CSP and post-CSP contractors for the provision of catering services.

1.30 Only Air Force is able to identify its budget for CSP catering, which amounted to \$11.5 million in 1995-96. This, added to the budget for fresh rations provision, nearly doubles Air Force's recorded cost of 'rationing' to \$26.1 million. The total cost of the catering component of CSP contracts could not be provided by Army or Navy. It appears from the available data that the total cost of ADF food provisioning is about \$100 million a year, excluding utilities and labour.

1.31 The rationing of Defence personnel is supported by the Rations and Quarters charge (R&Q), which is a charge paid to Defence by all members for whom food and accommodation are provided on-base. The charge is set according to rank as a condition of service, rather than based on the actual cost of providing the service. The charge for the food component cannot be identified separately. The ANAO notes that the structure of the R&Q charge is being reviewed following the Glenn Report on Defence personnel. ¹

1.32 Personnel living off-base and external visitors to bases are required to pay a casual meals charge for meals consumed on the base. Neither charge is linked to the actual cost of providing the food or reconciled with the base rationing budget.

2. Improving Policy Guidance and Coordination

This chapter considers the benefits that would come from policy guidance to the Services on food provisioning. It also examines the need for improved coordination and change management in light of recent initiatives by the Services.

Need for ADF policy

2.1 The objective of the Forces Executive Program (in HQ ADF) is to provide an effective strategic command structure and policy direction to the ADF. There is, however, no ADF food provisioning policy. As a result, the Services have developed different management practices.

2.2 The Services have developed different policies and procedures to reflect their differing requirements, environments and operational needs. However, concern with this approach was expressed by Logistics Division in its comments in the discussion paper *ADF Rationing - An Overview* of 1992:

This discussion is necessarily complicated by the different procedures employed by each of the Services - in itself often causing considerable disquiet within Defence.

It is of interest that over eight years ago the Tooth Report (1983) found that there was no effective Defence policy statement expressing the basis for a common standard of Service rationing and that HQ ADF lacks the arrangements to exercise a positive systematic influence on the development of food provisioning policies, systems and arrangements. It can be argued that no progress has been made since then.

2.3 Defence acknowledges the possibility for and benefits of a move to more common policy and procedures. These could address key result areas such as quality standards, levels of customer/consumer satisfaction, costs per meal per head, and achievement of nutritional standards.

2.4 The ANAO considers that the Australian Defence Force would benefit from appropriate policy guidance to the three Services.

Initiatives for change

2.5 The Services acknowledge that there has been relatively little innovation in the past, and recognise the need for change. This is evidenced by the significant changes being considered within each Service and in comments such as those below from a 1994 Air Force paper, *Discussion of Proposals To Reduce RAAF Catering Support*

Commitments:

The basic assumptions guiding RAAF catering activity remained unchanged for almost fifty years from the end of World War 2 to the early 1990s. The last major innovation was the adoption of SUPMAN 4 as the basis of determining entitlements in the 1960s ...The...dominant attitude was that food was essential and there would always be resources available to support catering activity - be it manpower or dollars.

2.6 Recognising the need for change, Air Force has adopted a demand-driven approach to determining its base ration requirements. The demand-driven approach, referred to as a requirement-based system, aims to ration on the basis of expected attendance and needs rather than on the basis of a set entitlement. Navy is trialing a new system (the Victualling Management System) based on a demand approach. Army also is considering changes to its entitlement-based system. The CSP initiative within Defence also contributes to this environment of change.

2.7 The Services are cooperating in a related initiative, the tri-Service rationalisation of catering training. This issue has been the subject of review for over ten years, and there appears now to be progress, which the ANAO would encourage. Those involved in the project acknowledge that increased benefit would be achieved through commonality of rationing management procedures in base areas.

Procedural guidance by the Services in the absence of ADF policy

2.8 Food provisioning does not attract a high priority in Defence, because it is routine and accounts for only a small proportion of the Defence budget. This has resulted in an absence of proactive mechanisms for identifying and monitoring progress. This in turn means that inefficiencies in the rationing system are not identified and addressed by Defence management.

2.9 The Chiefs of the individual Services are responsible for feeding their personnel. The absence of overarching policy at the Service level means that there are potential risks for the individual Service. This is a result of procedures being developed in isolation at the Command level that are not aligned to any particular objective of the individual Service. In addition, the absence of stated performance objectives makes it difficult to assess whether an activity is being undertaken in the most cost-effective and efficient manner.

Air Force

2.10 Air Force has had recurring problems in relation to its catering responsibilities. The key problems are in provision of policy guidance by the Directorate of Logistics Policy and in the translation of this into procedural requirements.

2.11 Air Force has agreed that it lacks policy on rations and has listed it for consideration in 1996-97. The reason for the continuing delay in providing policy guidance arises from the low priority accorded to ration provisioning. In the absence of procedural policy guidance, Air Headquarters has issued its own Standing Instructions² that state that they are being issued in the 'absence of definitive policy'.

2.12 Logistics Command has carriage for updating the Catering Manual³ and promulgating it to the three Commands. The MATLOG Review⁴ recommended in 1992

that it be cancelled and replaced by a revised version. The revision is still continuing and there is no firm completion date. The Catering Manual forms a critical component of the catering training courses, and the delay in revising it has hindered the effective teaching of these courses. The Catering Manual is also important for base catering.

Army

2.13 Army is facing problems similar to those of Air Force. Army has recognised a need to split policy development from procedural development, resulting in the policy function being transferred to DLP-A in Canberra. The split was designed to achieve greater focus on policy guidance with procedural detail left to the operational area. There has been no policy guidance, because of the low priority accorded to ration provisioning. The only guidance that Army receives is through the procedural document, SUPMAN 4, which is discussed in Chapter 4 of this report. Some policy review work has been undertaken by the Defence Food Science Centre, a specialist technical body, but it would seem more appropriate for such work to be done by the Army's logistics policy area.

Navy

2.14 The performance of Navy has been relatively good in providing policy and procedural guidance. DLS-N has recently reviewed Navy's catering policy with the intention of making it consistent with the principles of Program Management and Budgeting.

2.15 Navy's policy is enunciated in a procedural document called the Naval Supply Manual (NAVSUPMAN 5). The ANAO suggests that Navy separate its policy from this single document and promulgate it in a separate document. This would enhance transparency of Navy's ration provisioning policy. The separate policy document could be reviewed when there is ADF-wide guidance on rations policy.

2.16 In short, the ANAO considers that there is scope to substantially improve procedural guidance in the Services. This could be undertaken when an ADF food provisioning policy is issued by HQ ADF as proposed in Recommendation No. 1.

The benefits of tri-Service coordination

2.17 The main means of coordination of tri-Service rationing matters is the ADF Ration Scales Committee, which determines policy on matters relating to ration scales and miscellaneous ration supplies, and is responsible for maintaining SUPMAN 4.

