

The Auditor-General
Audit Report No.31 2008–09
Performance Audit

Army Reserve Forces

Department of Defence

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of Australia 2009

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Canberra ACT
8 May 2009

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the *Department of Defence* in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Army Reserve Forces*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

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Contents

Abbreviations.....	8
Summary and Recommendations	9
Summary	11
Introduction	11
Audit scope and objective	12
Conclusion	12
Key findings by chapter.....	14
Agency response	21
Recommendations	22
Audit Findings and Conclusions	25
1. Introduction	27
Background	27
Hardened and Networked Army.....	28
Army Reserve involvement in ADF operations	29
Current Structure and Resourcing	29
Legislation	32
Previous Reports.....	33
Current Audit Approach	34
Report Structure.....	36
2. Role definition and high level planning	37
Introduction	37
Defence White Paper 2000	37
Army Reserve roles, tasks and responsibilities	38
Planning for future Army Reserve requirements.....	42
Broader issues in Army Reserve planning.....	45
Financial resources.....	49
3. Existing capability.....	53
Introduction	53
Overall strength.....	53
Overall capability.....	54
Army Reserve support for the ADF.....	60
Equipment	70
4. Recruitment, retention and training.....	72
Introduction	72
Recruitment and Retention	72
Training	80
5. Support for management and administration.....	85
Introduction	85

Reporting arrangements for the Army Reserve	85
Quality and timeliness of administrative information.....	88
Information and communication	92
Appendices	95
Appendix 1: ADF military operations	97
Appendix 2: Summary of relevant findings in ANAO Audit Report No.25 2004–05, <i>Army Capability Assurance Processes</i>	98
Appendix 3: Process for dealing with potential non-effective Reservists	99
Appendix 4: HTM training continuum for a logistics corps officer	100
Appendix 5: Summary of findings from UK and USA audits on Reserves	101
Series Titles.....	104
Current Better Practice Guides	108

Figure 1

An Army Reservist meeting local children while on deployment in the Solomon Islands.



Source: Defence

Abbreviations

ADF	Australian Defence Force
AFSIPC	Army Force Structure Implementation Planning Cycle
AIRN	Army Individual Readiness Notice
ANSRA	Army National Standby Reserve Agency
AR	Active Reserve
ARA	Australian Regular Army
ARTC	Army Recruit Training Centre
ARTS	Army Reserve Training Salaries
CENRESPAY	Central Reserve Pay System
CFTS	Continuous Full Time Service
Defence	Department of Defence
DFR	Defence Force Recruiting
ESP	Employer Support Payments
HSR	High Readiness Specialist Reserve
PMKeyS	Personnel Management Key Solution
RFSU	Regional Force Surveillance Unit
RRF	Reserve Response Force
RRTC	Reserve Recruit Training Course
SR	Standby Reserve

Summary and Recommendations

Summary

Introduction

1. The Defence White Paper 2000 reflected a fundamental shift in thinking in relation to the Army Reserve. It outlined the intention to change the role of the Army Reserve, from providing a trained resource base for the expansion of the Army, to providing fully trained personnel to support frontline forces deployed on operations.
2. Previous audit reports covered aspects of the Army Reserve and provide a context for the starting point of this audit. ANAO Audit Report No.33 2000–01, *Australian Defence Force Reserves*, was too early to report on the Army's progress in implementing the major shift in focus for the Army Reserve. However, at that time the report did conclude that the collective military capability of the Army Reserve was very limited. ANAO Audit Report No.25 2004–05, *Army Capability Assurance Process*, noted that in responding to the strategic guidance contained in the 2000 White Paper, the Army developed the Hardened and Networked Army (HNA) initiative, designed to increase the size and firepower of the land force and improve protection and communication networks for soldiers in the battle field. The HNA model incorporates reliance on the Army Reserve to provide supplementation to the full-time Army in deployment scenarios.
3. Since the previous audits, the Army has worked on the implementation of the HNA initiative and, in 2008, the Chief of Army announced a further initiative called the Adaptive Army. Under the Adaptive Army initiative the Army will restructure its higher command and control arrangements. The changes that have been made to the Army Reserve since the previous audits have been designed to increase the level of capability of part-time personnel, including through ensuring that the training they receive covers core competencies covered in training provided to full-time personnel.
4. On 22 February 2008, the Minister for Defence announced the commissioning of a new Defence White Paper (currently expected to be completed in April 2009). In 2008, the Minister for Defence also commissioned a report by an external consultant, Mr George Pappas, regarding the efficiency and management of the Defence budget. In April 2009, Defence advised that the Pappas Report had been considered and accepted by Defence and that subsequent recommendations are expected to be incorporated into the upcoming Strategic Reform Program (SRP). The outcome of both the 2009

White Paper and the SRP could be expected to have an impact on the future use of the Army Reserve and the resources available to the Army for part-time personnel.

Audit scope and objective

5. The objective of this audit was to:

- assess Army's progress in addressing the issues previously identified in Defence reviews and ANAO audits as affecting the Army Reserve's capability; and
- identify the extent that the Army Reserve is capable of contributing to contemporary Australian Defence Force capability requirements through fulfilling its assigned roles and tasks.

Conclusion

6. The implementation over recent years of the change in the purpose of the Army Reserve, reflected in the 2000 White Paper, from providing a trained resource base for the expansion of the Australian Army to providing fully trained personnel to support frontline forces deployed on operations has made the Army Reserve much more relevant to the day-to-day operations of the Army. In recent years there has been a high operating tempo for the Army and the Army Reserve has been providing useful capability to the Army both in relation to domestic and overseas operations.

7. The current capability the Army Reserve is providing to support the Army includes:

- forming the primary component of the ADF deployment to the Solomon Islands;
- Reserve members of Special Operations Forces serving as part of a number of Australia's overseas deployments, including peace enforcement, training and warfighting;
- Regional Force Surveillance Units which play an important role in Australia's surveillance operations and outreach programs to Indigenous communities in remote northern Australia, and provide an opportunity to integrate the specialist skills of local Indigenous and regional Army Reserve soldiers into the surveillance team; and

- Regional Response Forces contributing to domestic security arrangements such as when Australia hosted the Asia-Pacific Economic Co-operation Forum in September 2007 and for World Youth Day in July 2008 and for natural disasters relief, such as after Cyclone Larry in Queensland in 2007 and the recent 2009 Victorian bushfire crisis.

8. Defence has introduced strategies to allow the Army Reserve's identified role, to sustain and reinforce the Army's operational forces, to be translated to Reserve capability. Defence has developed specific categories of Reserve personnel (such as the High Readiness Reserve¹ and the Reserve Response Forces²) and introduced training and recruitment practices specifically designed to support the Army Reserve in its role.

9. There are around 27 000 permanent fulltime members of the Australian Regular Army (ARA).³ By contrast, the total posted strength of the Army Reserve at 30 June 2008 was some 15 400 personnel, of which nearly 4200 were yet to be trained (see Table 3.1). In addition to the around 11 200 personnel in the posted trained force, at 30 June 2008 there were nearly 1100 Army Reserve and Standby Reserve members who were undertaking continuous full-time service with the Army and so were not counted within the Army Reserve posted strength.

10. The total posted strength of the Army Reserve of 15 400 personnel at 30 June 2008 represented only 71 per cent of the maximum authorised strength of 21 721 and a reduction compared to the actual personnel numbers of the Army Reserve of 21 671 at 30 June 1998. Other factors affecting the capability able to be delivered by the Army Reserve today is the level of individual readiness of members and members' level of attendance at parades.⁴ At 30 June

¹ The High Readiness Reserve (HRR) is a group of Army Reserve personnel who sign a two year contract to be available for voluntary deployment at short notice, and who possess the agreed Hardened and Networked Army Training Model (HTM) competencies relevant to their employment category, which are in line with those of their Australian Regular Army (ARA) counterparts. HRR personnel have an increased annual training commitment of between 32 and 50 days per year compared to the Active Reserve which has an annual training commitment of 20 days.

² The Army has also established Reserve Response Forces (RRF) which are regionally based sub-units capable of providing Defence Assistance to the Civil Authority and Defence Force Aid to the Civilian Authority. The RRF is designed to augment other domestic security capacities and undertake additional roles and tasks involving either niche skills or specific tasks for trained and disciplined small teams and sub-units.

³ This figure is correct at 21 March 2009 and includes ADF Gap Year members.

⁴ Parading is the Army term for attending training. Defence data indicates that approximately 20 per cent of the Army Reserve is not attending parades.

2008, individual readiness requirements were met by only 51.7 per cent of Army Reserve members.⁵ The effect of this lower level of individual readiness is to reduce the level of preparedness of the Army Reserve's trained force. In April 2009, Defence advised that at 27 March 2009 45 per cent of the trained Army Reserve Forces and 59.9 per cent of the ARA met individual readiness requirements.

11. Defence has made progress in addressing issues identified in previous reviews of the Army Reserve. Despite Defence's progression over recent years of measures to allow the Army Reserve to sustain and reinforce the Army's operational forces, the Army Reserve's effectiveness is constrained by a number of factors. These include delays in developing an appropriate force structure for the Army Reserve; barriers to ease of movement of personnel between the Australian Regular Army (ARA) and the Army Reserve⁶; a lack of cost information to inform longer term decisions regarding the Army Reserve, including which capabilities the Army Reserve should provide; and some Army Reserve depots having either no or limited access to basic Defence electronic communication methods.

Key findings by chapter

Role definition and high level planning (Chapter 2)

12. The Army has set down a broad statement of the role of the Army Reserve as being:

'To provide specified individual and collective capability to support, sustain and reinforce Army's operational forces.'⁷

13. The movement towards this role formally commenced with the White Paper in 2000 and there has been considerable progress in terms of the Army Reserve being properly considered in the development of the Hardened

⁵ This includes Army Reserve members serving on Continuous Full Time Service.

⁶ For example, the lack of consistent employment conditions between full-time and part-time personnel.

⁷ Submission to the Chief of Army Senior Advisory Committee No 08/04, Army Reserve roles, tasks and responsibilities as part of the Hardened and Networked Army p. 6, 30.

and Networked Army, the Army Objective Force 2016⁸ and the Army After Next.⁹ Implementation of key elements of the overall strategy, such as an appropriate force structure for the Army Reserve, is still to occur, and is currently expected to be completed by early 2010. The Defence White Paper 2009 could be expected to have an impact on how Defence uses the Army Reserve in the future.

14. Defence had planned to revise the force structure of the Army Reserve in 2008. However, there have been delays in developing a new force structure that best meets the expected role of the Army Reserve today. The current White Paper development process has added to the uncertainty surrounding future Army Reserve capability requirements.

15. In addition to the issue of the force structure, there is a need to address the policies required to support the change from the Reserve being a mobilisation force to it effectively supporting ongoing Army operations, with various elements of the Army Reserve providing fully effective part-time and full-time support as part of the Army's overall capability. For example, there are currently barriers to both ease of movement of personnel¹⁰ between the ARA and the Army Reserve and interchangeability¹¹ of ARA and Reserve personnel. Given the changing demographics of Reserve members, there are also issues that need to be addressed in respect of the location of Reserve units.

16. Appropriate cost information related to the Army Reserve would assist in addressing the issues outlined in paragraph 15. Given that the Army Reserve routinely operates in an integrated manner with the ARA, it is primarily in making longer term decisions regarding Army Reserve policies or Army capabilities that such cost information is required. This information could be obtained by using a periodic assessment of costs.

⁸ The Army Objective Force 2016 is the implementation of the various force structure reviews that are being or will be undertaken.

⁹ The work being undertaken by the Army in planning for the longer term (2020 to 2040) is termed the Army After Next (AAN). AAN was endorsed and agreed to within Defence in the second half of 2008. Defence advised ANAO that, from an Army Reserve perspective, the AAN may involve the full spectrum of Army Reserve capabilities, subject to planning requirements.

¹⁰ Ease of movement relates to issues associated with differing pay structures and terms and conditions.

¹¹ Interchangeability relates to issues associated with levels of training and preparation for operational deployment.

Existing capability (Chapter 3)

17. When the Approved Future Force for the Army Reserve is developed (currently planned to occur over the period April 2009 to November 2011), the Army will have a suitable benchmark against which current Army Reserve personnel numbers and capability could be assessed. As noted earlier, the total posted strength of the Army Reserve of some 15 400 personnel at 30 June 2008 was 71 per cent of its current maximum authorised positions (21 721) and nearly 4200 of these personnel were yet to be trained (see Table 3.1).

18. Defence data indicates that approximately 20 per cent of the Army Reserve is not attending parades.¹² Such an attendance pattern is likely to reduce the overall effectiveness of the Reserve, and can affect the overall readiness¹³ of the Army Reserve. As at 30 June 2008, individual readiness requirements were met by only 51.7 per cent of Army Reserve members.¹⁴ The capacity of some members of the Army Reserve in remote locations to meet readiness requirements is affected by the difficulty and cost associated with their meeting weapons, medical and dental requirements. The effect of this lower level of AIRN readiness is to reduce the level of preparedness of the Army Reserve's trained force.¹⁵

19. Defence's Annual Report and advice provided to the ANAO indicates that the Army Reserve is providing effective capability to support the Army across a number of different areas. Since the ANAO's previous reports,¹⁶ the Army has made progress towards changing the Army Reserve to an effective part-time force and the Army Reserve is providing increased capability to the Army. The Army Reserve overseas deployment numbers exceeded 15 per cent

¹² Defence advises that this analysis may include personnel who have left the Army Reserve in the year, those who may have moved to or from Continuous Full Time Service (and been paid under the Australian Regular Army pay system), new members and Standby Reserve members who have paraded. These matters would generally serve to increase the percentage of personnel showing as not attending parades.

¹³ Individual members of the Army are required to meet readiness requirements set out in the Army Individual Readiness Notice. The Army Individual Readiness Notice (AIRN) policy's purpose is to ensure that all Army personnel are capable of being deployed on operations at short notice. AIRN includes measures related to availability, employment, medical, dental, physical and weapons.

¹⁴ This includes Army Reserve members serving on Continuous Full Time Service.

¹⁵ As noted in paragraph 17, the total posted strength of the Army Reserve as at 30 June 2008 was some 15 400. As around 4200 of these personnel were posted to the training force (that is, were yet to complete their initial training), the total trained force of the Army Reserve was some 11 200.

¹⁶ ANAO Audit Report No.33 2000–01, *Australian Defence Force Reserves*, and ANAO Audit Report No.25 2004–05, *Army Capability Assurance Process*.

of total Army overseas deployments. The capability that the Army Reserve is now providing to the Army covers a range of circumstances, including:

- the contribution of Army Reserve units and individuals to Australia's overseas operations (including Special Operations). In particular, the Army Reserve is playing a major role in helping fulfil Australia's responsibilities to assist the Solomon Islands;
- support provided by the Reserve Response Forces contribution to domestic security operations within Australia;
- the ongoing contribution of the Regional Force Surveillance Units to Australia's border security arrangements;
- Army Reserve personnel, including highly specialised medical practitioners, undertaking continuous full time service to address shortages in the ARA; and
- the specialist support that Active and Standby Reserve personnel provide for project based assignments.¹⁷

20. Previous ANAO audits had identified issues in relation to equipment availability for the Reserve. During fieldwork for this audit, the ANAO was informed by units that equipment shortages were not affecting their ability to carry out their roles. Much of the equipment required by the Army Reserve is met through the loan pool arrangements operated by the Army. There was a broad understanding that any deficiencies that existed in a unit's equipment holdings were remedied prior to deployment of an individual or the unit on operational duties.

Recruitment, retention and training (Chapter 4)

21. Recruitment and retention are important issues for the Army Reserve. Reserve recruitment numbers have been declining over the last ten years but it has plateaued in the past few years.¹⁸ There are a number of issues affecting the retention of Reservists including: the length of time required to undertake the requisite training; the difficulty Reservists face in gaining recognition of prior learning; the difficulty in getting places on training courses or courses being

¹⁷ These project tasks are varied in content and duration, and can include support for operations, training, software development or administrative support.

¹⁸ Defence has previously predicted that it would continue to decline. However the current economic climate means that numbers may not fall to predicted levels.

changed at short notice; and competition with civilian employment and family life. Defence has previously identified that '50 per cent of Army Reserve soldiers never progress beyond the training force'.¹⁹

22. Particular initiatives that have been used to aid recruitment and retention include:

- measures aimed at promoting recruitment and retention for Army Reserve specialist medical and health personnel (implementing a specialist reinforcement platoon and establishing contact with selected medical undergraduates);
- the Employer Support Payment (ESP) Scheme,²⁰ Reserve Health Support Allowance,²¹ and the Defence Home Ownership Assistance Scheme (DHOAS);²² and
- employer engagement activities to promote Army Reserve activities to employers and the community.²³

23. Training programs such as the Army Reserve Traineeship and Apprenticeship Program (ARTAP)²⁴ are new initiatives aiming to increase the number of personnel in critical trades in the Reserve. Defence considers that it is likely that the Army will continue to suffer deficiencies across some ranks and in many trade skill areas. Retention, accelerated promotion and re-training

¹⁹ Department of Defence, *Preliminary capability and cost proposal for the HNA Army Reserve model*, March 2005, p. 11.

²⁰ The ESP scheme provides eligible employers with financial assistance to help offset the costs associated with releasing employees for Reserve service. ESP is paid at a set weekly rate, regardless of the employee's salary, and is equivalent to average weekly earnings as at 1 July of that year.

²¹ On 9 May 2006, the Government announced key Reserve remuneration incentives including a \$600 health support allowance for all Active Reservists. The health support allowance is to assist the Reservist in meeting the costs associated with maintaining their required medical and dental readiness.

²² In April 2008, the Government announced that Defence Reservists with more than eight years of service and with a minimum of an additional year's service credit, as at 1 July 2008 are eligible to participate in the Defence Home Ownership Assistance Scheme (DHOAS) which provides home loan subsidies to assist members in buying their own home.

²³ Exercise Executive Stretch (EES) and Boss Lift are both employer engagement activities run by Defence. These exercises aim to give employers first hand experience and insight into the activities and training Reservists undertake.

²⁴ The Army Reserve Traineeship and Apprenticeship Program (ARTAP) is a joint partnership between the Army Reserve and civilian employers. Army's intent for the program is to expand the technical capability of the Reserve (specifically to fill critical trade shortages) and provide qualified members ongoing employment within the Army Reserve. ARTAP provides an opportunity for suitable applicants to enlist in the Army Reserve and attain military skills, while also undertaking a civilian apprenticeship or traineeship with an employer or Group Training Organisation (GTO).

existing staff into new trade areas are expected to assist in remediating deficiencies in the ARA, but will be difficult in the Army Reserve where training in a particular trade can take upwards of four years, even if the Reservist enters the Army Reserve with a level of existing skill. Army Reservists who enlist with limited skills may take longer to become proficient in a particular trade.