2.18 The committee is sponsored by Army and reports officially to both Army and Air Force. It is responsive, but not directly responsible, to Navy, although the committee is ostensibly tri-Service.

2.19 The committee, with its responsibility for SUPMAN 4, could possibly provide the needed coordination, but in view of Navy's observer status, and the current Air Force initiatives which are not applying SUPMAN 4, the committee may not be the appropriate tri-Service forum. There appears to be a role for HQ ADF, possibly through the Logistics Policy Group, to ensure this opportunity for change is maximised through better coordination.

2.20 The three Services are pursuing initiatives on food provisioning separately. However,

efficiencies could be realised if HQ ADF coordinated the change processes. Improved coordination and broad common policy guidance for the rationing function would:

- facilitate the current tri-Service rationalisation of catering training project;
- maximise the benefits obtained from feedback and lessons learned from current Service trials and best-practice initiatives;
- assist in identifying where common procedures may be appropriate; and
- permit the ongoing monitoring of efficiency and best practice through the development of common comparable performance information.

Recommendation No. 1

2.21 The ANAO recommends that HQ ADF put in place arrangements for coordination of food provisioning in the ADF by:

- a) developing and promulgating an ADF food provisioning policy that identifies clearly the key result areas;
- b) establishing a mechanism for ongoing policy review;
- c) developing consistent and comparable performance information;
- d) clarifying the HQ ADF position in relation to the Services on ADF food provisioning; and
- e) facilitating coordination of initiatives by individual Services.

Impact of this recommendation

2.22 HQ ADF guidance and coordination would provide greater efficiency in food provisioning to the Australian Defence Force through increased commonality and standardised performance measures. It would also lead to more effective procedural guidance in the three Services.

Defence Response

2.23 Agreed. HQ ADF will develop and promulgate an ADF Food Provisioning Policy which will address these concerns.

1

Serving Australia: The Australian Defence Force in the Twenty-First Century, 1995 (Glenn Report).

2

Air Headquarters Australia Standing Instructions - Logistics 26, *Catering Guidelines* and 27, 1995.

3

AAP 3831.001, *RAAF Catering Manual*.

4

Air Force Logistics Directive 1/93, *Revised Functions and Responsibilities of Air Force Office and Commands Resulting from MATLOG Review*, 12 February 1993.

3. Management of Performance Information

This chapter outlines the need for more effective planning for rationing, for better and consistent performance information, and the extent to which performance information and benchmarking can assist Defence with management decision-making.

Planning for rations

3.1 Planning has become a significant issue in rationing systems in Defence. Planning essentially takes place at two levels. The first is planning at the Service level, where annual bids for rations are made (this does not include the CSP component). The second is at a lower level which involves planning for providing food in the messes.

3.2 Rationing requirements are planned on the basis of two sets of data: the Program of Major Support Activities (PMSA) and historical data for the region. The three Services circulate details of the movements of their units within the whole ADF in the form of the PMSA. The information in the PMSA gives a general impression of the program of events, but is not detailed enough to provide logistics areas with the information necessary to predict accurately the requirements for rationing.

3.3 At the mess planning level, units notify their movements to the bases on which they are stationed and the bases which they intend to visit, but problems occur when it is necessary for this information to be transmitted to external agencies, such as catering contractors (e.g. Serco-GM in Puckapunyal) or an SSLM provider of catering services (e.g. RAAF in Darwin). Most of the contracts require the contractor to be notified of changes to numbers on the base a fortnight before the actual period, but often the final information is not given to the base until much closer to the time in question.

3.4 The ANAO has found that rations planning systems in the ADF do not appear to function efficiently. Rationing units have difficulty obtaining exact numbers of personnel expected on the bases, and this problem is exacerbated if the information is required to be conveyed to one of the other Services or a contractor. The failure to make adequate predictions of personnel numbers, together with the failure of most of the rationing areas to cost menus in advance, means that there is no adequate way of predicting future workloads for budgeting purposes. This can lead to funding shortfalls as a result of under-estimating, over-spending on rations as a result of over-funding, or conflicts with contractors and SSLM providers.

Recommendation No. 2

3.5 The ANAO recommends that the Services communicate timely and accurate information on Defence personnel movement between and within Services to ensure more effective and efficient ration planning.

Impact of this recommendation

3.6 Implementation of this recommendation will result in more effective and efficient ration planning between and within the three Services. This will reduce the risk of funding shortfalls or overspending.

Defence Response

3.7 Agreed. The issue of information sharing is to be addressed in the ADF Food Provisioning Policy.

Efficiency and quality indicators

The systematic evaluation of programs and regular relevant performance information and supporting systems needs to be part of the tool kit of every line and program manager. ¹

3.8 Performance information is evidence that can be objectively measured to assess performance. It involves the systematic identification, collection and use of data. The data should reflect objectives, strategies, indicators, targets, standards and benchmarking for performance.

3.9 Air Force has no requirement for the functional Commands to report formally on performance to Air Force Office in Canberra in respect of catering services. Air Force sees this as consistent with its devolution of responsibility to the most appropriate level. Each Air Force base uses a variety of methods such as customer surveys, liaison between base staff and catering staff, and review of menus by dietitians and medical staff to gauge the performance of catering.

3.10 Navy has functional business plans on ships and establishments that identify the catering mission of providing quality food service to all customers. A key performance indicator for Navy is the control and management of ration funds, monitored through financial phasings to meet projected expenditure. Navy's other performance indicators include client feedback, quality control reports, catering department surveys, medical officer approval of menus and review of standards (not formal standards).

3.11 Maritime Command has a system of rewarding outstanding food service. Naval Support Command conducts formal departmental inspections, including catering, on a biannual basis for all establishments. Naval Training Command monitors budgetary information, as well as benchmarking the cost of a typical student's consumption in completing an approved syllabus, and quality control indicators that form the basis of the report after each course.

3.12 Army has informed the ANAO that regions report expenditure against allocation and use diner satisfaction surveys as performance information.

Information on costs

3.13 Monitoring of food provisioning cost in Defence is complicated by the different methods of coding and recording costs. All external payments are monitored through a Defence-wide financial database (DEFMIS) according to type of payment. Payments for fresh rations purchased by the military are recorded under one code, payments to CSP catering contractors are recorded under another code and payments to other catering contractors are recorded under a different code.

3.14 *The President's Private Sector Survey of Cost Control* (see para. 1.24 above), which reviewed the rationing system in the United States Department of Defense, recommended that a uniform management information system be implemented across Defense. This was to provide systematic computerised data on labour, transportation and overhead costs associated with feeding operations, the lack of which was perceived by the review team as a problem. Such a system, if implemented in Australia, would allow for the monitoring of comprehensive and comparative costs as a basis for measuring performance. It would also allow for control and accountability of local management on each mess.

3.15 At the individual Service level, Air Force has recently moved to a commercial database system of financial monitoring of meal costs and weighted meal costs which allows for comparison of financial performance between units. Similar commercial databases are used by the New Zealand and the United Kingdom Army and Air Force. It would be of benefit if Army and Navy adopted similar databases for financial monitoring.

Measuring performance

3.16 Ideally, performance information consistent between the Services would show whether the Services are meeting ADF objectives. The data identified by the Services as constituting performance information appear to be more for monitoring activities than measuring and comparing performance.

3.17 The ANAO recognises the difficulties that may be involved in designing performance indicators that are consistent across the three Services and that underpin the objectives of ADF rationing. Performance information such as user satisfaction, full cost per head per meal, levels of wastage and health statistics could provide a basis for comparing performance for the three Services. Currently much of this information is not available. To be effective, the methodology for measuring performance needs to be consistent and interpreted uniformly by those measuring the performance.

Recommendation No. 3

3.18 The ANAO recommends that the three Services develop cost-effective performance indicators of food provisioning services, including indicators relating to the cost of providing the service, to assist with management decision-making, consistent with HQ ADF policy guidance (refer to Recommendation No. 1).

Impact of this recommendation

3.19 Adoption of this recommendation would lead to more informed decision-making by the three Services. With the introduction of comparable and consistent performance information across the three Services, HQ ADF would be in a position to evaluate food provisioning between the three Services.

Defence Response

3.20 Agreed. To be addressed as part of the development of an ADF Food Provisioning Policy.

Benchmarking for increased efficiency

3.21 The MAB/MIAC report *Raising the Standard: Benchmarking for Better Government*

² said that:

Benchmarking is where you systematically measure and compare the products, services and processes of your organisation - internally and against other relevant organisations - and take the best practices into your organisation.

3.22 The report noted that there are various forms of benchmarking that can be used in conjunction with one another. These include results benchmarking, process benchmarking and best practice standards.

3.23 There has been little attempt to benchmark catering activities within Defence. The ANAO recognises the complexities associated with benchmarking in the hospitality industry. However, each Service has gained valuable experience through developing in-house bids for catering activities as part of the CSP process, with the in-house bids generally showing significant gains in efficiency compared with existing arrangements. The 1992 *Catering Activity Review* conducted by Air Force has already considered the possibility of achieving maximum efficiency in military-run messes by applying the lessons learnt from the CSP in-house bids.

3.24 It could be worthwhile for Defence to benchmark its non-CSP activities against work practices developed for in-house bids in order to identify possible improvements in non-CSP catering. Initial research indicates that in Navy the average daily cost of providing an officer with meals is \$122 in a military mess or \$46 in a CSP mess. For Air Force the comparative figures are \$103 for a military mess and \$42 for a CSP mess. These are significant differences that need to be considered further. Comparative figures for Army cannot be readily calculated. The ANAO acknowledges restrictions that could prevent military-run messes from moving to a full CSP-based work practices methodology under the current requirement for Defence to maintain a certain number of personnel as Members Required in Uniform (MRUs).

3.25 Although Defence has some unique catering requirements, there is also scope to benchmark against common catering activities. The ANAO suggests that organisations such as the Canberra Hospital (which has recently undertaken a benchmarking exercise), the Australian Institute of Sport and catering companies could be a useful starting point.

Recommendation No. 4

3.26 The ANAO recommends that the Services benchmark catering activities against the work practices developed in CSP in-house bids and, where feasible, benchmark against similar catering activities in other organisations.

Impact of this recommendation

3.27 Implementation of this recommendation would help the Services to benchmark their catering activities against more efficient work practices already developed in the CSP in-house bids or in other organisations. There are potential savings from adopting better practice with the view to achieving more efficient procedures and further enhancing outcomes.

Defence Response

3.28 Agreed. Benchmarking of non-core catering activities retained for Members

Required in Uniform (MRU) against in house CSP options, where feasible, is agreed.

4. A Demand Approach to Rationing

This chapter outlines the basis for issuing rations used by the Services and examines the wastage that can stem from an entitlement-based system and the potential efficiencies from adopting a requirement-driven system for Army.

Current system

4.1 Provisioning of fresh rations is based on a system of entitlement. A ration scale governs the food entitlements of each member of the ADF, set according to an energy entitlement. The ration scale also incorporates a system of ordering and recording the rations.

Recent reforms

4.2 Each of the Services has recognised the problems with the use of a ration scale. Air Force has implemented a requirement-driven system in all of its military-run messes. Navy has proposed a move away from the ration scale system, and is trialing a demand approach to rationing based on the principles of program management and budgeting. Army has recently commissioned the trial of a reviewed ration scale that may eliminate the problems of wastage and the substantial amount of paperwork required under the existing procedures in the manual SUPMAN 4.

4.3 The requirement or demand-driven system is a way of rationing as required for expected attendance, rather than against a set entitlement.

4.4 Research conducted by the Services indicates that implementing the demand-based system may be a move towards better practice and produce savings in rations expenditure. The ANAO considers that this would also provide an opportunity to establish consistent practices across the Services.

Recognition of problems

4.5 Reviews conducted into the ration scale system have found several problems with the existing arrangements. In a report on Army rationing in 1995³ the Management Audit Branch of Defence (MAB) commented that rationing personnel tend to draw all items and quantities specified in SUPMAN 4 because they perceive that they have been carefully calculated to ensure a nutritional and balanced diet for a soldier.

4.6 MAB reported that on average only 50 per cent of entitled members attended meals and recommended that a requirement-based accounting system be introduced into the Army rationing system to resolve the problem of wastage. Army, in its response to the audit findings, agreed that there is 'scope to reduce expenditure through efficiencies in this area'.⁴

4.7 A DFSC report⁵ commissioned by Army in response to the MAB report found that:

The existing ADF Ration Scales were not devised to satisfy the demonstrated nutritional needs of ADF members ... until recently the total quantity or mix of foods provided by SUPMAN 4 had not been compared to actual nutrient requirements in base area, operational and training situations.

4.8 The DFSC report indicated that the average rate of attendance at meals was 41 per cent (or 37 per cent by entitled members). The Report quoted a comment by the Director of Catering - Army, that, by rationing for the actual numbers attending meals rather than on full entitlement, 'savings of 20-30 per cent are achievable'.

4.9 The Catering Activity Review by Air Force also found that the ration scale was outdated and did not reflect current rationing needs and practices, did not ensure the fulfilment of nutritional needs, did not provide a cost-effective option for the feeding of personnel, and that the entitlement-based system of accounting under SUPMAN 4 resulted in the excessive drawing of rations.

4.10 Air Force estimates that it has achieved a saving of more than 20 per cent on its rations expenditure each year by moving to the demand-based system three years ago in response to that Review.