24. Defence advised that there are separate processes for collective and individual engagement of Reservists on operational and overseas deployments. For collective deployments, a brigade or unit is tasked with providing the required number of personnel. Individual operational and overseas deployments are filled differently for officers and soldiers. A website, *"Hot Ops Jobs"*, lists available deployment positions for officers.²⁵ Soldiers, on the other hand, are nominated by the Soldier Career Management Agency (SCMA) for deployment opportunities. There was a general lack of understanding and awareness in the Reserve units visited during fieldwork for this audit of how individuals were selected for deployments.

25. Changes have been made to Reserve training under the HNA to provide Reservists with the individual and collective training required to complete their specified tasks in their unit. The Hardened and Networked Army Training Model (HTM)²⁶ aims to meet the needs of the HNA and to prepare Reservists to a job-ready standard for their Army Reserve employment category. The principle behind the HTM is that a Reservist is on a training continuum from the date of enlistment in the Reserves. The model also allows Reservists to move through the training continuum at their own pace, based on their availability for training and Reserve career aspirations. In addition, collective training and pre-deployment preparation are undertaken to produce individuals and units that are able to successfully conduct operations. The Army has devoted considerable resources to putting in place training that is appropriate to the current role of the Army Reserves and this investment is delivering capability to the Army.

²⁵ Although this is primarily for ARA officers, Army Reserve officers with access to the Defence Restricted Network would be able to access this website.

²⁶ In April 2009 Defence advised that this is now called the Army Training Model (ATM).

Support for management and administration (Chapter 5)

26. The Army Reserve has a range of mechanisms available to capture personnel and readiness data and provide information to senior officers. These mechanisms could be better utilised to enable Defence senior management to make more informed decisions about the level and nature of the capability within the Army Reserve.

27. Reporting on Army Reserve preparedness and capability is largely dependant on the chain of command identifying and progressing issues to more senior officers. This takes place within the overall reporting arrangements for the Army. Each month Army Preparedness Reports flow up the chain of command, identifying individual unit's abilities to meet the requirements of the Chief of Army's Capability Directive. Army Reserve matters were also included in the Army Balanced Scorecard. As at May 2008 the Scorecard indicated there is an asset liability gap, whereby the Army Reserve has less personnel than had been planned. In the case of 2nd Division (which contains the majority of Reserves), twice yearly conferences are held to explore capability and personnel issues.

28. Defence advised that the civilian skills and qualifications of Reservists are not generally recorded on the Personnel Management Key Solution (PMKeyS) system.²⁷ The reasons included the time required to obtain recognition for prior learning (including for qualifications issued by an Australian University) and because Reservists are not routinely asked to disclose their civilian skills.²⁸ PMKeyS currently has the capacity for the civilian skills and qualifications of Reservists to be recorded. This information could be used to select Reservists with specific skills for civil/military roles on deployment (for example civil engineers, town planners or financial professionals) and for long term planning purposes. The ANAO considers that there would be benefit in Defence requesting this information from Reserve personnel and, where provided, updating the PMKeyS system.

²⁷ The Personnel Management Key Solution (PMKeyS) system retains personnel records for all Defence staff, including the Army Reserve. This information includes personal information, rank level, training achievements or assessed prior learning, qualifications, training and development plans, and individual readiness.

²⁸ The ANAO was also informed that some Reservists did not wish to disclose their civilian skills or qualifications as they had joined the Army Reserve to do something different from their normal role.

29. The primary method used by the Army for communication to Army Reserve personnel is electronic, either through email or via online instruction libraries. There are currently Army Reserve depots with either no or limited access to basic Defence electronic communication methods. Given the reliance on technology to communicate with Army Reserve units and individual Reservists, it is important that all Army Reserve units have access to Defence networks.

30. Defence increasingly expects that Reservists will take joint responsibility for keeping their personnel records up to date and accurate. Given the limited time available to Reservists during training, Defence could consider developing modern, secure technological options to allow Reservists to access their information off-site.

Agency response

31. Defence welcomes the Australian National Audit Office (ANAO) audit on Army Reserve Forces. The report acknowledges that Defence has made progress in enhancing the capability provided by the Army Reserves to Army since the previous ANAO audit in 2004–05 on the *Army Capability Assurance Process*.

32. The ANAO report comments favourably on enhancements to Army Reserve capability resulting from the Hardened and Networked Army (HNA) initiative. This initiative re-focused the Army Reserve to provide smaller teams at higher readiness rather than large units at low readiness through the introduction of the Reserve Response Forces and the High Readiness Reserve. It also led to the development of the Hardened and Networked Army Training Model, which provided the path for Reservists to acquire operational skill sets.

33. The report acknowledges that in 2008, Army moved from the HNA to the Adaptive Army initiative, which will lead to the restructure of the higher command and control arrangements within Army. Further improvements to the structure of the Army Reserve will be embedded through the implementation of The Army Plan Part One, the conduct of an Approved Future Force review and through the individual Force Structure reviews that will be on-going until 2014.

34. Defence agrees with all four recommendations in the ANAO report and has already commenced action to implement some of the recommendations which will remediate deficiencies and improve capability.

Recommendations

Recommendation No 1

Para 2.42

Considering the Army Reserve's current role and the existing work being undertaken towards developing its 2016 Approved Future Force structure, the ANAO recommends the Army reviews its policies related to the location of Army Reserve units to take into account the cost of operating a dispersed organisation against the capability offered and the desire to maintain a public presence.

Defence response: *Agreed.*

As part of the development process for the new Defence White Paper, Defence is undertaking a series of reviews, one of which is the Estate Companion Review (ECR). This review is considering strategies for the ongoing management of the Defence estate, including Army Reserve facilities. The ECR is developing strategies for managing the estate to ensure that the location of Defence bases and capabilities reflect clear strategic guidance, that the bases are affordable in the long term, and that they provide value for money. These strategies will be provided to Government for consideration as part of the new Defence White Paper.

Recommendation No 2

Para 2.52

The ANAO recommends that Defence uses a periodic assessment of costs to bring together appropriate cost information related to the Army Reserve, to inform longer term decision making.

Defence response: *Agreed.*

**Recommendation
No 3**

Para 5.18

The ANAO recommends that the Army:

- (a) request current Reservists to provide relevant information relating to their civilian qualifications and skills;
- (b) where this information is provided, record it on Defence's existing personnel management data base, PMKeyS; and
- (c) streamline the approval processes for the recognition of civilian skills and qualifications.

Defence response: *Agreed.*

**Recommendation
No 4**

Para 5.28

Recognising the increased reliance on technology for communication, and the importance of accurate records, the ANAO recommends that:

- (a) Defence ensures all Army Reservists have adequate access to the Defence Restricted Network; and
- (b) Defence considers developing an internet portal or similar facility for Army Reservists to facilitate individual's update of their personnel data.

Defence response: *Agreed.*

Audit Findings and Conclusions

1. Introduction

This chapter provides background to the audit, an overview of the previous audit coverage and the audit approach.

Background

1.1 The Army Reserve has a long history of service to the community in both war and peacetime, and is a fundamental component of Australia's military capability. Prior to 2000, Army Reservists were primarily used as a mobilisation base during times of conflict. The Defence White Paper 2000 reflected a fundamental shift in thinking in regard to the Army Reserve. It outlined the intention to re-role the Army Reserve, from providing the basis for the expansion of the Army when Australia was at war, to providing fully trained personnel to support all the Army's operational tasks.

1.2 Since the Defence White Paper 2000, changes in Australia's strategic environment have been reflected in the 2003, 2005 and 2007 National Security updates. In 2001, the passing of the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2001* extended the Army Reserve contribution, allowing it to be deployed overseas and utilised for other operations, rather than being focused on the defence of Australia. This includes ongoing involvement as peacekeepers in Timor-Leste and the Solomon Islands, and in more intensive operations in Iraq and Afghanistan.

1.3 On 22 February 2008, the Minister for Defence announced the commissioning of a new Defence White Paper (expected to be completed in April 2009). The Minister for Defence also commissioned a report by an external consultant, Mr George Pappas, regarding the efficiency and management of the Defence budget. In April 2009, Defence advised that the Pappas Report was considered and accepted by Defence and that subsequent recommendations are expected to be incorporated into the upcoming Strategic Reform Program (SRP). The outcome of both the 2009 White Paper and the SRP could be expected to have an impact on the future use of the Army Reserve and the resources available to the Army for part-time personnel.

Hardened and Networked Army

1.4 The Hardened and Networked Army (HNA) initiative²⁹ was designed to increase the size and firepower of the land force and improve protection and communication networks for soldiers on the battle field. The Army's force structure was realigned under the HNA in order to better meet preparedness requirements and reduce hollowness.³⁰ The HNA, the Enhanced Land Force (ELF)³¹ and other initiatives enabled the Army to sustain a brigade (approximately 3000 troops) deployed on operations for an extended period, while maintaining at least a battalion group (approximately 1000 troops) available for deployment elsewhere. At the same time as the operational tempo increased, so did the expectation that the Army Reserve would provide individuals and small groups to support the Army's operational forces.

1.5 Previously, a lack of clear roles and tasks placed constraints on the capability that the Army Reserve could provide. As part of the HNA, the Army Reserve was provided with a clear role and tasks. The Army Reserve was re-focused to provide smaller teams at higher readiness rather than larger units at lower readiness.

1.6 Under the HNA, the role of the Army Reserve was changed to provide specified individual and collective capabilities to support, sustain and reinforce the Army's operational forces. Defence has advised that the major tasks provided to the Army Reserve are now directly linked to generating capability for the Army. Whilst continuing to deliver depth to the Army, the Army Reserve priorities are the provision of:

- Reserve Response Force (RRF) on call-out in support of civil authorities (for example responding to emergencies like bushfires or cyclones);³²
- high readiness individuals, combat teams and designated collective capabilities (for example teams deployed to the Solomon Islands or Regional Surveillance tasks);

²⁹ For simplicity, from here on the HNA initiative is generally referred to simply as the HNA.

³⁰ Hollowness is the term used to describe units where essential positions are unable to be filled.

³¹ ELF is a \$10 billion Government initiative that, in conjunction with the HNA will increase the size of the Army to 30 000 personnel through the raising of two new battalions.

³² To date these tasks have been done voluntarily by Reservists as Defence has not called out the Reserve Response Force to date.

- individuals that provide round-out or niche capabilities (for example, backfilling ARA jobs, or specialists like doctors, surgeons or trauma nurses); and
- the sustainment of the Army Reserve (recruitment and retention of Reservists).

Army Reserve involvement in ADF operations

1.7 The Army Reserve continues to provide support to ADF operations both within and outside of Australia. The ANAO was informed that as at 13 June 2008, Army Reservists accounted for approximately 15 per cent of all Army personnel deployed on operations. Appendix 1 contains a table which provides a brief description of the operations Army Reservists were involved in during 2007–08.

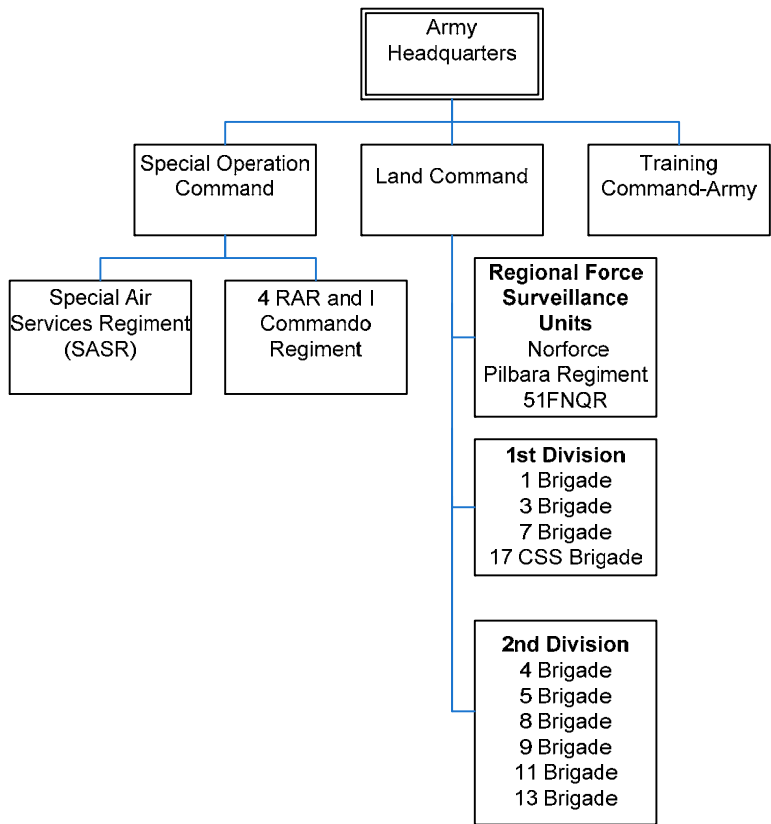
Current Structure and Resourcing

1.8 The Army is organised into three commands below Army Headquarters. These are: Special Operations Command, Land Command, and Training Command-Army.³³ The majority of active Reservists are within the six Reserve brigades that fall under the command of 2nd Division, which is directly under Land Command. There are also Reservists in the integrated ARA/Reserve 7 Brigade and the 17 Combat Services Support (17 CSS) Brigade, which are in 1st Division as well as in other units and positions across the Army. The Regional Force Surveillance Units (RFSUs), which conduct border security operations, comprise mainly Reserve members and are direct command units of Land Command. Figure 1.1 shows the current organisational structure of the Australian Army.

³³ This is the current structure of the Army as at 30 December 2008. The ANAO notes that Defence intends to re-structure the Army as part of the Adaptive Army initiative. From July 2009, the proposed Army structure will consist of three commands underneath Army Headquarters which will be: HQ 1st Division (HQ 1 Div), Forces Command (FORCOMD), and Special Operations Command (SOCOMD). The majority of Army Reservists will continue to be within the 2nd Division which will sit directly under FORCOMD.

Figure 1.1

The current organisational structure of the Australian Army



Source: ANAO analysis of Defence documents

1.9 Within the Army Reserve there are three categories of service. These are the High Readiness Reserve (HRR), the Active Reserve (which includes the Reserve Response Force, Reservists recruited under the Regional Force Surveillance List requirements), and the Standby Reserve. All personnel within the Army Reserve are required to render Continuous Full Time Service (CFTS) after call out³⁴ by the Governor-General. Members of the HRR are additionally subject to ‘call for’³⁵ on the authorisation of their relevant Command Headquarters.

³⁴ Call out is a lawful order made by the Governor-General of Australia for a member or members of the Army Reserve to undertake CFTS in accordance with section 50D of the *Defence Act 1903*.

³⁵ Call for is the means of requesting HRR personnel to render CFTS for the purpose of deploying on operations short of call out. Other members of the Army Reserve may also respond to call for as required.

1.10 The High Readiness Reserve (HRR) is a group of Reservists who sign a two year contract and agree to be available for operational deployment short of call out. The HRR is intended to provide specified individual and collective capabilities to support, sustain and reinforce deployable units. The High Readiness Specialist Reserve (HSR) is a new initiative under the HNA Reserve that aims to provide, when established on an on-call basis, selected professional services, which are unable or uneconomical to have as part of the ARA.³⁶

1.11 Most Reservists are part of the Active Reserve (AR) which provides a capability pool to the Army. The priority roles of the AR are to provide the Reserve Response Force (RRF) to carry out domestic security operations, and to raise, train and sustain HRR soldiers.

1.12 The Standby Reserve is a pool of trained Reservists with prior Army experience in either the ARA or the Army Reserve. They have no training or readiness liability, but are required to render service after call out.

1.13 The Regional Force Surveillance Units (RFSUs) operate in the remote areas of northern Australia. These units are responsible for maintaining regionally-based situational awareness in their area of responsibility. Some RFSU members cannot meet general entry requirements for the Army Reserve, but are suitable for RFSU tasks, so are enlisted under special conditions to the Regional Force Surveillance List (RFSL).

1.14 As at 30 June 2008 there were 15 892 reservists in the Army Reserve who undertook paid service.³⁷ As indicated in Figure 1.2 below, overall, Army Reserve numbers had been declining since 1997–98 before stabilising around 2001–02, with a slight increase in the last few years. As at 30 June 2008 there were another 12 496 personnel in the Standby Reserve.³⁸

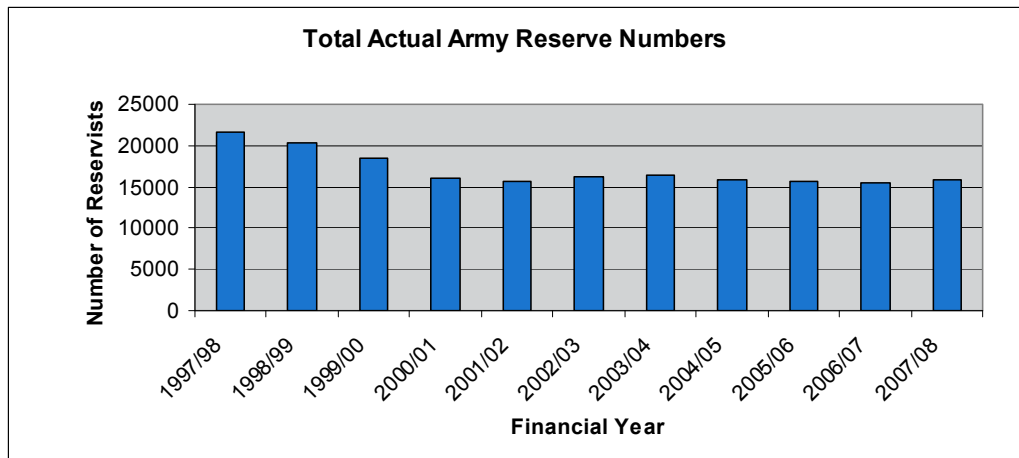
³⁶ For example specialist medical personnel such as orthopedic surgeons or perioperative nurses and financial specialists.

³⁷ Department of Defence, *Defence Annual Report 2007–08*.

³⁸ *ibid.*

Figure 1.2

Total actual Army Reserve numbers



Source: Defence Annual Reports

Legislation

1.15 Since the Defence White Paper 2000 key legislative changes have been enacted to enhance the capability that the Army Reserve can provide. Under previous legislation, Reservists were only able to be called out for full-time military service if it related to Defence emergencies or the Defence of Australia.

1.16 The passing of the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2001* extended the options available to Government for calling out Reservists. This means that Reservists can now be called out for operations such as disaster relief, humanitarian assistance, and peacekeeping or peace enforcement.

1.17 Reservists have always been able to volunteer for full time service, but prior to 2001, this was by individual agreement with their employers and with no formal protection for their jobs. *The Defence Reserve Service (Protection) Act 2001* made it mandatory for employers to release Reservists for training and operational service. The Act also provides protection for Reservists against discrimination, loss of status or entitlements, or dismissal in their jobs for rendering Defence Service.

1.18 With the introduction of the Defence Personnel Regulations in 2002, every ARA and Active Reserve member who joined after 1 July 2003 is automatically transferred to the Standby Reserve upon separation. Personnel must serve for a minimum of five years in the Standby Reserve. Members who

were enlisted or appointed before 1 July 2003 may voluntarily transfer to the Standby Reserve when they leave the ARA or Active Reserve.

Previous Reports

1.19 In the last decade, the ANAO has undertaken two previous performance audits that identified issues in relation to the Army Reserve and the capability it provides. The objective of ANAO Audit Report No.33 2000–01, *Australian Defence Force Reserves* was to assess the efficiency and effectiveness of the ADF in the administration of its Reserve forces. The objective of ANAO Audit Report No.25 2004–05, *Army Capability Assurance Process* was to report on Army capability issues and identified a number of issues in relation to the Army Reserve and the capability it provided.

2000–01 Audit

1.20 The 2000–01 audit report was too early to report on Army's progress in implementing the major shift in focus for the Army Reserve resulting from the 2000 White Paper; that is, from a mobilisation and expansion role to one that contributes to the support and sustainment of contemporary ADF operations. However, the report did conclude that, at the time, the collective military capability of the Army Reserve was very limited. It noted that previous efforts to revitalise the Reserve had not been successful, largely because roles had not been clearly defined and resources allocated to the Army Reserve from the Defence budget had been insufficient to achieve the capability required by Army.³⁹

2004–05 Audit

1.21 The 2004–05 audit noted that in responding to the strategic guidance contained in the 2000 White Paper, the Army developed in 2003 the Hardened and Networking the Army (HNA) force structure model that it plans to implement fully by 2012. The HNA model incorporated reliance on the Reserve to provide supplementation to Army full-time personnel in deployment scenarios. It also found that the Army's analysis had identified the need for significant Reserve personnel augmentation to meet the requirements of the HNA model. At the time, around 17 per cent of the Army Reserve positions, identified as required to provide augmentation to full-time forces

³⁹ ANAO Audit Report No.33, 2000–01, *Australian Defence Force Reserves*, p. 12.

under the HNA model, were regarded as positions requiring capabilities that Reserve personnel would have difficulty in achieving, or as positions that would provide capabilities critical to the functioning of the associated unit.

1.22 A Reserve Roles and Tasks study conducted in 2004 developed courses of action for the Reserve which involved the individual and/or collective reinforcement of the HNA and similar contributions to peacetime national tasks. Analysis of Fundamental Inputs to Capability (FIC) required to support these courses of action indicated that none met the requirements of the HNA model. To overcome these issues, changes were recommended to HRR arrangements. These included extending the duration of service, the identification of specific population demographics to be targeted for recruitment, and rationalisation of the command and control arrangements in the Reserve. Further relevant issues identified by the 2004–05 audit report are listed in Appendix 2.

1.23 Defence agreed to Recommendation No.4 of the 2004–05 audit report which is specifically related to the Army Reserve.

Recommendation No.4:

To improve the level of benefit that the Reserves contribute to Army capability; Army:

1. identify and assign a specific set of tasks that can be fulfilled by Reserve units within the existing funding and capabilities; and
2. develop incremental enhancements to the capability of the Reserves for other tasks.⁴⁰

Current Audit Approach

1.24 The objective of this audit was to:

- identify Army's progress in addressing the issues previously identified in Defence reviews and ANAO audits as affecting the Army Reserve's capability; and
- identify the extent that the Army Reserve is capable of contributing to contemporary Australian Defence Force capability requirements through fulfilling its assigned roles and tasks.

⁴⁰ ANAO Audit Report No.25 2004–05, *Army Capability Assurance Processes*. Recommendation No.4, p. 50, paragraph 3.25.

1.25 The audit identified roles and tasks currently assigned to the Army Reserve and examined the processes in place to enable the Army Reserve to carry out these roles and tasks. The audit also examined the extent to which there are necessary plans in place for the Army Reserve to meet its evolving capacity requirements under the HNA.

1.26 To assist in assessing the implementation of the current approach to the Army Reserve's role, the audit examined:

- the strategies being employed under the HNA, including the HRR;
- recruitment and retention arrangements; and
- training arrangements, including training consistent with the HNA and initiatives related to apprentices.

1.27 The audit also examined the existing Army Reserve capability and support for that capability including:

- the different categories that exist within the Army Reserve, the resources applied to those categories and available data related to attendance and personnel;
- whether there were concerns related to the availability of equipment;
- reporting arrangements for the Army Reserve;
- the quality and timeliness of available administrative information; and
- whether there are information and communication systems that facilitate the operation of the Army Reserve.

1.28 Audit fieldwork was conducted in the period from June to August 2008. During fieldwork the audit team met with relevant areas within Army Headquarters, as well as Land Command Headquarters, Special Operations Command, Headquarters Training Command Army, Headquarters 1st Division and Headquarters 2nd Division. The audit team also visited several Reserve units located in Canberra, Sydney, Adelaide, Cairns, and Brisbane. The ANAO appreciated the cooperation received from Reservists in these units who made themselves available during the course of the audit.

1.29 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of some \$360 500.

Report Structure

1.30 The remainder of this report is structured into four chapters. Chapter 2 outlines the processes that Defence has undertaken to develop the roles and tasks for the Army Reserve in the context of the HNA. Chapter 3 outlines the different categories of capability that Defence has within the Army Reserve, and how the capability is integrated with the Regular Army. Chapter 4 outlines the issues, and the strategies that the Army has put into place to implement policies, relating to Army Reserve recruitment, retention and training. Chapter 5 sets out the support mechanisms available for the management and administration of the Army Reserve.

2. Role definition and high level planning

This chapter outlines the processes that Defence has undertaken to develop the roles and tasks for the Army Reserve in the context of the Hardened and Networked Army (HNA) initiative. It describes progress that has occurred under the HNA and how the Army Reserve role has developed, together with the plans that are in place for its future development.

Introduction

2.1 The high level role of the Army Reserve has changed significantly since the Defence White Paper 2000.⁴¹ This chapter examines some of the key strategies that Defence has developed in introducing this changed approach to the Army Reserve.

2.2 The audit sought to identify the roles and tasks currently assigned to the Army Reserve and to examine the processes in place to enable the Army Reserve to carry out these roles and tasks. The audit also examined the extent to which there are necessary plans in place for the Army Reserve to meet its evolving capability requirements under the HNA.

2.3 Given the changed role for the Army Reserve, the audit considered the guidance provided to the Army Reserve on the requirements it was expected to meet in looking to effectively implement its role in supporting and sustaining the ADF's military operations. The audit also considered broader issues regarding Defence's longer term planning for the Army Reserve, as well as the availability of appropriate resource information to support Defence planning.

Defence White Paper 2000

2.4 The Defence White Paper 2000 drew attention to a growing and changing use of Reserves in meeting the requirements of contemporary military operations. The White Paper contended that, given the likelihood of frequent and concurrent operations, the Reserves will be the most efficient way

⁴¹ Defence (2000), *Our Future Defence Force*, Australia's Defence Policy (White Paper).

of providing sustainment and surge capacity, as well as providing skills not available within the permanent forces.

2.5 The White Paper noted that in the past the Reserves had been viewed as a mobilisation base for the Australian Defence Force (ADF) in time of major conflict. The White Paper stated:

‘... the strategic role for the Reserves has now changed from mobilisation to meet remote threats to that of supporting and sustaining the types of contemporary military operations in which the ADF may be increasingly engaged.’⁴²

2.6 The White paper drew attention to supporting policy initiatives at that time covering:

- new legislative provisions for the use and employment of the Reserves;
- measures to strengthen the linkages with the community;
- improvements to training; and
- better recruitment and retention strategies.⁴³

2.7 On 22 February 2008, the Minister for Defence announced the commissioning of a new Defence White Paper.⁴⁴ Defence advises that the White Paper is expected to be completed by April 2009. This new White Paper could be expected to provide an updated Defence policy, including policies related to the Army Reserve.

Army Reserve roles, tasks and responsibilities

2.8 In 2004 the Army commenced a process to define more clearly the roles, tasks and responsibilities of the Army Reserve under the HNA, taking account of the changed view of the Army Reserve that was outlined in the 2000 White Paper.

2.9 At the time the Army noted that there was a need for change, with Army Reserve numbers then declining, the demographic of the Army Reserve aging, and retention becoming an increasing problem. The role of the Army Reserve was endorsed at that time as:

⁴² Defence (2000), *Our Future Defence Force*, Australia's Defence Policy (White Paper), p. 69.

⁴³ *ibid.*, p. 69-70.

⁴⁴ Press Release, Minister for Defence, the Hon. Joel Fitzgibbon, 22 February 2008.

‘To provide specified individual and collective capability to support, sustain and reinforce Army’s operational forces.’

2.10 To undertake this role, a new model for the Army Reserve, based on its current broad structure and unit affiliations, was considered necessary to enable the Army Reserve to meet its role and likely tasks.

Hardened and Networked Army

2.11 Under the HNA the Army Reserve was being re-focused to provide a smaller number of high readiness forces at the individual and small team level rather than providing larger units at lower readiness. A key element of the HNA was the introduction to the Army Reserve of the High Readiness Reserve (HRR).

High Readiness Reserve

2.12 In May 2006, the then Government announced additional funding of \$181.6 million over four years to raise a High Readiness Force of 2800.⁴⁵ The Chief of Army’s Capability Directive for 2006–07 states that the Army Reserve will raise the HRR in a two phase program, with 1100 HRR positions funded between 1 July 2006 and 31 December 2008, and an additional 1700 positions funded from 1 January 2009 to 31 December 2012.⁴⁶ The HRR is intended to provide specified individual and collective capabilities to support, sustain and reinforce deployable units. When a specific individual or collective task required by the HNA is allocated to the Reserve, HRR personnel will be used to meet the task. HRR personnel have an increased annual training commitment of between 32 and 50 days per year compared to the Active Reserve which has an annual training commitment of 20 days.

2.13 The HRR is a group of Army Reserve personnel who sign a two year contract to be available on voluntary deployment at short notice.⁴⁷ They are required to possess the agreed Hardened and Networked Army Training

⁴⁵ \$181.6 million for a more capable Reserve, Media Release, Budget 2006/07, 9 May 2006.

⁴⁶ Defence has advised the ANAO that a review of current and pending HRR positions was conducted. The review found that many individual HRR positions were either duplicates of positions within the unit establishment of a HRR combat team, not viable, or not sustainable. This led to the decision in early 2007 for all HRR positions within Land Command to be re-categorised as Active Reserve positions, other than those that were filled with an HRR member or were designated as a unit establishment HRR position within specific units.

⁴⁷ Short notice is defined as 28 days or less.

Model (HTM) competencies relevant to their employment category, which are in line with those of their ARA counterparts.⁴⁸

2.14 If a member completes their two year HRR service obligation they are paid a tax free bonus of \$10 000. HRR members are also eligible for an annual \$2500 health benefit⁴⁹ to assist in off-setting the cost of maintaining a high level of medical and dental readiness. The first bonus payment to HRR members who had completed their two year HRR service obligation was made in September 2008. It is not known how many Reservists have signed on for HRR, but have withdrawn before completing the two year contract, as this information is not currently recorded by Defence.⁵⁰

*High Readiness Specialist Reserve*⁵¹

2.15 The High Readiness Specialist Reserve (HSR) is a new category of service being proposed. The role of the HSR is to provide selected professional services, which are unavailable or uneconomical to retain permanently in the ARA on an on-call basis. The HSR will provide a management framework for holding and employing professionals to provide short-term support to ADF operations. The HSR is currently being raised and it is expected to initially include up to 60 health professionals, including anaesthetists, intensive care and peri-operative nurses, orthopaedic surgeons, and general surgeons. In the future the HSR may also include other speciality services including financial management personnel and specialist engineers.

2.16 The HSR will be comprised of members of the Army Reserve who have accredited civilian skills and experience that are relevant to their Army employment category. HSR personnel will have an annual mandatory training obligation of seven days, which will include maintenance of their compliance with the Army Individual Readiness Notice⁵² as well as HSR specific training. In addition to their training obligation, HSR personnel, as part of their service

⁴⁸ Annual negotiated training for designated specialists may be less than 20 days. Upon completion of this training and if AIRN compliant, a member may be certified efficient by his or her Commanding Officer.

⁴⁹ This is contingent on the member showing proof of membership to a health fund with top cover.

⁵⁰ Defence states that while there is a contract field within PMKeyS, a training deficiency was identified at the end of 2007 which meant that information relating to contracts was not being coded. Defence advises that this deficiency is being addressed.

⁵¹ This information is based on draft documentation from Defence.

⁵² See the section commencing at paragraph 3.9 for more information of the Army Individual Readiness Notice policy.

agreement, must commit to a roster in which they identify a minimum of one month in twelve in which they will be available for deployment.

2.17 HSR members would sign an agreement to provide HSR service. Members who complete their HSR service are paid a tax free completion payment of \$5000 plus insurance supplementation once in every 12 months. This amount is payable after the completion of the month that the member provides the HSR service.

Reserve Response Forces

2.18 The Army has also established Reserve Response Forces (RRF) which are regionally based sub-units capable of providing Defence Assistance to the Civil Authority⁵³ and Defence Force Aid to the Civilian Authority.⁵⁴ This is part of the Army's response to further develop components of the Active Reserve with specific roles and tasks to support Australia's domestic security effort. The RRF is designed to augment other domestic security capacities and undertake additional roles and tasks involving either niche skills or specific tasks for trained and disciplined small teams and sub-units. An RRF member is paid a \$700 bonus annually upon completion of designated RRF training and if AIRN compliant. Currently the Army has in place six company group-sized sub-units operating as RRF.

Adaptive Army

2.19 In August 2008 the Chief of Army announced an initiative called the Adaptive Army. Under this initiative the Army will restructure its higher command and control arrangements. The principal aims of this restructuring are for the Army: to organise its force elements better to deal with the ADF's evolved command and control structures; to conduct more efficiently force generation and preparation; and to master the different learning loops that enhance the Army's adaptive capacity. An interim functional command is planned to be in place in July 2009, with the final organisation being in place by January 2011.⁵⁵ The Adaptive Army initiative will affect the way the whole

⁵³ Tasks the ADF may be requested to undertake as part of assistance to the civil community include emergency assistance, search and rescue, disaster recovery, surveillance and security or non-emergency law enforcement roles.

⁵⁴ The ADF may be requested to undertake law enforcement related tasks as part of aid to the civilian authority where the use of force by Defence personnel may be required.

⁵⁵ Adaptive Army, Public Information Paper <<http://www.army.gov.au/AdaptiveArmy>> [accessed October 2008].

of the Army operates due to the restructured command and control arrangements.

Unit establishment reviews

2.20 To inform strategic planning, the Army undertakes unit establishment reviews on a regular basis. The reviews assess whether units have appropriate personnel, equipment and structures to fulfil their roles and responsibilities. Reviews of Army Reserve units also consider the numbers of Australian Regular Army (ARA) personnel that should operate as part of the Army Reserve units. The Army advised that Army Reserve unit reviews are generally undertaken at three yearly intervals.

Planning for future Army Reserve requirements

Force structure

2.21 A key term used by Defence in its planning process is force structure. Force structure relates to the personnel, equipment, facilities and military doctrine needed to achieve the level of capability necessary to conduct operations effectively. In the medium and long term scenarios military capability will vary due to changes in force structure generated by the capability development process. In the short term force structure is more constant and the level of capability available for operations is determined by Defence's management of the preparedness of the current force. Changes to force structure, such as the introduction of a new platform or capability enhancement, will have a direct impact on the training and facility requirements of the forces involved.

2.22 The Army Reserve has stated that its force structure has fundamentally not changed since its inception. However, the strategic role for the Army Reserve has changed from that of mobilisation to meet remote threats, to one of supporting and sustaining the types of contemporary military operations in which the Army may be engaged in the future. The implementation of the HNA strategies discussed in paragraphs 2.11 to 2.18 has already resulted in changes to the way that the Army Reserve operates compared with 10 years ago. Accordingly, there is a need for the Army Reserve force structure to be updated to reflect its current role.

Progress with Force Structure planning

2.23 During 2007, the Army introduced a revised approach to undertaking its force structure implementation planning to provide a detailed road map for

the implementation of a range of initiatives, including the HNA and the Enhanced Land Force (ELF).⁵⁶ The results of the first Army Force Structure Implementation Planning Cycle (AFSIPC)⁵⁷ were issued by the Chief of Army in December 2007. The Army considers that the resultant plan provides an integrated framework to balance short term demands of known operational and readiness commitments with the need to grow the Army in a sustainable manner over the period 2009–2016.⁵⁸ In the 2007 AFSIPC, there was no consideration of the force structure for the Army Reserve.

2.24 Initially, development of the Approved Future Force (AFF) structure of the Army Reserve was to be conducted during The Army Plan Review Cycle (TAPRC) for 2008 (which replaced the AFSIPC) to determine the most appropriate unit structures, overall strength and ARA manning requirements. However, the Chief of Army directed that the development of the 2016 Army Reserve AFF implementation plan be delayed until the 2009 TAPRC. The Army advised that this delay was due to a desire to reduce the rate of change in the Army Reserve and reduce the workload on various headquarters staff during 2008 as a result of Defence White Paper 2009 demands. Work on the Army Reserve AFF during the 2008 TAPRC was limited to scoping work. As Defence expects that the Defence White Paper 2009 could have an impact on the development of the Army Reserve AFF, the terms of reference for the Army Reserve AFF will not be finally determined until after the release of the White Paper. Defence currently expects that the AFF for the Army Reserve will be approved in late 2009 or early 2010.

2.25 As part of the TAPRC in 2008, the Army requested that there be reviews of its artillery and combat service support⁵⁹ force structures. The Army Reserve is being considered as part of the reviews. The scope and tasks of these reviews include:

- an examination of ARA, integrated and Army Reserve units, with a view to restructuring these organisations so that they better meet operational requirements;

⁵⁶ ELF is a \$10 billion Government initiative that, in conjunction with the HNA will increase the size of the Army to 30 000 personnel through the raising of two new battalions.

⁵⁷ This is now referred to as The Army Plan Review Cycle (TAPRC).

⁵⁸ The resultant plan is commonly referred to as Army 2016.