4.11 Despite this, the ration scales are still seen by Army as providing a nutritionally balanced diet. Catering personnel normally draw to full entitlement of a soldier to ensure nutritional balance. Entitlement does not equal attendance, however, and food is regularly drawn well in excess of actual needs leading to considerable wastage. Army conducts reconciliations of numbers retrospectively to ensure no more than the authorised amount of food is drawn, but this is done against entitlement rather than actual numbers of members attending.

Potential for savings

4.12 The internal Defence findings indicate to the ANAO that, if the entitlement-based procurement system in the Army was reformed, savings in excess of \$4 million a year are achievable.

Adopting a new system

4.13 Air Force and Navy have moved away from the ration scales. Army is examining the possibility of a demand- or requirement-based approach to rationing in light of internal criticisms of the existing system. The potential efficiency gains of adopting a requirement-based rationing system are clear. These moves also provide the opportunity for the rationalisation of approaches with possible simplification of infrastructure, rationalisation of future and existing food provisioning arrangements at the ADF level, and better cost recovery between the Services.

More appropriate use of SUPMAN 4

4.14 The basis for having the ration scale stems from the Army need to ration for individual units in the field. The deployment of each unit with its own Sergeant Cook requires a detailed set of procedures to help ensure that all personnel are adequately fed in the field, regardless of the number of cooking personnel or the infrastructure deployed with them.

4.15 The detailed monitoring of food provisioning conducted under SUPMAN 4 is recognised by the ANAO as appropriate for a field setting, where food provisioning staff are operating with a minimum of guidance and infrastructure. However, for on-base use it is unnecessarily complex. A simplified revision of the document could be implemented for base usage, which would allow food-provisioning staff appropriate freedom to conduct

feeding within nutritional constraints verified by dietitians or medical officers as in Air Force and Navy. SUPMAN 4 could be maintained for use in the field setting.

Recommendation No. 5

4.16 The ANAO recommends that Army adopt a requirement/demand-driven system as the basis for on-base ration provisioning, drawing on Air Force and Navy experience.

Impact of this recommendation

4.17 There are potential savings in excess of \$4 million that could be achieved by Army if it adopted a requirement/demand-driven system.

Defence Response

4.18 Agreed. Army has commenced trials of a demand driven system. The applicability of demand-driven systems is to be examined in the context of the ADF Food Provisioning Policy and in consideration of a member's entitlement as a condition of service and the contribution a member makes towards this entitlement. The extent of potential savings will not be known until after the trials are complete.

5. Single Service Logistics Management and Tri-Service Arrangements for Ration Provisioning

This chapter examines the effectiveness of current Single Service Logistics Management arrangements for ration provisioning and the benefits that may accrue from amalgamating local contracts for fresh rations into larger regional tri-Service common contracts.

SSLM arrangements for rations

5.1 The arrangement whereby one Service exercises logistics management responsibilities for itself and for one or both of the other Services is known as Single Service Logistic Management.

5.2 There are two SSLM arrangements for ration provisioning. One is for provisioning of combat ration packs, with Army as the SSLM manager, supporting Navy and Air Force (see Chapter 6). The other is for fresh rations in Darwin, with Air Force as the SSLM manager supporting Navy and Army.

5.3 The SSLM arrangement for fresh rations in Darwin has been in place since 1978. Air Force is responsible for ordering, storage and provisioning of rations for all three Services. Staff for these functions are provided and funded by Air Force. Air Force has funded the construction of appropriate infrastructure, such as a warehouse on its Darwin base large enough to house the rations for all three Services.

5.4 The ANAO found that the SSLM arrangement in Darwin was not functioning effectively. Problems stem from the fact that the Memorandum of Understanding under which the Services are operating has not been revised since it was established in 1978, and is now considered to have lost relevance.

5.5 The major problem is the inability of Air Force to plan and budget effectively on the basis of figures provided by Army. It appears that this is due to ineffective communication

between Army Office in Canberra, Logistics Command in Melbourne and Army in Darwin, particularly in releasing details of the expected number of personnel in the area over a certain period in relation to Army exercises and the Army Presence in the North (APIN) project.

5.6 Predicted numbers of personnel for *Exercise Kangaroo 95 (K95)* were inaccurate, which led to Air Force overdrawing its budget for fresh rations by \$0.5 million for the financial year. Problems were experienced with the recovery of funds from Army. Army recently reimbursed Air Force for the rations costs for *K95*, but only after a delay of seven months. This situation is not consistent with the resource transfer and allocation requirements specified in the Defence Instruction on SSLM.

5.7 The Defence Instruction also requires effective consultation between the managing Service and the supported Service. The supported Service, in this case Army, omitted to consult Air Force on significant variations to entitlements or consumption trends.

5.8 Evidence indicates that Air Force may withdraw from its role as SSLM manager if there is no improvement in the situation. The ANAO is also concerned that no guidance has been forthcoming from Air Force Logistics Command although it has responsibility for SSLM management for the whole of Air Force. Air Headquarters, responsible for the Darwin Air Force bases, has been left to handle the situation at the working level with the Army.

5.9 Arrangements for coordination and supervision of SSLM activities by the SSLM Tri-Service Steering Committee in HQ ADF have been ineffective in this case. It would be worthwhile for the Committee to establish a system that would allow HQ ADF to be in a position to identify such problems in the future and recommend corrective action. In addition, the outdated Memorandum of Understanding should be reviewed as soon as possible in light of the Army Presence in the North project. The appropriateness of Air Force as the SSLM manager also needs reviewing.

Recommendation No. 6

5.10 The ANAO recommends that HQ ADF in conjunction with the three Services review the SSLM arrangement for food provisioning in Darwin in light of the changed circumstances in northern Australia.

Impact of this recommendation

5.11 Implementation of this recommendation should help to overcome the current SSLM management problems in Darwin, leading to better management of financial resources across the three Services.

Defence Response

5.12 Agreed. Rations and all other administrative and logistic support for Darwin are being reviewed by HQ ADF as part of the *HQ Northern Command - Rationalisation of Administrative Support in Darwin* review.

Amalgamating food supply contracts

5.13 Fresh food supplies are generally procured by individual Services through local

arrangements. Evidence points to benefits of amalgamating a large number of small contracts.

5.14 ADF reviews such as the 1992 Defence report *ADF Rationing - An Overview* considered it preferable for the Services to establish common contracts for the supply of common items. This was to provide an opportunity for all Services in a region to maximise purchasing power and gain lower prices and reduced administrative costs.

5.15 A report by Defence's Management Audit Branch ⁶ also concluded that:

Savings could be expected to be achieved by combining similar Service contracts into one thus increasing the size and buying power of the Services. Tender administration costs would also be reduced.