⁵⁹ Combat service support provides services such as health, transport, logistics, supply and workshops.

- consideration of unit strengths; and
- identification of specific capabilities that the Army Reserve can provide to fill ARA gaps, in particular specialist skills and qualifications that cannot be sustained in the ARA under the Army 2016 plan.

2.26 At the same time, further work is being undertaken on the development of a Modular Engineer Force (MEF) which includes the integration of Reserve capabilities into the MEF. The Army Reserve is involved in all phases of these reviews and is required to incorporate endorsed decisions into the force structure review of the Army Reserve.

2.27 There have been continuing delays in developing a new force structure for the Army Reserve, with current plans now having a new force structure being decided in early 2010. The current White Paper development process has also added to the uncertainty surrounding future Army Reserve capability requirements.

Army After Next

2.28 Defence is also planning for the longer term. The period involved is 2020 to 2040 and the work being undertaken is termed the Army After Next (AAN). AAN was endorsed and agreed to within Defence in the second half of 2008. Defence considers that, from an Army Reserve perspective, the AAN may involve the full spectrum of Army Reserve capabilities, subject to planning requirements. In this regard, current work on the AAN indicates that:

- the Army Reserve would still be expected to serve overseas, but with increased capability;
- there would be less compartmentalisation of the ARA and the Army Reserve; and
- within the total HRR there would be personnel in trades and specialisations additional to those currently represented. For example, foresters, town planners, construction engineers and/or health administrators.

2009 White Paper

2.29 As mentioned previously, a new White Paper is currently being prepared. Several aspects of the work being undertaken as part of the development of the White Paper will affect the Army Reserve in the longer term. In considering the resources available to Defence, the community

consultation paper⁶⁰ prepared during the White Paper process notes that questions involved are:

- which priorities should be considered non-discretionary, and which discretionary; and
- what activities represent the best value for money.

2.30 The community consultation paper also raises the management of the Defence workforce, both military and civilian, as requiring special consideration, above and beyond any other capability dimension. The paper refers to demographic changes and also the effect of a low unemployment economy, and makes particular reference to the challenges such matters can raise for Defence, including for the role and capability of the Reserves. Since the consultation paper was released, there has been an easing in employment conditions that may reduce the immediate recruitment challenges facing Defence.

Broader issues in Army Reserve planning

2.31 In a paper related to Army longer term planning in the context of the AAN, the Army Reserve raised a number of matters that it considered to be important in facilitating the Reserve element of the future Army. These matters are:

- exploitation and recognition of Reserve skills and experiences gained outside the ADF;
- movement between the ADF generally and the private or public sector to gain experience and personal growth; and
- increased Army Reserve participation by former ARA personnel.

2.32 In summary, these matters are signalling a need for there to be better integration and more interchange between the ADF on the one hand, and industry and the public sector on the other hand. The Army Reserve also raised issues related to Defence's own policies that it considered to be important from the point of view of being able to operate in this manner.

⁶⁰ 'Key Questions for Defence in the 21st Century', A Defence Policy Discussion Paper <<http://www.defence.gov.au/whitepaper/discusspaper.html>> [accessed June 2008].

2.33 The growing contribution of the Army Reserve is also highlighted in an Australian Strategic Policy Institute (ASPI) publication released in November 2008.⁶¹ ASPI argues that full-time and part-time elements should be considered holistically in the ADF. It indicates that any discussion of the use and future development of part-time forces should be part of the development of the most cost effective delivery of ADF capability to government.

Barriers to ease of movement between ARA and the Army Reserve

2.34 The Army Reserve noted that Army capability would be enhanced when ARA, SR, AR and HRR members can move easily between the various categories of service based on the needs of the Army and individual. The Army Reserve contends that such an initiative would potentially extend the length of service of an ARA member and would also reduce administrative and personnel management costs, and simplify employment structures. The Army Reserve has indicated that differences in employment arrangements that currently exist between full-time ARA members and part-time Army Reserve members can act as a restraint on movements between the ARA and the Army Reserve.⁶² In considering these matters the ANAO notes that there needs to be recognition of the duration of some training requirements, and that an Army Reserve member generally can commit only limited time to training.⁶³ The ANAO also notes that for the future operation of the Army Reserve there would be benefits in making sure that there are no disincentives for ARA members considering moving to the Army Reserve.

2.35 Given the Army Reserve's role and the work being undertaken towards developing its 2016 Approved Future Force Structure, the ANAO suggests that, within any future reviews of Army Reserve remuneration and conditions of service, Defence considers removing any undue disincentives to ease of

⁶¹ Strategic Insights – Stepping up: Part-time forces and ADF capability by Andrew Davies and Hugh Smith (19 November 2008).

⁶² Daily pay rates for Army Reserve members are calculated by dividing the equivalent ARA or Army Reserve only pay group by 365, and discounting that by 15 per cent if the member does not possess deployable competencies (for example, not a member of the HRR). In comparison, within Defence, it is generally accepted that ARA members will be available 225 days per year to undertake ADF related duties. There is a further complication in that the pay of Army Reserve personnel in Australia is untaxed, while that for the ARA is taxed. In addition, Army Reserve members do not receive any superannuation under their employment arrangements as a Reserve member.

⁶³ Defence advised that it is generally accepted that a Reservist is capable of undertaking up to one or two two-week modules per year and a High Readiness Reservist would generally undertake an additional two-week module per year.

movement between the ARA and the Army Reserve for fully qualified personnel. There are also differences between the policies applying to the Army Reserve and the ARA which impact on Army Reserve members in terms of being prepared for operational deployment which would also benefit from review in this context.

Army Reserve unit location

2.36 There are a number of issues related to determining the best location of Army Reserve units. These include current personnel levels, recruitment achievement, level of community involvement and profile, relationship of the Unit's role to particular locations and suitability of a geographic area to support an Army Reserve unit.

2.37 The current Army Reserve is dispersed throughout the country at a large number of locations. For example, 2nd Division, which contains the majority of Reserves, has 49 units located across 120 depots. In 2006, the Army Reserve commissioned the then external contractor providing services to Defence Force Recruiting to review the suitability of each geographic area in Australia to support an Army Reserve unit. The target demographic groups were defined as:

- primary demographic group – 15 to 24 years old;
- secondary demographic group – 25 to 34 years old (more mature persons who may possess a trade or qualification, or be a former ARA member);
- minimum of year 10 education; and
- currently not working or working less than 40 hours per week.

2.38 The contractor analysed the current population in the target demographic groups, growth rates in the target demographic groups and preferred transport methods. Based on this demographic assessment, the broad conclusions of the review were:

- the majority of existing unit locations were determined to be suitable to support an Army Reserve unit;
- there were eight existing unit locations that have a viability rating of very poor;
- there were 10 existing unit locations that had a viability rating of poor;
- there were 10 locations where consideration could be given to establishing new or relocated units; and

- there were four existing unit locations where consideration could be given to expanding Reserve operations.

2.39 The contractor's review indicated that the longer term health of the Army Reserve would require considerable effort to make sure that Reserve planning adequately reflects changing demographic trends. Accordingly, while recognising matters such as the Army's intention to better integrate the Reserve and the ARA, there is considerable change and investment that will be required for the Army Reserve to be positioned to grow and provide appropriate support to the ARA. Defence noted that the use of leased premises would provide greater flexibility in the light of changing demographic trends.

2.40 Defence has also drawn attention to a review undertaken by 7 Brigade in March 2007 that analysed its depot requirements and the principles which govern size and location of depots. The principles referred to in that review relating to the location of Army Reserve depots were:

- efficient delivery of training and conduct of governance;⁶⁴
- concentration of governance liability and training delivery with ARA personnel;
- effective low-cost regional presence with minimal governance liability; and
- efficient concentration of regional personnel at training and governance centres.

2.41 Defence notes that these principles would need to be part of the consideration of the location of Army Reserve depots as well as any demographic analysis.

Recommendation No.1

2.42 Considering the Army Reserve's current role and the existing work being undertaken towards developing its 2016 Approved Future Force structure, the ANAO recommends the Army reviews its policies related to the location of Army Reserve units to take into account the cost of operating a

⁶⁴ For example, high governance liability would include locations with cryptographic equipment or weapons, and low governance liability would include locations with small holdings of general stores or vehicle storage.

dispersed organisation against the capability offered and the desire to maintain a public presence.

Defence response

2.43 *Agreed.* As part of the development process for the new Defence White Paper, Defence is undertaking a series of reviews, one of which is the Estate Companion Review (ECR). This review is considering strategies for the ongoing management of the Defence estate, including Army Reserve facilities. The ECR is developing strategies for managing the estate to ensure that the location of Defence bases and capabilities reflect clear strategic guidance, that the bases are affordable in the long term, and that they provide value for money. These strategies will be provided to Government for consideration as part of the new Defence White Paper.

Financial resources

2.44 To support Defence planning in relation to the Army Reserve, there is a requirement for appropriate resource information to be available, including sufficient cost information. This cost information could be based on a periodic assessment of costs. To the extent that changes to Army Reserve policies were under consideration, information on costs associated with the proposed changes could be better appreciated if Defence had in place a standard approach or model for estimating relevant costs associated with the Army Reserve. Within the total Defence context, the ANAO sought to determine the cost to Defence of the Army Reserve. The ANAO was able to determine some elements of the cost of the Army Reserve, although, due to limitations in Defence's financial information, it was not able to determine the full costs attributable to the Army Reserve (or indeed to elements of the Reserve).

Table 2.1

Expenditures related to the Army Reserve

Financial Year	Army Reserve training day salaries (\$m)	Employer support payments (\$m)	Total (\$m)
2005–06	89.0	10.0	99.0
2006–07	104.5	12.9	117.4
2007–08	123.5	18.5	142.0

Source: Defence

Note: Costings include salaries, allowances and bonuses.

2.45 Table 2.1 sets out certain direct expenses related to the Army Reserve, but does not include substantial expenditures related to the Army Reserve. For example, these figures do not include the costs associated with clothing and equipment for the Reserve, consumables and supplies, certain training courses, medical services, unit accommodation and maintenance of buildings. Defence advised that, while these costs can be established for the Army, its systems do not allow for the costs solely related to the Reserve or the ARA to be separately identified. In this regard, Defence noted that in many cases the Army Reserve shared facilities with other elements of the Army and that some units are integrated ARA and Army Reserve.

2.46 In addition to the expenditures currently made by Defence related to the Army Reserves, there are also costs to the Commonwealth related to the tax exemption applying to the pay and allowances paid to Army Reservists. The Department of the Treasury's Tax Expenditures Statement 2008 presents the tax expenditures for all Reserves, including the Navy and the Air Force, as well as the Army. Given that the Army Reserve is much larger than either of the other two Reserves, the majority of the tax expenditure would relate to the Army Reserve. The estimated cost of the exemption of pay and allowances for part-time ADF Reserve personnel in 2007–08 was \$45 million.⁶⁵

Current presentation in Defence Budget papers and annual report

2.47 Up until 1 July 2008, the Army Reserve expenditures formed part of Outcome 3, Army Capability, within the budget and annual report information presented by Defence. Data related to the Army Reserve was included as part of the overall presentation for particular capabilities. The Army Reserve contributes to many of the Army's individual capabilities. For example, it makes a contribution to part of the combat support operations (Output 3.6) and the operational logistic support to land forces (Output 3.8).⁶⁶

2.48 However, there are two Army capabilities that the Army Reserve makes a major contribution towards. In the 2007–08 Annual Report these are Output 3.7, Capability for regional surveillance (\$236.5 million) and Output

⁶⁵ Tax Expenditure Statement 2008, A15 Exemption of Pay and Allowances for Part-time Australian Defence Force Personnel, p. 64.

⁶⁶ The outcome/output structure for Defence has changed for the 2008–09, with the Army Reserve forming part of particular output groups.

3.10, Capability for protective operations (\$1 521.7 billion).⁶⁷ By comparison, the total Army Reserve expenditure for 2007–08, which Defence can readily identify as solely relating to the Army Reserve, is \$142 million for salaries, bonuses, allowances, and ESP payments (see Table 2.1).

2.49 Under the budgeting and reporting approaches that Defence is applying it is not possible to identify the cost of the resources applicable to the Army Reserve. However, this is not unexpected in an environment where the Army Reserve is being integrated more and more with the ARA. Nevertheless, the ANAO considers that, to assist in making important longer term policy decisions relating to the Army Reserve, there would be benefit in Defence developing approaches to ensure that appropriate cost information associated with the operation of the Army Reserve is available. Such cost information could be obtained through a periodic assessment of costs, or a model based costing approach, to bring together appropriate cost information related to the Army Reserve, as well as any alternative methods of providing particular capabilities (such as through Australian Regular Army personnel).

2.50 It is only through having access to such cost information that Defence can properly understand the financial implications of any prospective changes to its policies relating to the Army Reserve. In addition, Defence's longer term decisions regarding whether particular capabilities should be met by ARA or Army Reserve personnel, should be informed by appropriate information on the level of expected costs under different scenarios.

2.51 The importance of such information in one context is illustrated by the 2008 Final Report of the Commission on the National Guard and Reserves in the United States.⁶⁸ Using a comprehensive approach to the costing question, the Commission found that an active component service member costs approximately four times as much as a reserve component service member when he or she is not activated.⁶⁹ Having appropriate cost information will be increasingly important as the Army seeks to increase the use of Reserve personnel in particular circumstances.

⁶⁷ The ANAO notes that the cost of these two Outputs would include the costs of ARA personnel who operate alongside Reservists under these two Outputs.

⁶⁸ Commission on the National Guard and Reserves, Transforming the National Guard and Reserves into a 21st Century Operational Force, Executive Summary, 31 January 2008, p. 13.

⁶⁹ Defence noted that the Commission's analysis does not include the significant cost to the community, business and industry of deploying National Guard members on operational service every two years.

Recommendation No.2

2.52 The ANAO recommends that Defence uses a periodic assessment of costs to bring together appropriate cost information related to the Army Reserve to inform longer term decision making.

Defence response

2.53 *Agreed.*

3. Existing capability

This chapter outlines the different categories of capability that Defence has within the Army Reserve and how this capability is integrated with the Australian Regular Army. The chapter discusses issues surrounding the number of Army Reserve personnel and their readiness, as well as matters related to equipment.

Introduction

3.1 Chapter 2 outlined that high level plans for the Army Reserve are relatively undeveloped given the lack of an up to date force structure for the majority of the Army Reserve. Nevertheless, Chapter 2 also outlines some of the strategies that Defence has developed over recent years to help transform the Army Reserve from a force to be used as a basis for expansion and mobilisation to a force providing individual and collective capabilities to Army operations.

3.2 The audit examined the existing Army Reserve capability, including:

- the personnel resources applied to the different categories within the Army Reserve;
- the available data related to attendance and personnel; and
- whether there were concerns related to the availability of equipment.

3.3 The audit sought to illustrate some of the capabilities of the Army Reserve and how they are used.

Overall strength

3.4 Table 3.1 sets out the Army Reserve personnel strength as at 30 June 2008 and illustrates a number of important points related to the overall Army Reserve:

- the Army Reserve posted personnel (15 398) was 71 per cent of its maximum number as indicated by the authorised number of personnel (this is similar to the situation with the ARA where units/brigades are generally at less than their authorised establishment);
- of the total Army Reserve of 15 398, 27 per cent of the personnel had not reached a trained level; and

- the Army Reserve provides personnel to many different elements of the Army and the Defence organisation generally, with the majority of the Army Reserve being part of Land Command.⁷⁰

Table 3.1

Army Reserve personnel strength at 30 June 2008

Unit/Brigade	Authorised personnel number	Personnel on continuous full-time service ^(A)	Posted trained force	Posted training force	Total posted Army Reserve personnel
Army Headquarters	174	10	99	0	99
Land Command	16 418	304	8289	3412	11 701
Special Operations Command	582	49	364	33	397
Training Command	2085	94	1061	664	1725
Other ^(B)	2012	626	1394	82	1476
Total	21 721	1 083	11 207	4 191	15 398

Source: Defence

Notes: (A) These personnel are Army Reserve and Standby Reserve members who are undertaking continuous full-time service and are not counted within the Army Reserve posted strength.

(B) This includes Army Reserve personnel who are undertaking duties related to a number of different parts of Defence, as well as the Defence Materiel Organisation and the Defence Science and Technology Organisation.

Overall capability

3.5 In a later section of this chapter, the ANAO discusses Army Reserve capability in terms of the support for the Army (and the ADF/Defence generally) that the Army Reserve is able to provide. To provide an overall view of Army Reserve capability, Table 3.2 compares the authorised establishment for particular ranks with the actual numbers of personnel at that rank currently in the Reserve.

⁷⁰ Use of the Army Reserve personnel on CFTS has increased over the last five years from an average of 325 personnel in 2003–04 to an average of 1072 in 2007–08.

Table 3.2**Personnel shortfall for the Army Reserve by rank, as at 1 May 2008^(A)**

Rank	Authorised number	Current personnel	Shortfall	% Achieved
Major General	3	3	0	100.0
Brigadier	22	20	-2	90.9
Colonel	111	64	-47	57.7
Lieutenant Colonel	408	310	-98	76.0
Major	1225	823	-402	67.2
Captain	1544	966	-578	62.6
Lieutenant	816	562	-254	68.9
Warrant Officer 1 st Class	252	253	1	100.4
Warrant Officer 2 nd Class	1089	582	-507	53.4
Staff Sergeant ^(B)	0	65	65	
Sergeant	1955	913	-1 042	46.7
Corporal	3132	1 515	-1 617	48.4
Lance Corporal	1534	749	-785	48.8
Private	9153	4451	-4702	48.6
Total Trained Force	21 244	11 276		
Training Force		4 450		

Source: Defence

Note: (A) These were the latest figures Army had available.

(B) The rank of Staff Sergeant is a discontinued rank, so there are still members with that rank even though there is no authorisation for Staff Sergeants.

3.6 Table 3.2 indicates that the Army Reserve has its full complement of personnel for two ranks (Major General and Warrant Officer 1st Class) and less than half its trained complement for four ranks (Sergeant, Corporal, Lance Corporal and Private).⁷¹ If the training personnel are included with the trained personnel for Sergeant, Corporal, Lance Corporal and Private ranks, the Army Reserve has 76.6 per cent of its authorised personnel for those four ranks combined.

⁷¹ There is a training force of 4450 that will in time add to the level of the lower ranks.

3.7 The actual personnel of the Army Reserve at 30 June 1998 was 21 671 and it had reduced to 15 726 at 1 May 2008. The profile in achieved personnel reflects the overall reduction in the Army Reserve over this period.

3.8 To help form a view on the current level of capability, it is also necessary to consider the level of readiness of the trained force.