5.16 In spite of these reports and other similar evidence, little has been done to amalgamate fresh food supply contracts. The reports mentioned above do not quantify the amount of savings that would be generated by amalgamating contracts but the ANAO is of the view that it could be significant.

Recommendation No. 7

5.17 The ANAO recommends that, where it is cost-effective to do so, the Services amalgamate local food supply contracts on a regional basis.

Impact of this recommendation

5.18 Implementation of this recommendation is expected to generate significant savings and improve efficiency in the administration of contracts.

Defence Response

5.19 Agreed. The arrangements for local food supply should be undertaken on a case by case basis to ensure best value for money.

6. Provisioning of Food in the Field

This chapter examines combat and fresh field rations. Two issues that pose a risk in the provisioning of combat rations are: the identification and maintenance of stocks for operational and reserve requirements and the labelling of combat ration pack components. Fresh field rations operations are satisfactory.

Types of rations used in the field

6.1 There are two types of rations used in the field - prepared combat ration packs and fresh field rations cooked in a field situation.

6.2 Army is the main user of fresh field rations, although Air Force does deploy on occasion with field kitchens. Navy operates a significant part of its food provisioning systems on its ships. The ANAO found from its preliminary investigations that the operations of field fresh rations were satisfactory.

6.3 There are, however, two areas warranting further attention by Defence in the

management of combat rations packs. The first is whether stockholdings of combat rations are separated into reserve stocks (for contingency purposes) and operational stocks (for training purposes) consistent with military preparedness guidance. The second area concerns labelling of ingredients contained in the ration pack.

Arrangements for combat rations

6.4 Under a 1976 SSLM arrangement, Army provides combat ration packs to all three Services. Army Logistics Command is responsible for research and development, construction, storage and distribution of the ration packs. Research is undertaken by the Defence Food Science Centre and the Materials Research Laboratory, which are both part of the Defence Science and Technology Organisation. Assembly of the ration packs is contracted out to the Department of Administrative Services. Navy and Air Force inform Army of their projected needs, and requisition the packs direct from Army stores.

Reserve and operational stocks

6.5 Army Logistics Command is responsible for coordinating the production and distribution of combat ration packs to the units. Each Army, Air Force and Navy unit informs Logistics Command of its requirements for ration packs. The units are not required to hold ration packs for their own use, but obtain them from regional holding points just before they are needed. Logistic Command coordinates the holding policy for the regional centres for distribution.

6.6 There are two key aspects of general management of stocks of all items (including combat ration packs) within Defence. They concern separate identification of reserve and operational stocks and maintenance of stock levels consistent with military preparedness directives.

6.7 Earmarked stock levels at the regional centres are determined on the needs of units on short readiness notice guided by the Chief of Defence Force's Preparedness Directive. The ANAO report *Explosive Ordnance*⁷ identified a need for policy on separate identification of operational and reserve stocks of all items to ensure the maintenance of earmarked stock levels and to avoid drawing down reserve levels. A recent follow-up audit found that this need continues.⁸ The initial audit also found that the military preparedness directives on which stockholding levels were based were dated and did not reflect current needs. The ANAO noted in its recent report on ADF preparedness⁹ that within the ADF there is only a limited understanding of the resource implications of certain levels of readiness notice.

6.8 In this audit the ANAO found no evidence that set stock holdings of combat ration packs are appropriately identified and levels maintained. The ANAO also noted that maintenance of stock levels could be affected by lack of timely and accurate communication between Logistics Command (the supplier) and the major user, Land Command, on the quantities of combat ration packs required for training purposes.

6.9 As indicated in the earlier ANAO reports referred to above, Defence needs to give priority to enunciating its full stockholding policy, which in turn will affect stock management in Defence generally.

Ration pack labelling

6.10 Army is not formally required to list the components of combat ration packs on the packs themselves. Ration packs have an instruction sheet which refers the consumer to HQ Logistics Command for information on the ingredients. Army has been excluded from the labelling requirements in the Food Standards Code, subject to three qualifications: the ration packs are not to be sold externally, the commercial suppliers of the components must provide to Army a comprehensive list of all ingredients, and the ingredients must be disclosed if the ration packs are passed on to other government bodies such as emergency services.

6.11 Under current arrangements there is a risk that, through lack of awareness of ration pack ingredients, some personnel may suffer allergic reactions and other health problems as a result of consuming these rations. This is a field risk (i.e. at the time that there is most need for healthy personnel). The ANAO considers that Army needs to provide greater assurance that personnel are aware of the contents of ration packs prior to issue so that individuals can make alternative arrangements where medical circumstances warrant. Army could also investigate the development of alternative components to allow use by personnel with medical conditions that preclude consumption of current components.

Recommendation No. 8

6.12 The ANAO recommends that Army, with the assistance of the Surgeon-General, employ risk management procedures to control the risks of Defence personnel suffering reactions to ingredients in combat ration packs.

Impact of this recommendation

6.13 Implementation of this recommendation would result in better risk management procedures for combat ration packs, lower field risk (i.e. healthy soldiers in the field) and less risk of Commonwealth liability.

Defence Response

6.14 Agreed. The mechanism to facilitate this is already in place and has been for a number of years. A representative of the Surgeon-General ADF is a full member of the ADF Ration Scales committee. The placing of an ingredient list within the combat ration pack is being considered.

7. Contracting out the Catering Function under the Commercial Support Program

This chapter examines the provision of catering services under the Commercial Support Program. The main issues addressed are: the amalgamation of catering contracts within Defence base support contracts, the need for in-house bids, training of contract managers, improvement of management through lessons learnt, performance information, and evaluation of catering contracts across the ADF.

Commercial Support Program

7.1 Since 1991 there has been a Commercial Support Program in Defence. Its aim ¹⁰ is: to ensure that the non-core support services and products are provided to core defence activities in the most cost-effective manner.

7.2 CSP exposes non-core activities to market testing that allows industry the opportunity to compete for work that is being done by the military or civilians within the Department. CSP allows Defence personnel presently performing a non-core activity to reassess their procedures and to submit an 'in-house option' that is evaluated on a value-for-money basis with other competing commercial tenders.

The CSP process

7.3 The CSP process starts with an activity review. This sets out the way the activity to be tested is currently performed. A baseline cost is determined as the basis for calculating savings if a CSP contract is awarded. The savings need to be greater than the transition costs which arise from moving to new procedures for an in-house or commercial option to be selected. These savings are assessed over a ten-year time-frame and in terms of net present value of the identified function. Savings cited by Defence from individual CSP contracts are the net savings after transition costs have been included.

7.4 Transition costs include staff redundancy, relocation and retraining costs, and any costs associated with facilities, equipment and material supplied to the contractor specifically to facilitate the transition. Transition costs are assessed for both the in-house option and the commercial bids. Defence advises that since 1993 the estimated transition costs for activities under review have been included in the documentation provided to industry as part of the Statements of Requirement.