Army Individual Readiness Notice

3.9 The purpose of the Army Individual Readiness Notice (AIRN) policy is to ensure that all Army personnel are capable of being deployed on operations at short notice. The policy defines short notice as being 28 days or less. The AIRN includes measures related to availability, employment, medical, dental, physical and weapons. Approximately 12 per cent of Army Reserve members have received waivers from having to meet AIRN.⁷²

3.10 Table 3.3 shows the proportion of the Army Reserve and the ARA meeting the various categories of requirements under the AIRN, and also the overall AIRN readiness of the Reserve and the ARA, at 30 June 2008.

Table 3.3
Percentage of Army Reserve and ARA Trained Force members meeting AIRN requirements at 30 June 2008

Army Reserve	Availability (%)	Medical (%)	Physical (%)	Weapons (%)	Overall (%)
Total (excluding personnel on CFTS)	87.6	68.5	61.2	60.5	48.7
Total (including personnel on CFTS)	88.6	70.7	64.1	63.1	51.7
ARA	92.7	83.3	72.8	79.9	62.9

Source: Defence

⁷² A substantial number of these waivers is for members on the Regional Force Surveillance List. At 30 June 2008, 93.7 per cent of the RFSL had a readiness waiver. These waivers are decided by the Commanding Officer of the relevant unit. The RFSL provides provisions for personnel who are unable to meet the requirements for General Entry into the Army Reserve, but are suitable to serve in the RFSU's.

3.11 Overall, about half of the trained Army Reserve force is considered to meet AIRN requirements.⁷³ The effect of this lower level of AIRN readiness is to reduce the level of preparedness of the Army Reserve's trained force of 11 207 (as at 30 June 2008). This level of AIRN readiness may reflect the more stringent requirements that Army Reserve personnel are required to meet under the HNA. Of its trained ARA personnel, Defence advised that 62.9 per cent met AIRN requirements. In April 2009 Defence advised that at 27 March 2009 45 per cent of the Army Reserve trained force and 59.9 per cent of the ARA were AIRN compliant. Defence noted that some Army Reserve units are in locations where the ability to meet AIRN compliance in weapons, medical and dental requirements is seriously inhibited.⁷⁴

3.12 In the case of 2nd Division, the requirement for individual units to have their members meet AIRN requirements is considered as part of the twice yearly conferences held between the 2nd Division Commander and the Unit Commanders of the 2nd Division. These conferences also consider information related to matters such as recruitment and mandatory training, and provide an opportunity to consider whether Brigades are meeting their tasking responsibilities.

Number of Army Reserve personnel who are parading

3.13 One factor contributing to the current level of individual readiness is the number of Army Reserve personnel who are not parading.⁷⁵ Physical and weapons testing is conducted during training times, and appointments and reminders for medical testing are usually done on parade nights. Table 3.4 summarises information that has been obtained from the Defence system that pays Army Reserve members for their training days. If those Army Reservists who parade for less than the efficiency requirement of 20 days in a year (43.5 per cent) were excluded from the consideration, the remaining Army Reserve personnel would be more likely to be AIRN compliant.

⁷³ ANAO Audit Report No.26 1999–2000, *Army Individual Readiness Notice*, identified that 34 per cent of Army Reserve members were meeting their minimum readiness standards.

⁷⁴ For example, 51 Far North Queensland Regiment covers locations including the Torres Strait, while the nearest Firing Range Simulation is at Townsville or RAAF SCHERGER for field firing.

⁷⁵ Parading is the Army term for attendance at training.

Table 3.4**Percentage of Army Reserve personnel parading for certain periods during the year^{(A)(B)}**

Number of days paraded	2005–06 (%)	2006–07 (%)	2007–08 (%)
Over 150	0.5	0.4	0.7
Over 100 to 150	7.0	6.4	6.4
Over 20 to 100	52.2	46.4	49.3
Part day to 20 ^(C)	22.0	22.7	24.2
Nil days	18.3	24.1	19.3

Source: Defence

Notes: (A) Figures may not add to 100 per cent due to rounding.

(B) Includes personnel who may have left the Army Reserve in the year, those who may have moved to or from CFTS (and been paid under the ARA pay system), new members and Standby Reserve members who have paraded.

(C) Part day to 20 also includes designated specialists who may parade for an agreed number of Army Reserve training days per year less than 20.

3.14 Table 3.4 illustrates that a small number of Army Reserve members (less than seven per cent of parading members) parade for more than 100 days in any one year. Table 3.4 also confirms that, in each of the last three years, a proportion of Army Reserve personnel have not paraded at all, even allowing for those who may have moved to or from Continuous Full-time Service, or have just joined or departed from the Reserve. ANAO raised with individual units whether they took particular measures to manage personnel who were not regularly parading. One unit that had 410 personnel recorded as members indicated that approximately 100 were not effective. Several units visited by ANAO indicated that they took action to reduce the non-effective numbers, and noted:

- they send out two letters to personnel who were not effective (not parading);
- members may respond to the letters by again attending parade (although in some cases they may only attend once per month to avoid again receiving a letter) or seeking time to resolve a difficulty in their private life; and
- if members do not respond to the letters they may be transferred to the Standby Reserve or discharged.

3.15 Not all units visited by ANAO had in place administrative arrangements to respond to circumstances where particular members were not parading. Defence Instruction PERS 17/2005 Separation of Regular Army soldiers, Army Reserve soldiers and soldiers on full-time service – policy and procedures, provides the procedure that is to be followed for members that have not been parading regularly with their unit. This procedure is illustrated in Appendix 3. The ANAO considers that there may be benefit in Defence reviewing this policy to ensure it has sufficient prominence and that all individual commands are oversighting the implementation of the policy by units. This would promote the implementation of administrative arrangements in Army Reserve units designed to minimise the number of non-effective personnel. Such action should also assist in increasing the proportion of personnel who meet AIRN requirements.

Annual reporting on Army capability

3.16 In its annual reports, Defence reports on its performance in terms of its achievement against departmental outcomes. For 2007–08, Army capability was reported on under Outcome 3. This reporting relates to a range of Army capabilities to which Army Reserve personnel provide a contribution. However, it is not always clear in the reporting how well the Army Reserve groups have met their capability requirements.

3.17 Particular Army Reserve capabilities referred in Defence's 2007–08 annual report⁷⁶ include: a commando regiment; two engineer construction regiments; three regional force surveillance units; one force support battalion; two integrated and one Army Reserve health support battalions; two infantry battalions; and six brigades for protective operations.

3.18 Comments made in Defence's annual report relating to these capabilities included:

- the capabilities were considered generally to have either achieved, substantially achieved or partially achieved their quantity target;⁷⁷

⁷⁶ Defence Annual Report 2007–08, Volume 1, p. 66–74.

⁷⁷ *ibid.*

- the logistic support capability had insufficient personnel and equipment to achieve all the tasks required of it (force support). A reduced yet credible level of capability was maintained⁷⁸;
- the capability for a commando regiment and two infantry battalions was substantially achieved;⁷⁹ and
- for the Reserve Response Forces, while there were personnel shortfalls, the Reserves were still able to provide a reinforcement capability for the combat force component of the Army.⁸⁰

Army Reserve support for the ADF

3.19 To allow a full appreciation of the Army Reserve's support for the ADF, it is necessary to examine the roles that particular elements of the Army Reserve are playing to assist the overall work of the ADF. The principal categories within the Army Reserve today are: the general Active Reserve (which includes what is termed the Reserve Response Forces); the High Readiness Reserve; the Regional Force Surveillance Units; and the Standby Reserve. All of these different categories serve to support the ADF in certain ways.

High Readiness Reserve

3.20 HRR members operate within units of both Land Command and Special Operations Command. The two phase program for raising the HRR included 1100 HRR positions being funded between 1 July 2006 and 31 December 2008, and an additional 1700 positions funded from 1 January 2009 to 31 December 2012. As at 30 June 2008, there were 496 HRR personnel,⁸¹ representing 45 per cent of the 31 December 2008 target.⁸²

3.21 The first bonus payment to HRR members who had completed their two year HRR service obligation was made in September 2008. It is not known how many Reservists have signed on for HRR, but have withdrawn before

⁷⁸ Defence, *Annual Report 2007–08*, Volume 1, p. 70.

⁷⁹ *ibid.*, p. 67.

⁸⁰ *ibid.*, p. 72.

⁸¹ Department of Defence, *Australian Army Monthly Establishment and Personnel Strength Statement*.

⁸² The Defence White Paper 2009 may revise the current requirements and targets for HRR positions.

completing the two year contract as this is information not currently recorded by Defence.

3.22 While Defence did not meet its target of 1100 HRR positions being filled by 31 December 2008, the Army Reserve is already providing capability to the Army. This is illustrated in this chapter, particularly in the section on Army Reserve involvement in deployments.

Reserve Response Forces

3.23 The current planned structure of this element of the Army Reserve encompasses six Reserve Response Forces (RRF), with a total approved personnel level of 798. The current contracted RRF strength is 86 per cent of the approved manned level. However, the number of Reservists trained to the RRF level is considerably in excess of the contracted RRF numbers. Defence noted that it is likely that in the event of an actual incident, a particular Brigade would be able to meet its force structure requirement given the numbers of personnel who have done the training. In recent years the RRF have been deployed on a number of domestic security operations on a voluntary call-for basis.

Figure 3.1

Domestic security operations

The RRF contributed towards the security arrangements when the Australian Government hosted the Asia-Pacific Economic Co-operation Forum (APEC) in September 2007. The RRF provided security support such as vehicle and venue search as required. Another use of the RRF was in relation to World Youth Day 2008 (WYD08) which was held in Sydney in July 2008. Defence stated that it provided personnel and equipment in support of World Youth Day. Both of these contributions involved two company groups, with some 230 personnel involved on each occasion.

Source: Defence

3.24 In addition, individual regional Army Reserve units and sub-units contribute to assistance for local emergencies. For example, the Army Reserve has been deployed on a voluntary basis in response to major storm damage in the Sydney area, cyclone relief work in Far North Queensland, and have provided support and assistance during the February 2009 Victorian bushfires.

3.25 Currently all RRF company groups are drawn from the Army's 2nd Division. Table 3.5 outlines the current strength of the RRF (as at mid 2008). Defence advised that the RRF strength has increased from 605 at 1 July 2006 and 633 at 1 July 2007, to 684 by mid 2008.

Table 3.5**Reserve Response Forces in 2nd Division as at mid 2008⁸³**

Unit	RRF Trained	Posted Strength	Applications pending	Total ^(A)
4 Brigade	332	136	20	156
5 Brigade	283	99	3	102
8 Brigade	272	96	13	109
9 Brigade	170	74	17	91
11 Brigade	186	90	0	90
13 Brigade	247	130	6	136
Total	1490	625	59	684

Source: Defence

Notes: (A) This total is an addition of posted strength and applications pending.

3.26 Defence advised the ANAO that the target for RRF in 2nd Division was 678 personnel. On this basis 2nd Division would meet its existing capability requirements in mid 2008, although this is less than the current approved manned level (798).

Regional Force Surveillance Units

3.27 Regional Force Surveillance Units (RFSUs) have an important role as part of Australia's overall surveillance operations. RFSUs operate in the remote areas of northern Australia and provide an opportunity to integrate the specialist skills of local Indigenous and regional Army Reserve soldiers into the surveillance teams. There are three RFSUs in operation in northern Australia: 51st Battalion Far North Queensland Regiment (51 FNQR); The Pilbara Regiment; and the North West Mobile Force (NORFORCE).

⁸³ These are the correct numbers of the RRF as at 11 July 2008.

Figure 3.2**Members of Norforce on patrol in the Gulf of Carpentaria**

Source: Defence

3.28 Given the unique nature of population size and dispersion across northern Australia, special provisions have been made for personnel to serve in the Regional Force Surveillance List (RFSL) where some members cannot meet the normal Army Reserve General Entry conditions of service, but are otherwise suited to the role and tasks undertaken by RFSUs. Refer to paragraph 3.9 and footnote 72 for further information on AIRN requirements.

3.29 A key feature of the RFSU concept is the valuable contribution that Indigenous people are able to make to the Defence effort. Many Indigenous communities are located in remote areas or in the vicinity of the approaches to remote vital assets. The members of these communities know their environment intimately, and can therefore provide invaluable local knowledge to patrols.

3.30 Members of the ARA provide critical command and control positions within each of the three RFSUs. Table 3.6 sets out the personnel of the RFSUs.

Table 3.6**RFSU personnel as at 30 June 2008**

Service type	51 FNQR	NORFORCE	Pilbara Regiment	Total
CFTS ^(A)	14	9	3	26
Active Reserve	279	285	101	665
RFSL ^(B)	176	317	98	591
ARA ^(C)	76	74	50	200
Total	545	685	252	1482

Source: Defence.

Notes: (A) Army Reserve personnel on continuous full-time service.

(B) Regional Force Surveillance List.

(C) Australian Regular Army.

3.31 Each of these units is required to provide 80 patrol days (a patrol contains six soldiers) in a year. In 2007–08, 51 FNQR provided 207 patrol days, NORFORCE provided 119 patrol days and The Pilbara Regiment provided one patrol day. The Pilbara Regiment's contribution to RFSU patrol days was reduced because it was diverted to provide support to the Australian Government intervention in Northern Territory Indigenous communities. The Pilbara Regiment deployed 6 ARA and 54 Army Reserve personnel for varied periods in support of the intervention during the year.⁸⁴

⁸⁴ The total 'man days' provided by Army Reserve Members was 949 days.

Figure 3.3**51 Far North Queensland Regiment (51 FNQR) – an example of an RFSU:**

51 FNQR carries out land and littoral⁸⁵ surveillance and reconnaissance in the Torres Strait, Cape York and Gulf of Carpentaria areas.

Upon detection of threats within their areas, 51 FNQR personnel contact and coordinate with other government agencies (Australian Customs Service, Australian Federal Police, Queensland State Police and Navy), which have the equipment and authority to respond to the sighting and apprehend if required.

Soldiers joining under the RFSL are not required, but are encouraged, to undertake the usual Army recruit training at Kapooka in NSW. In any case, 51 FNQR conducts the full suite of recruitment (two-week RFSU Induction Course) to courses within Far North Queensland, utilising posted ARA and Reserve unit staff. If a soldier joins under the RFSL, he or she can transfer to the Active Reserve if they undertake gap training (this would allow them to be deployed overseas).

The distance to travel from Cairns to Mt Isa, Weipa or Thursday Island provides some limitations on how the Regiment can operate, particularly during the wet season.

The presence of these Indigenous and regional soldiers living in communities in the remote areas of northern Australia provides the ADF with a unique first response capability throughout the year.

Source: Defence

Special Operations

3.32 Special Operations Command is one of the Army's three functional commands⁸⁶ and was established in 2003. Its mission is:

'To provide ready and relevant forces to conduct special operations across the operational continuum, in a joint, combined and/or interagency environment, in support of Australia's national interests.'

3.33 The Army Reserve maintained the commando ethos for over 40 years while the ARA did not maintain such a capability. Every unit in Special Operations contains Reservists and they are all operated as integrated units (both ARA and Army Reserve), with most Reservists being in 1 Commando Regiment.

3.34 As at June 2008, 67 Reservists in Special Operations Command had been approved to undertake up to or more than 150 days service, and 49 Reservists were undertaking continuous full-time service. All Reservists undertake continuous full-time service when they are deployed.

⁸⁵ Littoral refers to the coast of an ocean or sea, or to the banks of a river, lake or estuary.

⁸⁶ The others being Land Command and Training Command-Army.

3.35 Army Reservists in Special Operations Command undertake the same training as members of the ARA. This involves a significant time commitment, with initial training taking nine months full-time to complete. At 30 June 2008, there were 33 Reservists undertaking their initial training in Special Operations Command.

3.36 In recent years, Army Reserve members of Special Operations Command have served as part of a number of Australia's overseas deployments. A broad cross-section of ADF tasks have been achieved during these deployments, including peace enforcement, peace keeping, humanitarian assistance, training support and, more recently, warfighting in an extremely demanding physical environment. These deployments have ranged from the routine deployment of individual soldiers within ARA units to the rotation of whole sub-units in order to maintain deployed operational capability, while giving the full-time component some operational respite.

3.37 Some of the particular factors that Defence considers contribute to the operational effectiveness of Special Operations Army Reserve personnel include:

- 1 Commando Regiment has a higher average usage rate of Army Reserve Training Days than the Army Reserve norm;
- the pass rate for commando initial training is relatively low (about 25 per cent), effectively guaranteeing the motivation and commitment of those that do pass the course;
- the commando trade model is common to all commandoes. This ensures interoperability, and thus facilitates using Army Reserve members for reinforcement or rotation purposes; and
- the close linking of full-time and part-time capabilities has enabled Special Operations Command to retain ARA personnel within its Army Reserve component following their discharge from the ARA.

Army Reserve involvement in deployments

3.38 The Army has used a substantial number of Army Reservists as part of its deployments, both overseas and within Australia. Defence advised ANAO that, while it does not currently have comprehensive information available relating to the numbers of Army Reserve personnel who have been deployed on operations, a project was now being undertaken to allow Defence to know accurately the number of Army Reserve personnel undertaking deployments.

However, Table 3.7 outlines the collective support that 2nd Division⁸⁷ has supplied or expected to supply to ADF operations in 2007 and 2008.

Table 3.7

Collective support to ADF operations by 2nd Division

Location or purpose	Size	Persons deployed 2007	Persons deployed, or anticipated to be, in 2008
Solomon Islands	Company group	430	389
Domestic maritime security ^(A)	Platoon (+)	90	60
APEC	Two Company Groups	230	
World Youth Day	Two Company Groups		256
Total		750	705

Source: Defence

Note: (A) These members were assisting the RFSUs in relation to Operation Resolute.

3.39 The total length of deployments for Army Reserve sub-units to overseas locations can be between five and six months, taking into account pre-deployment training and de-briefing on return. In the longer term, Defence is seeking to rely more on those Army Reserve members who are part of the HRR for certain overseas deployments, although the ANAO understands that currently many of those deployed are from the Active Reserve.

3.40 In addition to the collective support provided by components of the Army Reserve, there are a considerable number of deployments of Army Reserve individuals in support of ADF operations. The individual deployments overseas are also generally for between five and six months in total.

⁸⁷ 2nd Division contains the majority of the Army Reserve, although there are substantial numbers of Army Reserves in other parts of Defence.