7.5 Defence advises that neither the cost of capital nor a notional cost to Defence of payroll tax has been recognised in carrying out cost comparisons. Future calculations of transition costs will need to take account of such factors in accordance with the policy statement recently issued by the Treasurer on competitive neutrality. [11](#)

CSP catering contracts

Base support contracts

7.6 In the early phase of CSP some catering activities were addressed as stand-alone contracts. In more recent times, catering has been included as part of general base support contracts for various services at Defence bases. The price paid for the catering element of such a contract is included as part of the total contract price and is not separately identified in the general financial data held in the Defence financial management database.

7.7 The cost of catering is not visible under base services contracts. These contracts are judged on the best value for money for the entire contract without focusing specifically on catering performance relevant to catering quality and cost of providing the catering service. This makes it difficult for Defence to compare and evaluate catering activities of different contractors, although quality of food is an important aspect of ADF members' conditions of service.

Amalgamation of contracts

7.8 Defence's CSP Manual suggests that, where common functions are performed by individual contractors at Defence bases in an area or region, it may be worthwhile to amalgamate the contracts to achieve economies of scale. Little seems to have been done on this issue, as a recent report on CSP by Defence's Management Audit Branch concluded that there was still scope for Defence to benefit by amalgamating contracts.

The ANAO concludes that there is scope for catering contracts to be amalgamated on a regional basis.

Recommendation No. 9

7.9 The ANAO recommends that Defence improve management arrangements for Commercial Support Program contracts with respect to food provisioning by:

a) requiring base support contractors to provide cost information and other performance data on the catering services provided under the contract to enable catering services to be compared and evaluated across Defence bases; and

b) amalgamating catering contracts on a regional basis where there are likely to be economies of scale from doing so.

Impact of this recommendation

7.10 Implementation of this recommendation would provide information to help in efficient management of the catering component of base support contracts. Savings could be realised by amalgamating Commercial Support Program catering contracts on a regional basis.

Defence Response

7.11 a) Agreed. Contractors already provide cost information and other performance data on catering contracts.

ANAO comment

7.12 The ANAO recommendation concerns catering information provided under general base support contracts, not catering-specific contracts.

Defence Response

7.13 b) Agreed. The arrangements for amalgamating catering contracts on a regional basis should be undertaken on a case by case basis to ensure best value for money.

Viability of in-house options

7.14 The table below shows that no stand-alone catering contracts have been won by the in-house option. Two contracts embracing both accommodation and catering were won by the in-house option. No base support contracts which have included catering have been won by the in-house option.

CSP Catering Contracts Awarded as at 1 July 1996

CSP Catering contract decisions	5
<i>Commercial contracts</i>	5
<i>In-house options</i>	<i>nil</i>
CSP Catering and accommodation decisions	4

<i>Commercial contracts</i>	2
<i>In-house options</i>	2
CSP Base Support contract decisions including catering	9
<i>Commercial contracts</i>	9
<i>In-house options</i>	<i>nil</i>

Source: Department of Defence

7.15 Catering has been shown to be an area where commercial organisations are able to compete effectively with the in-house option. Overall statistics show that the in-house option for catering is generally 10 per cent more expensive than the commercial tender selected. Savings from contracting out catering services compared with the baseline costs for catering are generally between 20 and 50 per cent (Appendix 2).

7.16 In developing competitive in-house options, the Services propose replacing Service personnel with civilians, who cost less. Furthermore, if Service personnel are retained, they can be required for other duties such as parades, training and promotional activities, and this adds to the cost of the in-house option.

7.17 The Industry Commission in its report on Defence Procurement ¹² recommended that:

in cases where bid preparation costs are relatively high, and the probability of success for the in-house option is relatively low, Defence should consider the option of not proceeding with an in-house bid.

7.18 Evidence suggests that catering is one area where the probability of success of an in-house option is relatively low. The ANAO is of the view that Defence would benefit from making the in-house bid optional rather than obligatory and realise potential savings from doing so.

7.19 Defence advised the ANAO as follows:

...as Defence has broader responsibilities under the Defence Restructuring Agreement, in-house options cannot be generally dispensed with. Where civilian staff are employed in delivering in-house services, Defence is obliged to seek affected staff and national level union agreement to forgo raising an in-house option. The CSP Consultative Forum has a working group examining progress criteria for in-house option viability, but union consultation has yet to achieve general consensus. Catering contracts cannot be looked at in isolation from the wider perspective of the role in-house options play in facilitating staff and union agreement to the Commercial Support Program as a whole.

7.20 In light of Defence comments, the ANAO will address the issue of in-house bids in the broader context of an audit of the Commercial Support Program which is planned for 1997.

Training of contract personnel

7.21 As indicated in the illustrative box at page 33, the ANAO found that training relating to administration of CSP catering contracts could be improved. Training was raised as a broad issue in the First Report of the House of Representatives Standing Committee on Industry, Science and Technology (the Bevis report).¹³ The report noted that, as a result of decentralisation and devolution of responsibility, the complex evaluation and analysis needed in major purchasing is often undertaken by insufficiently-trained purchasing officers.

7.22 There is a special requirement for expertise in the preparation of contracts for the procurement of services (as distinct from products) and in subsequent negotiations and management of contracts. In Defence difficulties arise from the continuing movement of Service personnel through contract administration with a consequent loss of expertise and on-the-job experience.

7.23 Special training packages have been developed by CSP Branch specifically for CSP service contracts and this responsibility was recently handed over to Defence's Procurement Training and Education Section. The ANAO suggests that the use of specialist advisers should be encouraged and training programs should be accessible on a tri-Service basis and undertaken before posting to a contract management position.

Recommendation No. 10

7.24 The ANAO recommends that Defence provide officers with training on CSP catering contract administration, particularly contract formulation, evaluation, negotiation and administration of service contracts, prior to or at the commencement of posting to a contract management position.

Impact of this recommendation

7.25 Implementation of this recommendation would assure Defence that personnel handling CSP contract management issues are properly trained and proficient in CSP contract administration.

Defence Response

7.26 Agreed. The requirement for appropriate training for CSP contracts has been recognised by Defence. Arrangements are already in place to provide the appropriate training for officers involved in the various activities that comprise Contract Administration. This is an ongoing function and Defence recognises that there will always be a need to provide training.

Avenues for improving catering contracts

7.27 There is an opportunity for better catering contracts to be developed from the lessons learnt from past and ongoing contracts under the CSP program and from 'second-round contracts'. After catering contracts have been let through the CSP process, the re-tender of the contract some years later is termed a second-round contract. Although there have been few such cases to date, they may not fall within the jurisdiction of the CSP program and so not incorporate lessons learnt from the CSP process. See the illustrative box below.