Table 3.8**Individual deployments supporting ADF operations by 2nd Division**

Location or purpose	Persons deployed 2007	Persons deployed, or anticipated to be, in 2008
Commonwealth Government intervention in NT Indigenous communities	56	2
Israel/Lebanon	1	2
Afghanistan	19	27
Iraq	60	30
Timor Leste	46	41
Sinai Peninsula	9	10
Solomon Islands	24	29
Sudan	3	3
Total	218	144

Source: Defence

Note: This includes personnel on CFTS but does not include personnel who deployed while being paid for Army Reserve Training Days (ARTDs) rather than being on CFTS. For example, in 2007–08 the Pilbara Regiment deployed 54 personnel on ARTDs in support of the Commonwealth intervention in NT indigenous communities.

3.41 Table 3.7 and Table 3.8 indicate that Land Command supplied a total of 968 Reservists to support ADF operations in 2007 and 849 Reservists in 2008. Other significant collective and individual deployments came from formations and units within Land Command, Special Operations Command and Training Command—Army. This represents a substantial overall contribution to the ADF's operations. Defence advised that as at 13 June 2008, the Army Reserve overseas deployment numbers exceeded 15 per cent of total Army overseas deployments. Accordingly, the Army Reserve is making a significant contribution to Australia's overseas deployment effort.⁸⁸

3.42 The 2nd Division contribution has been greatest in relation to operations such as security for the APEC forum and World Youth Day, as well as Australia's contribution to the Regional Assistance Mission to the Solomon Islands. Defence advised the ANAO that, as at 18 February 2009, 570 members of the Army Reserve had been deployed to Victoria in support of Operation Vic Fire Assist, the ADF's contribution to the bushfire crisis in Victoria. Some

⁸⁸ See Appendix 1 for a full list and description of operations.

of the tasks these Reservists have been involved in include searches of bush fire affected areas, clearing roads and constructing fire breaks.

Active and Standby Staff Group

3.43 The Active and Standby Staff Group (ASSG) is an Active Reserve unit established in 2001 that draws its members from all over the country. ASSG provides a niche capability to Army and the wider Defence organisation by providing a pool of experienced Active Army Reserve officers (both long serving Reserve officers and officers transferring from full time service in the ARA) and access to Standby Reserve (SR) officers to do project work. These projects can include support for operations, training, software development, and administrative support. In July 2008, there were 157 Army Reserve members posted to the ASSG, predominantly at the Lieutenant Colonel, Major and Warrant Officer ranks. ASSG also maintains contact with 350 SR personnel who have indicated an ability to undertake either full-time or part-time tasks. ASSG may also contact qualified and available SR members in order to provide the greatest opportunity for all tasks to be undertaken. In 2007–08, ASSG personnel provided approximately 4600 Army Reserve Training Days of support to Defence, of which 4553 direct days of task related capability were provided by AASG Active Reserve staff.

3.44 Defence advised the ANAO that the demand for the services provided by ASSG currently exceeds supply. Accordingly, a process has been instituted to classify the available personnel into capability groups and to prioritise task requests by need. The work being undertaken by the Army National Standby Reserve Agency (ANSRA) to improve the quality of the data held on SR members should over time result in improvements to the quality of information available generally on the SR. More information regarding ANSRA is provided in paragraph 3.46.

Standby Reserve

3.45 In addition to the normal Army Reserve (and its various components) there is a Standby Reserve (SR) which has no mandated training requirement. As at June 2008 there were 12 496 SR personnel. SR personnel are divided into List A or List B, with List A being personnel who have indicated an availability or willingness to undertake service in one form or another (part-time or full-time service within Australia, or participation within an operational deployment). List B personnel is comprised of SR members not on List A.

Army National Standby Reserve Agency

3.46 The Army National Standby Reserve Agency (ANSRA) is a new agency within Army which aims to:

- manage the Army component of the SR;
- maintain a capability pool of SR personnel to support Army as required;
- supplement ARA and Reserve units with SR personnel; and
- communicate with SR members and re-engage SR members with the Army environment.

3.47 The ongoing management of the SR will be done by: annual contact with members; updating PMKeyS details as necessary; providing a newsletter to members and responding to queries; and advising of changes to Defence that affect them (for example Defence home loans or retention initiatives). Currently, ANSRA is required to contact all SR personnel (from Private to Major) who have been in the SR for more than five years⁸⁹ and not provided any service to Army or Defence. This is part of a clearing out exercise and is designed to update the available data, including whether the personnel are able or willing to undertake service. As a result of this process a number of SR personnel will be removed from the SR.

3.48 The work to identify SR members who no longer wish, or are able, to serve is balanced to some extent by the growth in the SR because of the requirement for those who leave the ARA and the Army Reserve to be in the SR for five years. Over time, the work of ANSRA should result in an improved understanding of the actual capability available in, and provided by, the SR.

Equipment

3.49 Much of the equipment required by the Army Reserve is met through loan pool arrangements operated by the Army. The Army operates regional pools, a central pool and repair pools for equipment. Army indicates that the use of loan equipment provides economies to the Army by allowing equipment to be shared among users who do not require full-time access for

⁸⁹ Members who joined the ARA or Active Reserve after 1 July 2003 are required to serve in the SR for five years after discharge. Members in the SR are subject to render service after call out. Members may choose to serve in the AR or on CFTS as their skills and time permit.

training purposes, or are unable to maintain the equipment on a full-time basis.

3.50 Previous ANAO audits had identified issues in relation to equipment availability for the Reserve and their impact on Army Reserve capability.⁹⁰ As part of this audit, the ANAO sought to discover whether equipment shortages were affecting Army Reserve units' ability to carry out their roles. In general, the units visited by the ANAO during fieldwork for this audit advised that equipment shortages were not affecting their ability to carry out their roles. There was a broad understanding that any deficiencies that existed in a unit's equipment holdings would be remedied prior to deployment of an individual or the unit on operational duties. However, instances were identified of delays and additional costs in making repairs or refurbishments to equipment. For example, ANAO was informed of a case that involved transporting a truck from Cairns to Bandiana for remedial work to be undertaken by a Defence contractor.

3.51 51 FNQR operates vehicles and water craft in an environment where there can be considerable wear and tear on equipment. For example, a maintenance advisory service report of May 2007 referred to chassis cracks in the majority of the unit's Land Rover 110 vehicles. The review upon which this report was based was unable to determine the reason for the cracks occurring, but recommended the repair of the cracks and review of driver training and driving techniques while on patrol. Defence advised that the current fleet of RFSU vehicles have had two 'life extensions' and are due for replacement under Land 121 Project OVERLANDER, which is expected to be rolled out in late 2009.

⁹⁰ See ANAO Audit Report No.33 2000–01 *Australian Defence Force Reserves*, Chapter 5, and ANAO Audit Report No.25 2004–05, *Army Capability Assurance Processes*, Chapter 4.

4. Recruitment, retention and training

This chapter outlines the issues, and the strategies that the Army has put into place to implement policies, relating to Army Reserve recruitment, retention and training.

Introduction

4.1 The effectiveness of Army reserve recruitment, retention and training is fundamental to the extent to which the Army Reserve is capable of contributing to contemporary Australian Defence Force capabilities. Accordingly the audit examined:

- the recruitment and retention of Reserves; and
- Reserve training, including new training arrangements under the HNA, and initiatives related to apprentices.

Recruitment and Retention

4.2 Recruiting and retaining Army Reserve personnel is vital to the Reserve fulfilling its function to raise, train and sustain personnel to support Army capability. Army Reserve numbers had been declining since 1997–98 before stabilising around 2001–02, with a slight increase in the last few years.⁹¹ The Army Reserve currently has a separation rate of approximately 17 per cent.⁹²

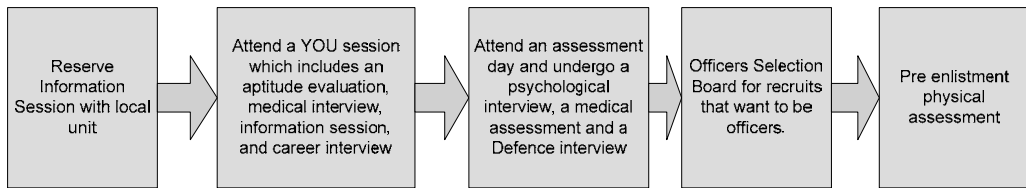
Recruitment Process

4.3 There are two main ways of entry into the Army Reserve, either by transfer from the ARA or direct entry from the civilian population. All Army recruits, both ARA and Reserve, arrive through the same recruitment process run by Defence Force Recruiting (DFR).⁹³ However, the initial contact may occur either directly through DFR or through recruiting activity conducted by Reserve units. A summary of the recruitment process is shown in Figure 4.1 below.

⁹¹ Defence have previously predicted that Reserve numbers will continue to decline. However given the current economic climate numbers may not fall to predicted levels.

⁹² Defence advises that the 17 per cent separation rate also includes Reservists who transfer to full time Defence positions and undertake CFTS.

⁹³ Defence Force Recruiting is a public sector/private sector collaboration between the Department of Defence and a private company.

Figure 4.1**Summary of the DFR recruiting process**

Source: ANAO analysis of Defence data

Note: YOU session – Your Opportunities Unlimited (YOU)

4.4 All units visited by the ANAO during fieldwork advised that they conducted their own local recruiting, such as setting up stands at public events, at universities, and through word of mouth from other Reservists. In light of the potential for applicants to drop out prior to attending recruit training, Defence considers that all applicants should attend locally conducted information sessions prior to enlistment.

4.5 Recruitment targets for the Army Reserve are set overall by the Army and then allocated to the Army Personnel Agency⁹⁴ in the relevant area. DFR is required to work to these targets, with recruitment for the ARA taking priority over recruitment for the Reserve. Table 4.1 shows the Army Reserve recruitment figure for the eight years 2000–01 to 2007–08. As indicated in the table and accompanying graph (Figure 4.2), Reserve recruitment targets have not changed significantly since the 2003–04 financial year.

⁹⁴ Army Personnel Agencies are responsible for the career management of Army Reserve soldiers and officers below the rank of Lieutenant Colonel.

Table 4.1

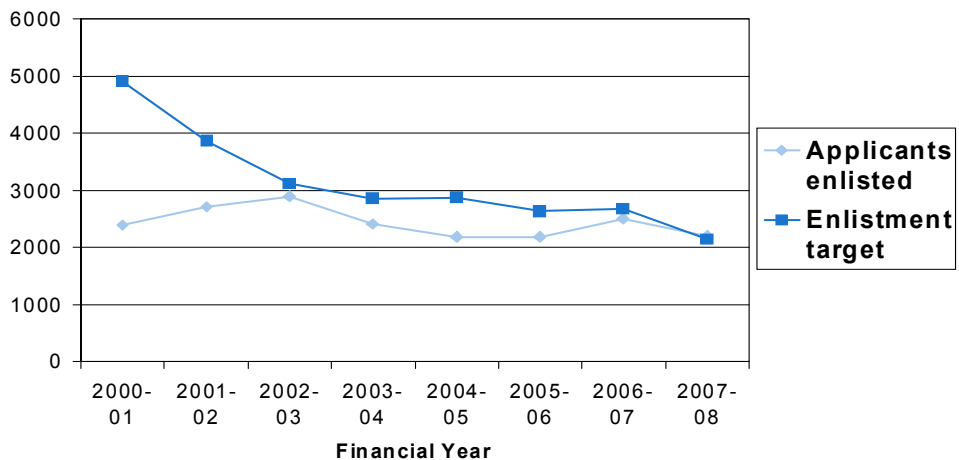
Army Reserve recruitment figures for 2000–01 to 2007–08

Financial Years	Total Inquires	Formal Applications	Applicants Enlisted	Target	% Achieved
2000–01	24 319	7051	2396	4921	49
2001–02	25 002	6836	2712	3878	70
2002–03	24 946	7622	2889	3129	92
2003–04	29 043	7689	2418	2862	84
2004–05	20 568	5563	2194	2870	76
2005–06	18 620	5223	2179	2636	83
2006–07	13 674	5341	2509	2675	94
2007–08	10 742	3962	2207	2150	103

Source: Defence Annual Reports

Figure 4.2

Army Reserve Enlistments



Source: Defence Annual Reports

4.6 Medical and health specialist Reserve recruitment is of particular importance⁹⁵ given the identified critical shortfall of junior Medical Officers within the Army, which Defence has identified as impinging directly on

⁹⁵ For example, the medical specialists targeted for recruitment in 2008 included preoperative nurses, anaesthetists, radiographers and emergency nurses.

operational capability. Defence is currently pursuing two initiatives aimed at promoting recruitment and retention for Army Reserve specialist medical and health personnel. These are:

- a specialist reinforcement platoon initiative, designed to allow Health Support Battalions to place new and current Army Reserve personnel who possess medical skills within identified positions; and
- an initiative to establish early contact with 10 medical (or nursing or dental) undergraduates, and through the development of a relationship, encourage them into Army Reserve specialist service when they graduate.

4.7 There are no timeframes associated with the two initiatives.

Internal recruiting: notice of deployment and training vacancies

4.8 There are two separate processes for collective and individual engagement of Reservists on operational and overseas deployments. For collective deployments, a brigade or unit is tasked with providing the required number of personnel. If the brigade or unit is unable to fill the required positions, requests for additional personnel are then sent down through the chain of command, starting with Headquarters 2nd Division.

4.9 Individual operational and overseas deployments are filled differently for officers and soldiers. Defence advised that for officers wanting to fill individual deployment positions, they are able to view a section on the Directorate of Officer Career Management – Army (DOCM-A)⁹⁶ website, “*Hot Ops Jobs*”, that lists available deployment positions, thus allowing individuals to apply for a specific position. The *Hot Ops Jobs* section is designed for ARA officers, however it can be accessed by any officer with Defence Network access. The current method of DOCM-A advertising positions via its website relies on Reservists having access to the Defence Network Information and communication and as discussed at paragraph 5.27, not all Reserve units or personnel have this access.

4.10 Individual deployments for soldiers are managed by the Soldier Career Management Agency (SCMA).⁹⁷ SCMA career advisors nominate suitably

⁹⁶ DOCM-A is responsible for the career management of all ARA officers and Army Reserve officers from the rank of Lieutenant Colonel and above.

⁹⁷ SCMA is responsible for the career management of all ARA soldiers.

qualified personnel for available positions, with ARA members prioritised for available positions. If positions or specific skill sets cannot be located within the ARA, SCMA then looks to the Reserve to fill the positions through the regional Army Personnel Agencies, which are responsible for the career management of Army Reserve soldiers and officers below the rank of Lieutenant Colonel.

4.11 From discussions with Reservists during fieldwork, there was a lack of understanding and awareness in the Reserve units visited of how individuals were selected for deployments. The ANAO was initially informed that there was no fixed process for filling or advertising individual deployment positions that have not been filled and that deployment positions that are unfilled were often read out at training, or if a unit Commanding Officer (CO) knew someone who might be interested or have suitable qualifications they may approach them directly.

4.12 The ANAO suggests that there would be benefit in Defence having a consistent method of filling individual deployments, which could be promoted to all Army Reservists.

4.13 For Reservists below the rank of Lieutenant Colonel, the local Army Personnel Agency (APA) is responsible for the nomination of officers and soldiers on training courses. 2nd Division training courses are advertised in the divisional magazine, *The Bayonet*, which allows the Reservist to plan their attendance at courses. Vacancies on training courses are often advertised at short notice meaning that Reservists are not always able to change their work and family commitments in order to attend the courses. Course dates can also be cancelled or changed at short notice, causing difficulty to the Reservist who has already organised leave from civilian employment.

Retention

4.14 In order to improve recruitment and retention within the Army Reserves, a number of initiatives have been implemented including the Employer Support Payment (ESP) scheme, Reserve health support allowance, and the Reserve home loan scheme. Defence also runs employer engagement activities to promote Army Reserve activities to employers and the community.

4.15 The ESP scheme provides eligible employers with financial assistance to help offset the costs associated with releasing employees for Reserve service. ESP is paid at a set weekly rate, regardless of the employee's salary, and is equivalent to average weekly earnings⁹⁸ as at 1 July of that year. In order for their employer to be eligible for ESP, the Reservist must have served a two week qualifying period of Defence service in that financial year.⁹⁹ After that, periods of Defence service of five consecutive days or longer are eligible for ESP. There are no restrictions on how the employer may spend the ESP.

4.16 The ANAO was informed by individual Reservists and units that ESP payments were generally well administered. For some larger organisations such as hospitals or state government departments, the ESP does not necessarily go to the direct area from which the Reservist was released (meaning the ESP is not always an incentive for their immediate manager to allow the Reservist to undertake Defence service). The ANAO was also informed that it was not always the financial constraints that employers were concerned about when giving Reservists time off for Defence service, but rather finding a suitably qualified person to undertake their work while they are away was often more important.

Employer engagement activities

4.17 Exercise Executive Stretch (EES) and Boss Lift are both employer engagement activities run by Defence. These exercises aim to give employers first hand experience and insight into the activities and training Reservists undertake. EES activities are usually conducted at a Defence base and allow employers to participate in some of the training conducted in the ADF, such as: leadership and team building; navigation and bushcraft; and abseiling and rappelling exercises. Boss Lift provides employers with first hand knowledge of what Reservists do while on exercises and operations, while also gaining an appreciation of the skills they learn and bring back to the civilian workplace. In October 2008, 20 employers travelled to Malaysia as part of the Boss Lift program to see their Reserve employees participate in training exercises at Rifle Company Butterworth. Boss Lift has also sent employers to areas of

⁹⁸ Average weekly earnings at the full time adult ordinary time rate.

⁹⁹ The ANAO was advised during fieldwork by a number of individual Reservists that the initial two week period of service, which cannot currently be claimed for ESP can be seen as a disincentive for employers.

Australia, the Solomon Islands and other overseas areas where Reservists are serving on exercises or operations.

Other retention initiatives

4.18 On 9 May 2006, the Government announced key Reserve remuneration incentives including a \$600 health support allowance for all Active Reservists. The health support allowance is to assist the Reservist in meeting the costs associated with maintaining their required medical and dental readiness. In April 2008, the Government announced a new ADF retention initiative. Defence Reservists with more than eight years of service as at 1 July 2008¹⁰⁰ are eligible to participate in the Defence Home Ownership Assistance Scheme (DHOAS) which provides home loan subsidies to assist members in buying their own home.

Issues affecting Reserve retention

4.19 The Army Reserve's performance in retaining trained personnel directly impacts on the capability it is able to deliver to the Army. Defence has previously identified that '50% of Army Reserve soldiers never progress beyond the training force',¹⁰¹ meaning that 50 per cent of Reservists do not complete their Reserve Recruit Training Course (RRTC), their recruit navigation and first aid competencies¹⁰² or their initial employment training. Whatever the reason behind the recruits dropping out, it represents a significant cost and training personnel burden and contributes to a reduced number of qualified Reservists.

4.20 During ANAO's discussions with Reservists, in the units visited during fieldwork, a number of issues affecting Reserve retention were raised. Consistent themes included:

¹⁰⁰ This is contingent on the Reservist having provided effective service (minimum 20 days) in 2007–08 and providing effective service in 2008–09. If the Reservist does not provide effective service in 2008–09, Defence advised they will have to pay back any subsidy received.

¹⁰¹ Department of Defence, *Preliminary capability and cost proposal for the HNA Army Reserve model*, March 2005, p. 11.

¹⁰² During fieldwork, the ANAO noted that these two core competencies were referred to as Advanced Soldiers Course by many Reservists.

- the length of time it takes a Reservist to complete their initial employment training, which can take between a minimum of 18 months to two years;¹⁰³
- difficulty in getting Recognition of Prior Learning and civilian skills;
- competition with civilian employment, family life and leisure time; and
- difficulty in getting on courses, or courses being changed at short notice.

4.21 Recognition of Prior Learning is an important aspect of Reserve training as it has the potential to reduce the training burden for the individual and reduce the training cost to Army by awarding competencies for skills the Reservist already possesses. In order to gain Recognition of Prior Learning, a Reservist must submit certified copies of their qualifications to an assessment panel for consideration to ensure the Reservist has the requisite skills to work in the Army operational environment. This can be a lengthy process, three months or longer, depending on the timing of the panel sittings and the paperwork that the Reservist is required to supply.¹⁰⁴ The delay in recognising prior learning and civilian skills means there are personnel currently within the Reserve who have valuable skills but the Army is currently unable to access the full capability they can offer. It is easier to provide Recognition of Prior Learning to individuals with skills related to Army service support trades because these trades have many competencies that are similar to civilian occupations. By contrast, combat arms and combat support trades have many competencies unique to the military and so it is more of a challenge for Defence to grant Recognition of Prior Learning in relation to these trades. The Recognition of Prior Learning process is further complicated if civilian qualification standards differ across states, as is the case with paramedics.

4.22 In order to examine the extent of these issues and others affecting Reserve retention, Defence conducted the *Australian Defence Force 2008 Reserve Census and Attitude Survey*. The survey covers a range of questions regarding Reserve service, civilian employment, availability and willingness to undertake

¹⁰³ While the length of time may depend on an individual's ability to attend scheduled training, the ANAO was advised that this has a significant impact for Reservists as it affects their pay and promotion opportunities, and can be disheartening for them to still be on the lowest pay grade and rank after two years. ANAO Audit Report No.34 2004–05, *Army Capability Assurance Processes* also identified the length of time to complete initial employment as having an impact on Reserve retention.

¹⁰⁴ Defence advised that the issue of recognition of prior learning needs careful attention, and that work needs to be done to guide standardisation processes.

operational or full time service, training commitments, and attitudes towards Reserve service. At the time of preparation of this report, the findings of the survey were still being analysed by the Army.

Training

Reserve Recruit Training Course

4.23 The Reserve Recruit Training Course (RRTC) is conducted at the Army Recruit Training Centre (ARTC) which is located at Kapooka near Wagga Wagga NSW. The RRTC is a 28 day course that provides recruits with an introduction to military life as well as teaching basic skills.

4.24 Enrolment for the RRTC at Kapooka is done by the recruit's unit. It can take up to six months for Reserve recruits to be enrolled at Kapooka as priority is given to ARA and Gap Year¹⁰⁵ recruits. The recruit's unit is responsible for keeping the recruit interested and motivated until they can be placed on a course. Defence advised that the number of beds available at Kapooka is a determining factor in how many Reservists are able to be recruited in a year.

4.25 A common recruit training course, for both Reservists and ARA recruits, was developed in 1998,¹⁰⁶ which was 45 days and provided Reserve recruits with a high level of training. However, the length of time of the course made it unattainable for many Reservists who were unable or unwilling to take that amount of time out from their civilian employment and family life.¹⁰⁷

4.26 A 28 day Reserve Recruit Training Course (RRTC) was introduced in June 2006.¹⁰⁸ This was done by removing the navigation and first aid competencies from RRTC and giving responsibility to units to ensure Reservists are qualified in these. It is a requirement that the navigation and first aid competencies are completed prior to the Reservist beginning their initial employment training (IET). During fieldwork and discussions with Reservists, the ANAO was informed that it can take a long time to get the

¹⁰⁵ The Gap Year scheme allows young people to experience life in the services for one year, with the option to permanently enlist at the end of a year of service.

¹⁰⁶ The introduction of the common recruit course in 1998 meant ARA courses dropped from 90 to 45 days, and Reserve courses increased from 16 to 45 days.

¹⁰⁷ From September 2004 to June 2006 incremental changes were made to the recruit training culminating in the final change of removing the navigation and first aid components from recruit training.

¹⁰⁸ At the same time, a 12 week ARA recruit course was also introduced, and consequently a common recruit course was no longer offered.

navigation and first aid competencies done (up to 18 months for the courses to be completed, coded and signed off). This can have a negative impact on Reservists and their retention in the Army Reserve, as they are only paid as recruits and are unable to commence their IET training until the navigation and first aid competencies are completed.

Initial Employment Training

4.27 Once a Reservist has completed all their recruit competencies they are able to commence their IET. While the RRTC teaches the Reservist to be a soldier, it is the IET that teaches the actual skills for their chosen trade or corps within the Army. Reservists are not deployable until they have completed their IET. It can take 18 months to two years for a Reservist to complete their IET training,¹⁰⁹ or longer. For example, in the case of signallers, IET can take up to eight years to complete due to the technical nature of the trade.

4.28 Reservists are not always available to attend courses due to civilian work or family commitments, or have difficulty being enrolled for courses as priority is given to ARA members. Courses may be changed or cancelled on short notice which can be difficult if Reservists have already organised the time off from their civilian jobs. However, if there are unfilled places on ARA courses, Defence advises that Army Reserve members who are able to commit to the timing can attend.

Hardened and Networked Training Model

4.29 The Hardened and Networked Army Training Model (HTM) was designed to generate effective Reserve capability under the HNA. The HTM aimed to meet this need through the balance of context, competency and experience¹¹⁰ in the delivery of individual training to prepare Reservists to a job ready standard as defined by their employment category.

4.30 The principle behind the HTM is that a Reservist is on a training continuum from the date they enlist in the Reserves, which could potentially take them to operational deployment, while moving through from AR to HRR status and to possible transfer to the ARA. The model also allows Reservists to

¹⁰⁹ The majority of Army Reservists are required to undertake up to two 16 day modules in order to complete their IET, so trade proficiency is dependant on the amount of time able to be committed by a Reservist in any one year.

¹¹⁰ Context refers to what the force element is tasked to do, while competency and experience are the individual training competencies required for the task and the task specific collective training respectively.

move through the training continuum at their own pace, based on their availability for training and Reserve career aspirations.

Hardened and Networked Army Reserve Training Model

4.31 Under the HTM, the training given to the Reserves and the ARA will comprise the same core competencies. While the core competencies are the same, the number of competencies and the level (proficiency) to which individuals are trained will depend on the tasks assigned to them under the HNA. The intention is to provide Reserve members with sufficient training to enable them to render safe and effective service within a peacetime environment, while also being deployable for defined tasks. HRR members are required to achieve a defined suite of ARA competencies for rank and trade before commencing their two years of HRR service.

4.32 A key feature of the HTM is that by providing the same training to both Reserve and ARA soldiers, the training gap between the categories is able to be measured. This can be done by measuring the competencies a Reservist possesses, or by the number of training days they have completed. As an example, Appendix 4 shows the training continuum for a logistics corps officer.

4.33 The HTM provides three approaches to addressing competency gaps. The Reservist can undertake:

- extra training in order to gain the additional competencies;
- on the job training through the Reserves; and
- on the job experience to gain proficiency and competency in certain skills.

Reserve Individual Training Capability

4.34 Individual training is fundamental to Army's operational capability. A large amount of Reserve training has been, and will continue to be, conducted within Reserve units and formations due to the inability of Training Command-Army (TC-A) to meet both the ARA and Reserve training liabilities. Given the increased capability that the Reserve is now providing, it is necessary to have a robust, fully resourced individual training capability to enable the Reserve to meet its primary role to raise, train and sustain Reserve capability.

4.35 As outlined in the Chief of Army's Directive, CA Directive 20/07, 'Reserve individual training will be enhanced through the establishment of a

nationally controlled, regionally based individual training capability embedded within the 2nd Division'.¹¹¹ On 1 July 2008, the University Regiments (URs)¹¹² were transferred from TC-A to Land Command, where they are embedded in 2nd Division. On 31 December 2008 the Reserve components of the regional Land Warfare Centre Detachments were transferred to the command of the relevant regional URs to provide additional ARA and Reserve training instructors and support personnel.¹¹³ Defence advised the ANAO that this re-structure will allow units more time to concentrate on collective training.

Training Exercises

4.36 The Army participates in a number of training exercises aimed at expanding the skills of soldiers, both ARA and Reserve, and allowing them to train in an unfamiliar environment. Two of these training exercises, Rifle Company Butterworth and Exercise Tasman Exchange are described in more detail in Figure 4.3.

Figure 4.3

Army Reserve Training Exercises

Rifle Company Butterworth (RCB) operates out of the Royal Malaysian Air Force Base at Butterworth Malaysia. RCB provides support to the Australian presence at the Butterworth Air Base and conducts a range of training activities for both ARA and Reserve soldiers. These activities include: live firing exercises; field training; and bi-lateral training exercises with the armies of Brunei, Malaysia, Thailand, and Singapore. The deployment is also an opportunity for soldiers to experience training in a different environment, which can be both physically and mentally challenging and replicates the stress of being on operations away from Australia. Rotations at RCB are approximately three months in length. In 2007, 120 2nd Division Reservists were deployed to RCB, with 247 Reservists deployed from 2nd Division in 2008.

Exercise Tasman Exchange is an annual reciprocal Reserve training exercise conducted with the New Zealand Army Territorial Forces.¹¹⁴ The aim of the exercise is to broaden individuals' experience and learning by allowing them to work alongside their New Zealand/Australian counterparts. The exercise allows both countries to experience the different equipment and operational procedures, and training in different climates and terrains. In February 2008, 120 Reservists from 11 Brigades 9th Battalion, Royal Queensland Regiment (9RQR), took part in the exercise on New Zealand's North Island, while 120 New Zealand Territorial Force soldiers participated in training exercises at the Canungra Field Training Area, near the Gold Coast.

Source: Defence

¹¹¹ Department of Defence, *CA Directive 20/07 – Implementation Directive for the Reserve Individual Training Capability*, 21 October 2007.

¹¹² University Regiments are training units, and the land warfare centres provide training for specific courses.

¹¹³ The land warfare centre at Canungra will remain and will be responsible for delivering the ARA corporal and sergeant first and second subject courses.

¹¹⁴ Territorial Forces is the New Zealand equivalent of the Army Reserve.

Army Reserve Traineeship and Apprenticeship Program

4.37 Critical trade shortages have required Defence to develop innovative programs to attract, or create, skilled Reservists. The Army Reserve Traineeship and Apprenticeship Program (ARTAP) is a joint partnership between the Army Reserve and civilian employers and provides an opportunity for suitable applicants to enlist in the Army Reserve and attain military skills, while also undertaking a civilian apprenticeship or traineeship with an employer or Group Training Organisation (GTO).¹¹⁵

4.38 Currently ARTAP offers apprenticeships for: heavy vehicle mechanics, fitter armament, technician electrical, plumbers, carpenters, electricians, metal smiths, and cooks. Traineeships are offered in: operator supply – warehousing, clerical – administration and pay, and telecommunications technicians.

4.39 The program has been running for three years, and as at October 2008, there were 28 people who had completed the program, and 90 people who were currently in training.

¹¹⁵ A Group Training Organisation is a training organisation specialising in the delivery of apprenticeships and traineeships.

5. Support for management and administration

This chapter examines the support mechanisms available for the management and administration of the Army Reserve, including data capture, reporting mechanisms and information and communication.

Introduction

5.1 In order to provide support for the management and administration of the Army Reserve, the Army, and Defence more generally, have a range of mechanisms in place. These mechanisms are designed to provide support to individual members of the Army Reserve, and their supervisors at various levels in the chain of command. These mechanisms can also identify to higher level management within the Army any issues that are currently affecting the Army Reserve that may impact negatively on the Reserve units' and individuals' ability to perform their identified tasks.

5.2 The audit examined support for Army Reserve capability, including:

- reporting arrangements for the Army Reserve;
- the quality and timeliness of available administrative information; and
- whether there are information and communications systems that facilitate the operations of the Army Reserve.

5.3 This chapter aims to provide information as to whether Defence has in place appropriate reporting, administrative, information and communications systems to support the effective operations of the Army Reserve.

Reporting arrangements for the Army Reserve

5.4 The Army has reporting arrangements in place for supporting the management of the Army Reserve overall. These are the conduit for the provision of information at the strategic level about Army Reserve preparedness.

The Army Preparedness Report

5.5 Periodically the Chief of Army issues a Capability Directive. The Directive specifies the preparedness outcomes to be maintained by the Army in order to meet a specified range of operational contingencies. The

implementation of the directive is overseen by the staff of the Directorate of Operations in Army Headquarters (AHQ), and cascaded through the Army functional commands, via the chain of command, to ensure that at a unit level the work being done contributes to the outcome of the whole.¹¹⁶

5.6 At the time of audit fieldwork the arrangements included that once a month Army Preparedness Reports were sent up the chain of command identifying individual units' abilities to meet the requirements of the directive. These reports were collated and presented as a complete report to the Army Capability Management Committee (ACMC). Once the report was endorsed, the report was presented to the Chief of Army Senior Advisors Committee (CASAC).¹¹⁷ Defence advised the ANAO that, as at June 2008, there was generally no objective methodology to the reporting, and the reports from the various commands are largely subjective, but that new principles were planned for reporting that would balance objective and subjective measures, and assess readiness against clear requirements. If a requirement cannot be met, a Deficiency Report is prepared using the Defence Deficiency Database. At the time of preparation of this report there were no outstanding deficiency reports related to the Army Reserve.

The Army Balanced Scorecard

5.7 The Chief of Army's Capability Directive (CACD) 2006–07 notes the importance of the Army Management Framework, which was developed to ensure that the Army's command and management processes are appropriate and coordinated.¹¹⁸ A key strategic management tool is the Army Balanced Scorecard. The Army Balanced Scorecard aims to provide an overview of how the Army is performing across a range of indicators covering all aspects of Army business. A snap shot one page overview is presented, using a traffic light coding system (green, amber and red), to highlight areas that Army

¹¹⁶ An example of this is contained in the annual 3rd health support battalion training and command directive for 2008. This directive identifies the higher level directives it is based on – from the Chief of Army's Capability Directive, to the 17 CSS Brigade Commander's directive, to the deployable health capability, and referencing the battalion's previous directive.

¹¹⁷ In April 2009 Defence advised that the collated Army Preparedness Reports are no longer forwarded to the ACMC and CASAC as they had already been through the functional commands. The collated report is now forwarded to the Chief of Army for endorsement and from Army it becomes part of the Senior Leadership Preparedness Report at the ADF Strategic Preparedness Group.

¹¹⁸ In April 2009 Defence advised that it is expected that a new CACD will be issued in November 2009 to incorporate Defence White Paper guidance.

management needs to focus attention on, while being assured that other areas are progressing satisfactorily. The Army Preparedness Reports are used in the preparation of the Army Balanced Scorecard.

5.8 Army Reserve specific issues included in the Army Balanced Scorecard are recruiting (objective P1 – Army’s Workforce is Growing) and the implementation of the Hardened and Networked Army (objective M7 – Implement the Enhanced Land Force).¹¹⁹ As at April 2007, objective M7 was coded as green (on target to achieve the implementation of the Enhanced Land Force, including the High Readiness Reserve), and has remained unchanged for subsequent versions of the Scorecard. As at May 2008 objective P1 was coded as red in the Scorecard, and indicates an asset liability gap, whereby the Army Reserve has less personnel than had been planned.¹²⁰

2nd Division Conferences

5.9 In addition to the above reporting arrangements, at the divisional level, the 2nd Division has a mechanism in place to support reporting and dissemination of information. This is done through twice yearly conferences for all Brigade commanders and their regimental commanders. These conferences provide a measure of accountability against the tasks the Division is required, or sets itself, to achieve. Presentations focus the discussions, and cover off issues including:

- safety management, particularly health and safety incidents;
- current and future operational commitments (both collective and individual);
- preparedness and planning, including RRF and HRR contracted strengths, and the gap to achieve required strengths; and
- individual Brigades provide an update, covering items such as recruitment, training, HRR and RRF data, and AIRN compliance.

5.10 The conferences also provide an opportunity to discuss with all commanders key Divisional projects that have been set for the year. For example, at the July 2008 conference, the Reserve Individual Training

¹¹⁹ It is noted that while P1 reports on Army Reserve personnel numbers, the level of detail reported is less than that reported for the Regular Army, and that the Army Reserve separation figures have not been updated since November 2006.

¹²⁰ These are the latest updates that are available.

Capability (RITC)¹²¹ changes, implemented incrementally from July 2008, and due to take full effect from 1 January 2009, were discussed in detail. The discussion included addressing the issue of course completion details being recorded in a timely fashion.

Quality and timeliness of administrative information

5.11 Defence capability is strategically supported by a large number of management information systems. Defence management relies on the outputs of these systems to make strategic decisions concerning current and projected personnel and equipment availabilities, and assessments of preparedness and operational readiness. Incomplete information restricts the ability of Defence management to make strategic decisions on the use or potential use of the Army Reserve.

PMKeyS

5.12 The Personnel Management Key Solution (PMKeyS) system retains personnel records for all Defence staff, including the Army Reserve. This information includes personal information, rank level, training achievements or assessed prior learning, qualifications, training and development plans, and individual readiness. It is the responsibility of the Commanding Officer to ensure that PMKeyS data is accurate and up to date for members of their unit. If the information is not kept up to date, then individuals can be disadvantaged in terms of access to training, pay levels and selection for sought after opportunities (for example, deployment opportunities). Critically, it can also limit the ability of Defence management to make capability assessments where information is incorrect or, more commonly, incomplete.

5.13 The ANAO was informed during fieldwork of examples of the consequences for individuals and management of the effect of incorrect, out of date or missing data on PMKeyS. The time taken to record completed training, as related in the example below, can affect an individual's pay level and undermine their commitment to the organisation, having a detrimental effect on retention.

¹²¹ The RITC project transferred the responsibility to plan and conduct individual training for Reservists (whether within the 2nd Division, or another command) from Training Command – Army to the 2nd Division.