Catering Contract at a RAAF Base

A CSP catering contract was awarded at an RAAF base in 1992. The contract was recently re-let as a second-round contract to a different catering contractor. In discussions with the ANAO, the following points emerged:

- lessons learnt from the first contract at the base were not fully reflected in the second-round contract;
- the new Statement of Requirement (SOR) and contract documentation were not shown to the base before contract award;
- monthly performance reviews provide a valuable basis on which to assess the risks in continuing with the contractor;
- problems and extra costs have arisen because the Statement of Requirement is open to different interpretations;
- officers posted to positions involving contract administration lacked training in this area;
- industry perceives that the tenderer with the cheapest tendered price will win (rather than the tenderer offering best value overall); and
- performance information is needed to assess value for money.

Source: Interviews by ANAO with RAAF officers and the catering contractor

7.28 In theory, contract documentation should be outcome-focused without specifying how the outcome is to be achieved. In practice, however, contract documentation has defined in some detail the minimum baseline specification that is acceptable to the Services below which a tender is non-conforming. The perceived need to address this level of detail reflects the difficulty in defining performance standards and measures, assessing risks and relating these to price. It does not, however, address the main elements of good performance.

7.29 The ANAO considers that lessons learnt in catering contract documentation need to be drawn together to provide detailed guidelines for use in CSP catering contracts and follow-on contracts handled by each Service. This advice could set out the broad approach to be taken with catering contracts, including a glossary of terms, key performance indicators and measures, factors to consider in the setting of baseline specifications, costing methodology, indemnity issues and so on. In this way the Commonwealth's and the contractor's interests could be better protected.

7.30 There would be a role for the Department to play in the development of guidance by drawing on the lessons learnt and the costs and performance measures to be monitored.

Setting standards

7.31 Historically, the ADF has been very prescriptive in detailing the daily rations scales and scales of issue of food by type for daily needs. Army, Navy and Air Force CSP catering contracts refer to detailed documents such as SUPMAN 4.

7.32 Defence believes that SUPMAN 4 sets a minimum standard required of catering contractors but could not provide evidence that contractors adhere to this standard. The ANAO has been advised by some catering suppliers, contractors and contract administrators that SUPMAN 4 is irrelevant and a waste of time, effort and money.

Furthermore, the approach in SUPMAN 4 has reportedly little regard to advances in food technology.

7.33 The ANAO notes that the food served, which conforms to SUPMAN 4, reflects to a large extent the type of food demanded by the customer. This may not accord with what can be regarded as a healthy diet. Concerns of this kind have been reflected in assessments made, at an early stage of CSP catering contracting in Navy, by the Defence Food Science Centre at Scottsdale in Tasmania. The Centre described the menus provided in these terms: ¹⁴

There is little regard for the promotion or use of low fat, low salt, high carbohydrate or high fibre foods. Nor do cooks seem to have an understanding of the need for, availability of, and uses of these foods.

7.34 The ANAO sees no need to continue with documents such as SUPMAN 4 as requirements for CSP contractors. The widely-acknowledged view that ration scales are not appropriate to commercially-run on-base catering should be recognised in Defence contracts.

Recommendation No. 11

7.35 The ANAO recommends that Defence:

- a) prepare detailed guidelines for catering contract documentation to help the Services in the development of catering contract arrangements for their own needs; and
- b) delete the need for catering contracts to refer to SUPMAN 4 and equivalent documents.

Impact of this recommendation

7.36 Implementation of this recommendation would help protect the Commonwealth's interests through better guidance to the Services on contract formulation for CSP contracts and follow-on contracts and that lessons learnt are passed on to the three Services. Deletion of the need to refer to SUPMAN 4 would avoid unnecessary compliance with an outdated document.

Defence Response:

7.37 a) Agreed. Benchmarks of functions and services to be delivered to entitled persons will be developed and linked to the entitlements that arise from conditions of service. Defence believes this approach will provide for the delivery of an homogeneous service without limiting the opportunity for in-house options or external providers to deliver the service in a more cost-efficient manner. Each new contract would therefore provide for improvements on earlier documents. This information is being shared across the Service programs.

7.38 b) Not agreed. The use of SUPMAN 4 and equivalents ensures that common standards are met across the various catering activities. A review of SUPMAN 4 is to be included in the development of the ADF Food Provisioning Policy.

ANAO comment

7.39 The ANAO agrees that there should be common standards across the various

catering activities (see Chapter 2) but disagrees that SUPMAN 4 should form the basis of a common standard given that the document is outdated and does not reflect modern management practices in relation to catering. Military-run catering activities within Air Force and Navy do not use SUPMAN 4 as a catering standard.

Performance measures

7.40 A 1994 report into contracting for services in Defence stated that:

Describing performance standards for services is often more difficult than for goods. It is usually the failure to adequately formulate performance standards within a contract for services which negates the effectiveness of the contract. There are four components to effective performance standards for services:

- the description of the standard to which the services must be performed;
- the contractual mechanisms which deal with performance standards;
- monitoring the standard to which services are performed; and
- taking action when described standards are not met. ¹⁵

7.41 Further to discussions in Chapter 3 on the need for performance information, the ANAO has found that there is a difficulty with developing performance measures for Defence catering contracts. Many contracts define, for example, meal times, how often each day a floor or table is to be cleaned, and how often table linen is to be changed. These are important in their own right and need to be carefully monitored.

7.42 However, performance in terms of value for money and the contract price to be paid is less clearly defined in the contracts. What determines satisfactory performance in this sense needs to be more clearly enunciated in contract documentation and agreed with the contractor. This would then become a matter for review at each monthly meeting with the contractor.

7.43 The ANAO suggests that Defence promote the application amongst the Services of a common contract performance and reporting system that enables catering contracts to be evaluated on an ADF-wide basis.

7.44 One important performance measure that brings together hygiene, cleanliness and standards of food preparation as well as food quality and controls is the avoidance of food poisoning. Contract documentation sighted does not cover the question of liability should an outbreak of food poisoning occur. The ANAO suggests that appropriate clauses should be included in catering contracts in respect of food poisoning. To accord with industry practice, contracts should provide for the contractors to carry indemnity insurance.

7.45 The ANAO considers that the performance issues mentioned above should be reflected in key performance measures and that Defence should arrange for periodic independent assessments to be made of the menus provided under catering contracts.

Use of customer surveys

7.46 The results of customer surveys on the suitability or otherwise of a catering service are regarded as one of the key performance measures for catering contracts. Contractors

conduct their own surveys to assess customer satisfaction. It is important to Defence that Service personnel maintain a high level of health and fitness, and accordingly they need to be confident of the services provided by catering contractors. The ANAO considers that there would be value in Defence assisting the ADF in arranging for the preparation of a questionnaire to assess customer satisfaction with the catering service provided and address the customers' understanding of the importance of a healthy diet.

Recommendation No. 12

7.47 The ANAO recommends that Defence centrally coordinate the development of key performance measures in catering contracts, develop a common contractor performance and reporting system, and clarify contractor liability issues in catering contracts.

Impact of this recommendation

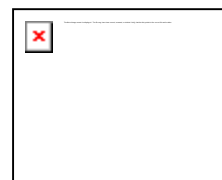
7.48 Implementation of this recommendation would lead to better management of CSP contracts and their performance across the three Services and reduce the risk of Commonwealth liability.

Defence Response:

7.49 Agreed. The proposed ADF Food Provisioning Policy will address the issue of performance measurement. CSP contracts already include indemnity and liability provisions.

ANAO comment

7.50 Insurance industry advice provided to the ANAO is that indemnity and public liability provisions would be insufficient cover against claims arising from food poisoning. Cover of this kind requires specific insurance or special provision in public liability insurance.



Canberra ACT
22 November 1996

P. J. Barrett
Auditor-General

1

Building a Better Public Service, MAB/MIAC Report No.12, June 1993.

2

Raising the Standard: Benchmarking for Better Government, MAB/MIAC Report No.21, June 1996.

3

Report on a Management Audit Review of Army Rationing, QLD 95009, 1995. Similar issues were raised in MAB's *Report on the Rationing System in Darwin*, QAUD 96155, 1996.

4

Army response to *Report on a Management Audit Review of Army Rationing*, LOG (C) 95/1577, 10 July 1995.

5

Report on a Trial of the Effectiveness and Efficiency of a Proposed New Ration Scale, Defence Food Science Centre, 1995.

6

MAB, *Review of Rationing, HMAS Stirling and 306ABW*, 1994/1995 No. 95009.

7

The Auditor-General, Audit Report No.5 1993-94, *Explosive Ordnance*.

8

The Auditor-General, Audit Report No.8 1995-96, *Explosive Ordnance follow-up audit*.

9

The Auditor-General, Audit Report No.17, 1995-96 *Management of ADF Preparedness*.

10

Defence CSP Manual, 4th Edition 1994, Chapter 2.

11

Commonwealth Competitive Neutrality Policy Statement, June 1996.

12

Defence Procurement, Industry Commission Report No 41, 30 August 1995.

13

The First Report of the House of Representatives Standing Committee on Industry, Science and Technology (Bevis Report), tabled 23 March 1994.

14

Interim report to the RAN on Catering Efficiency at Endeavour House, September 1991, by DSTO, MRL, Scottsdale, Tasmania.

15

A Report on Contracting for Services within the Department of Defence, Department of Defence and Attorney-General's Department, 30 June 1994.

Appendix 1 - Major Reviews, Studies and Audits

1. 1983 Efficiency Review of Defence Force Food Provisioning Systems (known as the Tooth Report).
2. The HDL Review of Rationing Systems (1988).
3. The Wrigley Inter-Departmental Committee Report on Catering (1991).
4. Numerous studies by the Services on their individual systems - for example the Army 1986 report *Army Foodstuffs Provisioning Study*, the 1994 RAAF paper *Discussion of Proposals to Reduce RAAF Catering Support Commitments*, Defence Logistics Division discussion paper *ADF Rationing - An Overview* of 1992.
5. The DSTO review of November 1995: *Report on a Trial of the Effectiveness and Efficiency of a Proposed New Ration Scale*.
6. *The Comparison of Effectiveness of Contract Catering with Naval Catering* of December 1993.
7. Management Audit Branch Reports on tri-Service Rationing - Navy/Army/Air Force, 1994-95.

Appendix 2 - Savings from contracting out catering services

Name	Contractor	Contract Value \$m	Contract Period years	Annual Savings \$m	Annual Savings %	Date Contract Let
CATERING						
ADFA	Spotless	18	4	2.9	39	30-6-93
RAAF Fairbairn	AFS	12	5	2.4	50	7-9-92
HQ Training Command	P&O	2	3	0.3	23	29-6-93
RAAF Wagga	SHRM	10	5	3.1	49	16-11-93
RAAF WILLIAMS	Spotless	32	5	3.0	32	11-6-93
BASE/DOMESTIC SUPPORT (INCLUDING CATERING)						
JSSC	AFS	3	4	0.3	26	23-6-93
HMAS PENGUIN	SHRM	9	3	2.9	50	15-9-93
Woomera/Nurrungar	ADI	21	3	na	16	17-8-93
Puckapunyal	SERCO/GM	81	*5	1.7	10	23-11-93
HMAS CRESWELL	SHRM	13	3	2.5	37	17-12-93
Wallangarra Supply Company	AFS	3	3	0.2	14	30-9-95

Brisbane Logistics Group	AOSS	5	3	1.3	46	1-11-94
RAAF Base East Sale	SERCO/GM	28	6	3.8	43	31-1-96
Defence Centre Adelaide	NFM	5	3	1.2	40	14-12-94
ACCOMMODATION AND CATERING						
Broadmeadows Logistics Battalion	IHO	2	2	0.2	14	30-11-93
Watsonia	Gardner Merchant	11	5	0.9	21	28-6-93
Moorebank Military Area	P&O	20	5	2.4	40	28-6-93
Myambat Supply Company	IHO	2	5	0.035	10	23-7-93

Source: Department of Defence

Appendix 3 - Performance Audits in the Department of Defence

Set out below are the titles of the reports of the main performance audits by the ANAO in the Department of Defence tabled in the Parliament in the past three years.

Audit Report No.5 1993-94

Explosive Ordnance

Audit Report No.11 1993-94

ANZAC Ship Project - Monitoring and Contracting

Audit Report No.19 1993-94

Defence Computer Environment

Supply Systems Redevelopment Project (Preliminary study)

Audit Report No.27 1993-94, Report on Ministerial Portfolios, includes:

US Foreign Military Sales Program (Follow-up audit)

Explosives Factory Maribyrnong (Preliminary study)

Audit Report No.2 1994-95

Management of Army Training Areas (Follow-up audit)

Acquisition of Additional F-111 Aircraft (Preliminary study)

Audit Report No.13 1994-95

Australian Defence Force Housing Assistance

Audit Report No.25 1994-95

Australian Defence Force Living-in Accommodation

Audit Report No.29 1994-95

Energy Management in Defence

ANZAC Ship Project Contract Amendments (Preliminary study)

Overseas Visits by Defence Officers (Preliminary study)

Audit Report No.31 1994-95

Defence Contracting

Audit Report No.8 1995-96

Explosive Ordnance (Follow-up audit)

Audit Report No.11 1995-96

Management Audit

Audit Report No.17 1995-96

Management of ADF Preparedness (Preliminary study)

Audit Report No.26 1995-96

Defence Export Facilitation and Controls

Audit Report No.28 1995-96

Jindalee Operational Radar Network Project

Audit Report No.15 1996-97

Management of Food Provisioning in the Australian Defence Force