Figure 5.1

Example of the effect of PMKeyS issues on Reservists

During fieldwork the ANAO was informed of the situation of a number of Reservists who had a rank change, approved and authorised by unit commanders. These changes to pay have to be coded by the Army Personnel Agency in the relevant state. In one case the ANAO was informed that it took two years, and numerous follow up enquiries for this to occur.

The ANAO was also informed during fieldwork that units kept this type of personnel information on spreadsheets or word documents, rather than using PMKeyS, as administrative personnel either were not trained in using PMKeyS, or found the system too difficult to use.

Source: Defence

5.14 The ANAO was also informed during fieldwork that civilian skills and qualifications were not generally recorded on PMKeyS, usually due to the length of time in getting recognition for prior learning (even where the qualifications were issued by an Australian University) and because Reservists are not routinely asked to disclose their civilian skills.¹²² PMKeyS currently allows for the recording of civilian skills and qualifications. This information could be used to select Reservists with specific skills for civil/military uses on deployment (for example civil engineers, town planners or financial professionals) and for long term planning purposes.¹²³ The ANAO considers that there would be benefit in Defence requesting this information from Reserve personnel and, where personnel agree to provide it, recording it in the PMKeyS system.¹²⁴

5.15 The issue of recording Reservists civilian skills and qualifications was raised in April 2004 as part of a 2nd Division submission addressing additional Reserve capabilities available for the Hardened and Networked Army. Personnel management systems were noted as a critical area affecting the whole Reserve, that required attention if the Army Reserve is to achieve its roles and tasks:

These systems are crucial for managing the training and administrative elements required to transition the Reserves.....They also play a major role in

¹²² The ANAO was also advised that some Reservists did not wish to disclose their civilian skills or qualifications as they had joined the Army Reserve to do something different to their day job.

¹²³ Defence advised that there are a number of areas within the Army that would welcome the recording of the civilian skills of Reservists as it would assist them in planning for overseas deployments and domestic emergency situations (for example bushfires).

¹²⁴ For example, while on fieldwork the ANAO audit team was introduced to a Reservist who worked as an industrial chemist. While his unit knew of his skills and qualifications, the fact that they were not recorded on PMKeyS meant that the potential capability offered by his expertise could not be identified at a higher level, or used for planning or emergency response purposes.

creating the database of Reservists' civilian skills and qualifications required for CIMIC¹²⁵ and other capabilities. PMKeyS has the potential to achieve these but will require some institutional and organisational change to achieve results.¹²⁶

5.16 The ability of units to record information in a timely fashion is limited where units have limited connectivity and consequentially limited access to Defence Restricted Network and PMKeyS, as discussed in Paragraph 5.23.

5.17 Administrative processes for Reservists can include documents or other information passing through a number of different hands prior to that information being recorded. For example, while training may be conducted within the unit (and certified by registered trainers within the unit), the paperwork to record the completion of the training will be sent through to the Army Personnel Agency¹²⁷ (APA) in the unit's state for coding, rather than being coded where the training was conducted and certified. The ANAO was informed during fieldwork that this was one of the factors that caused delays in getting information on personnel records updated. This many-hands approach can lead to a lack of immediate recourse where items go missing, or are delayed due to backlogs in the APA.

Figure 5.2

An example of the effect of the recognition of prior learning process on Reservists

The ANAO was informed during fieldwork of the many-hands approach that paperwork has to pass through in relation to recognition of prior learning. The Reservist provides all their paper work to their unit's personnel area. The information is then forwarded to the relevant APA for their state. This is then sent to Bandiana, NSW, where the Training Command Recognition of Prior Learning Board sits every three months. Depending on whether all information is supplied, further requests for information, via the APA, are made. Until the recognition of prior learning is completed, the individual is not being paid at a level commensurate with their skill, and the Army cannot utilise their skills as they have not been recognised through the Army's formal skills recognition process.

Source: Defence

¹²⁵ CIMIC - civil and military cooperation.

¹²⁶ In August 2008 the Parliamentary Secretary for Defence Support announced that 'Australia would soon begin compiling a database of the day jobs held by Australia's 41,000 Reservists. This database could then be used to ask for volunteers to be deployed to world hot spots, where their combination of civilian talents and military training could be put to use', Canberra Times, 16 August 2008. The ANAO notes that PMkeyS currently allows for civilian skills to be recorded but this function of the system is rarely used.

¹²⁷ APAs are also staffed by Reservists.

Recommendation No.3

5.18 The ANAO recommends that the Army:

- (a) request current Reservists to provide relevant information relating to their civilian qualifications and skills;
- (b) where this information is provided, record it on Defence's existing personnel management data base, PMKeyS; and
- (c) streamline the approval processes for the recognition of civilian skills and qualifications.

Defence response

5.19 *Agreed.*

Reserve Pay System

5.20 While personnel data, including rank level and training achievements (which affect pay) are all recorded on PMKeyS, Army Reservists are paid through a legacy system CenResPay – central Reserve pay system¹²⁸ – via a PMKeyS to CenResPay interface.¹²⁹ CenResPay is a batch system that relies on a paper to data transfer via authorised batch sheets. The transactions are entered into the system by operators, the transaction triggering the payment via CenResPay. Previous Defence internal audits have identified issues related to the checking and authorisation of transactions made in CenResPay that expose the Army to the risk of incorrect payments being made to individual Reservists.¹³⁰

Administrative support

5.21 Administrative support, including updating PMKeyS (where it is able to be done at a Brigade or unit level) and pay functions, are provided in a

¹²⁸ The CenResPay system is used to pay all Reservists for the Army, Navy and Air Force, and is currently out of necessity different to the general ADF pay system due to the discounted rates of pay and other differences between the Reserve pay and ADF full time pay.

¹²⁹ The fact that CenResPay is a legacy system and has to interface with PMkeyS means that there are problems associated with Reservists receiving the correct pay. It is likely that these problems will continue to occur unless the interface between the systems is improved or all soldiers are moved onto the one system.

¹³⁰ Management Audit Branch Reserve Pay – 11 Brigade, Townsville 2006, Management Audit Branch Investigation of Unauthorised CENRESPAY Transactions Processed by MPAC 2005, Management Audit Branch Reserve Pay RAAF Bases Amberley and Townsville 2006.

variety of ways for Reserve units. Where Reserve personnel are part of an integrated unit, these functions will often be done by ARA pay clerks and PMKeyS administrators, who provide a dedicated function for the whole of the unit.¹³¹ Where Reserve personnel are not in an integrated unit, the pay clerk and PMKeyS administration functions for their unit may have been centralised for the whole of the Brigade.

5.22 In 2007, a project was conducted in the 2nd Division to review administrative and logistical support. This project was driven by the need to free up ARA critical trade positions, in order to re-invest in crucial skills in the Army, such as clerk administrators and supply operators. The project established Brigade Operations Support Companies (BOSCs) to centralise the stores and administrative functions within the Combat Service Support Battalions¹³² of each of the 2nd Division Brigades. Defence advised the ANAO that centralising functions allowed 64 full time positions to be moved from administration and logistics, and re-invested as training positions. When entering pay data on CenResPay, individual unit commanders check attendance diaries or sheets, and send them to the Brigade BOSC for data entry.

Information and communication

IT Connectivity

5.23 In May 2008 the Chief of Army sent a minute to Defence's Chief Information Officer (CIO) summarising the Army's comments relating to support provided by the CIO Group (CIOG). Specific mention was made of the lack of connectivity at remote Army Reserve depots:

Army is hampered by a lack of DRN access at remote Army Reserve depots. Consequently, these depots have enormous difficulty in accessing corporate applications, such as SDSS (the Standard Defence Supply System) and PMKeyS, to meet governance requirements and administer personnel...There are 120 Army Reserve depots controlled by 2 Div, of which 44 depots have no

¹³¹ The ANAO was advised during fieldwork that a key advantage of integrated Units is that they usually have an ARA pay clerk and PMkeyS administrator who can make payments and enter data on the spot for Reservists, thus reducing the potential for lengthy delays.

¹³² Combat Service Support Battalions provide health services, transport, supply, logistics and workshop services to the whole of a battalion.

Defence IT network connectivity and rely on a combination of DRAS¹³³ and DREAMS¹³⁴ and 15 depots have no method for accessing Defence networks.

5.24 As at July 2008, Defence advised the ANAO that seven Army Reserve depots had no method for accessing Defence Networks,¹³⁵ and 48 depots have no Defence IT connectivity and rely on a combination of DREAMS tokens, DRAS and Defence Thin Client Systems.¹³⁶ Not all the units listed as having to rely on a combination of remote access methods to connect to Defence networks are in remote parts of Australia. This includes units located in Broadmeadows and Sunshine, suburbs of Melbourne, Victoria.

5.25 During fieldwork the ANAO was informed that DREAMS tokens were a limited solution to the issue of no connectivity to the DRN. Although DREAMS tokens can improve access, and are useful for email, they are issued to individuals, rather than a unit, to use and are often too slow and drop out when spreadsheets are used, or when saving and importing documents.

5.26 Defence increasingly expects individuals to take joint responsibility for ensuring their personnel records are kept up to date, and ensuring the data coded is accurate. Information, updates, advices and instructions are also issued and stored electronically. Recording and checking data, and keeping up to date with information can be difficult for Reservists for a range of reasons including:

- lack of access to PMKeyS due to no or limited connectivity to DRN;
- limited number of computers available where there is connectivity;¹³⁷
- sites may be cabled for DRN, but don't have servers installed as the servers have to be kept in separate, temperature controlled, rooms;
- little time to check PMKeyS self service during evening parades particularly where connectivity is slow; and

¹³³ Defence Remote Access System – remote access technology subsequently replaced by DREAMS tokens.

¹³⁴ Defence Remote Electronic Access Mobility System – DREAMS - tokens are personally issued (usually to Commanding Officers) and allow remote access to the DRN via a laptop.

¹³⁵ The unconnected depots are in Monegeeta, Vic, Holsworthy and Lithgow, NSW, and Ayr, Edmonton, Ingham and Wondai, QLD.

¹³⁶ DREAMS tokens, DRAS and Thin Client Systems are all different ways of connecting remotely to Defence networks.

¹³⁷ A key example of this was cited to the ANAO during fieldwork in Roma, QLD, where the Reservists have the skills to self administer PMkeyS, but there is only one DRN terminal and 18 Reservists.

- infrequent use leading to a lack of familiarity with the functions of the self service portal.

5.27 The lack of access to the DRN can make communicating instructions or directions through the chain of command problematic. The primary method used for communication is electronic, either through email or via online instruction libraries. A number of Reservists commented to ANAO during fieldwork that a secure internet portal, to allow Reservists to check, and possibly update, their personnel data from their own computers, would be a more efficient and effective use of their time, rather than attempting to log on to DRN during their parade time. Such mechanisms are more and more becoming a routine communications tool used by the public and private sector alike, particularly when managing large and dispersed organisations.

Recommendation No.4

5.28 Recognising the increased reliance on technology and technological solutions to communications issues, and the importance of accurate records, the ANAO recommends that:

- Defence ensures all Army Reservists have access to the Defence Restricted Network; and
- Defence considers developing an internet portal or similar facility for Army Reservists.

Defence response

5.29 *Agreed.* DRN access for all Defence members is a key element of the Defence Information and Communications Technology (ICT) Strategy and the ICT Companion Review. Specifically, DRN access for members of the Army Reserve is the subject of a number of current work packages in the Defence ICT Work Plan. These initiatives are prioritised against the entire ICT portfolio and agreed by the CDF and Secretary. It is not expected that these initiatives will be completed in the current work plan, but will be part of the JP2047 Wide Area Comms Network solution due in 2012.



Ian McPhee
Auditor-General

Canberra ACT
8 May 2009

Appendices

Appendix 1: ADF military operations

Operation	Country	Description of Operation
Catalyst	Iraq	ADF contribution to the rehabilitation and reconstruction of Iraq.
Astute	East Timor	ADF contribution to assist in the restoration of peace and stability to East Timor.
Slipper	Afghanistan	ADF contribution to the international coalition against terrorism.
Resolute	Australia's offshore maritime, land and littoral areas	ADF contribution to whole-of-government efforts to protect Australia's offshore maritime areas including the immediate land and littoral environment of Northern Australia.
Anode	Solomon Islands	ADF contribution to the Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI).
Mazurka	Sinai Peninsula, Egypt	Australia's contribution to the Multinational Force and Observers (MFO).
Azure	Sudan	Australia's contribution to the United Nations Mission in Sudan (UNMIS).
Paladin	Middle East	Australia's contribution to the UN Truce Supervision Organisation (UNTSO).
Outreach	Northern Territory	ADF support to the Northern Territory Emergency Response Task Force.
Testament	Sydney	ADF contribution to World Youth Day 2008.
Deluge	Sydney	Australia's contribution to the provision of security for the 2007 round of Asia-Pacific Economic Cooperation meetings (APEC).
Vic Fires Assist	Victoria	ADF support to the emergency response to the Victorian Bushfires February-March 2009.

Source: Defence

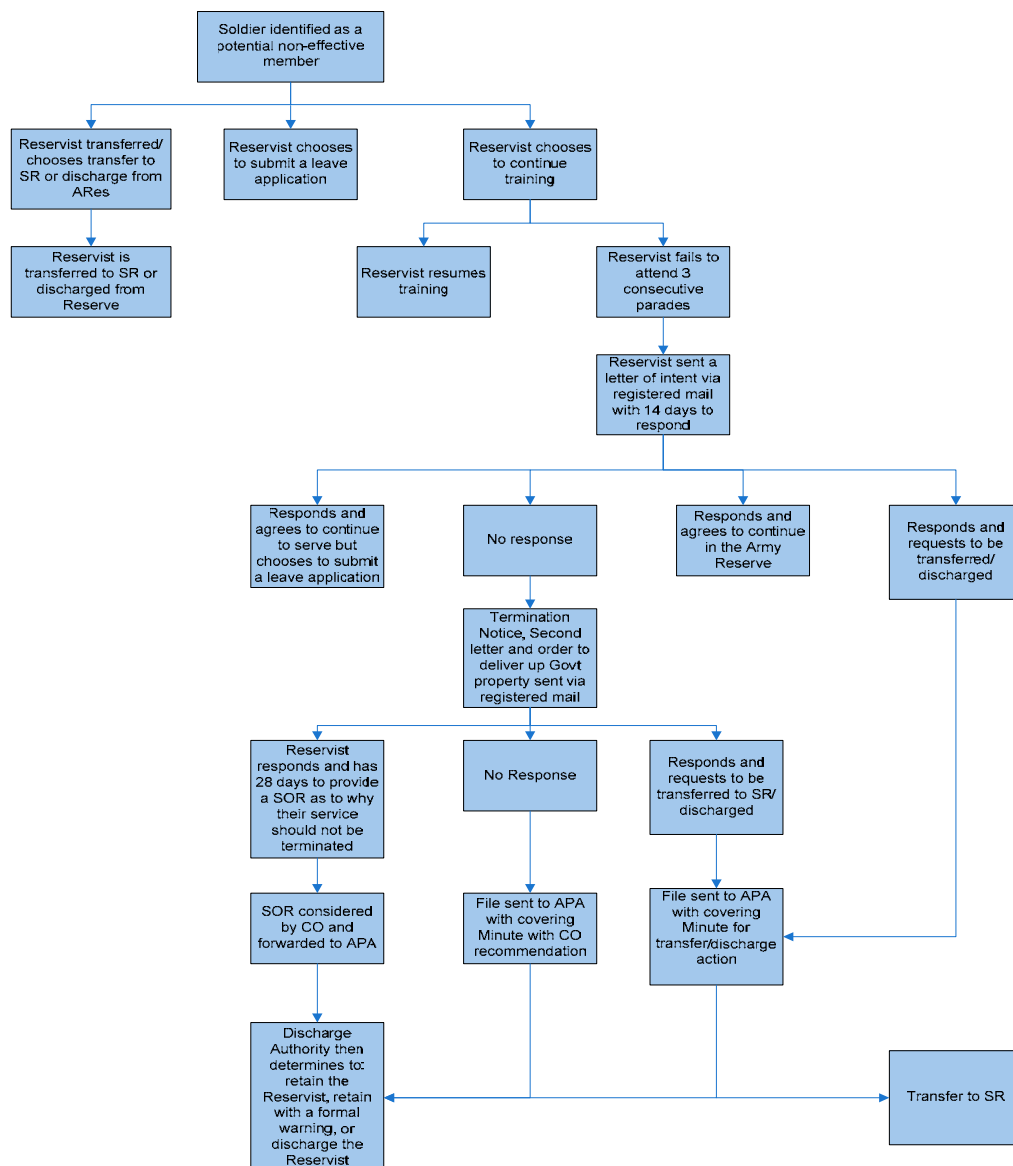
Appendix 2: Summary of relevant findings in ANAO Audit Report No.25 2004–05, *Army Capability Assurance Processes*.

Further relevant issues identified by the audit report included:

- In May 2003, the Chief of Defence Forces issued a directive to all Service Chiefs to raise the Reserve Response Force (RRF). The role of the RRF is to conduct protective and security operations within Australia and to support Defence assistance to civil authorities. The RRF was intended to comprise seven companies of deployable personnel by 2008.
- Army documentation had identified that the Reserve have difficulty in completing individual employment training, and that this has implications for Reserve retention. Contributing to this issue was the large proportion of Reservists who were not parading for duty regularly – on average over the period 1998–99 to 2002–03 just over one-fifth of Reservists did not parade for duty at all over a 12 month period.
- The 2003 Force Structure Review identified the inability of the Reserve to address the Operational Level of Capability/Minimum Level of Capability gap in Regular units, particularly in relation to trained personnel in technical trades. The HNA model relies on the Reserve to provide individual and collective reinforcement of the full-time force, particularly in technical trades and occupations such as medical and logistics where the Army has difficulty maintaining skill sets.
- The Reserve Roles and Tasks study commissioned in August 2003 identified that previous reviews have identified the lack of clarity and relevance of Reserve roles and tasks, and that this lack of clarity had contributed to a slow degradation of capability. The audit report identified that remediation processes resulting from these reviews had not been successful in addressing this decline in capability.
- In response to the recent high tempo of ADF operations, from 1999–2000 there has been a redistribution of equipment from low readiness units to high readiness units to meet operational requirements for Australia's overseas deployments. This has been impacting on the availability of equipment to, and the capability of, low readiness units, including many Reserve units. As the HNA model is, by its nature, equipment intensive, the unavailability of appropriate equipment to Reserve units impacts on their capacity to fulfil their roles under HNA.

Appendix 3: Process for dealing with potential non-effective Reservists

The diagram below illustrates the procedure that units are required to follow when dealing with potential non-effective Reservists.



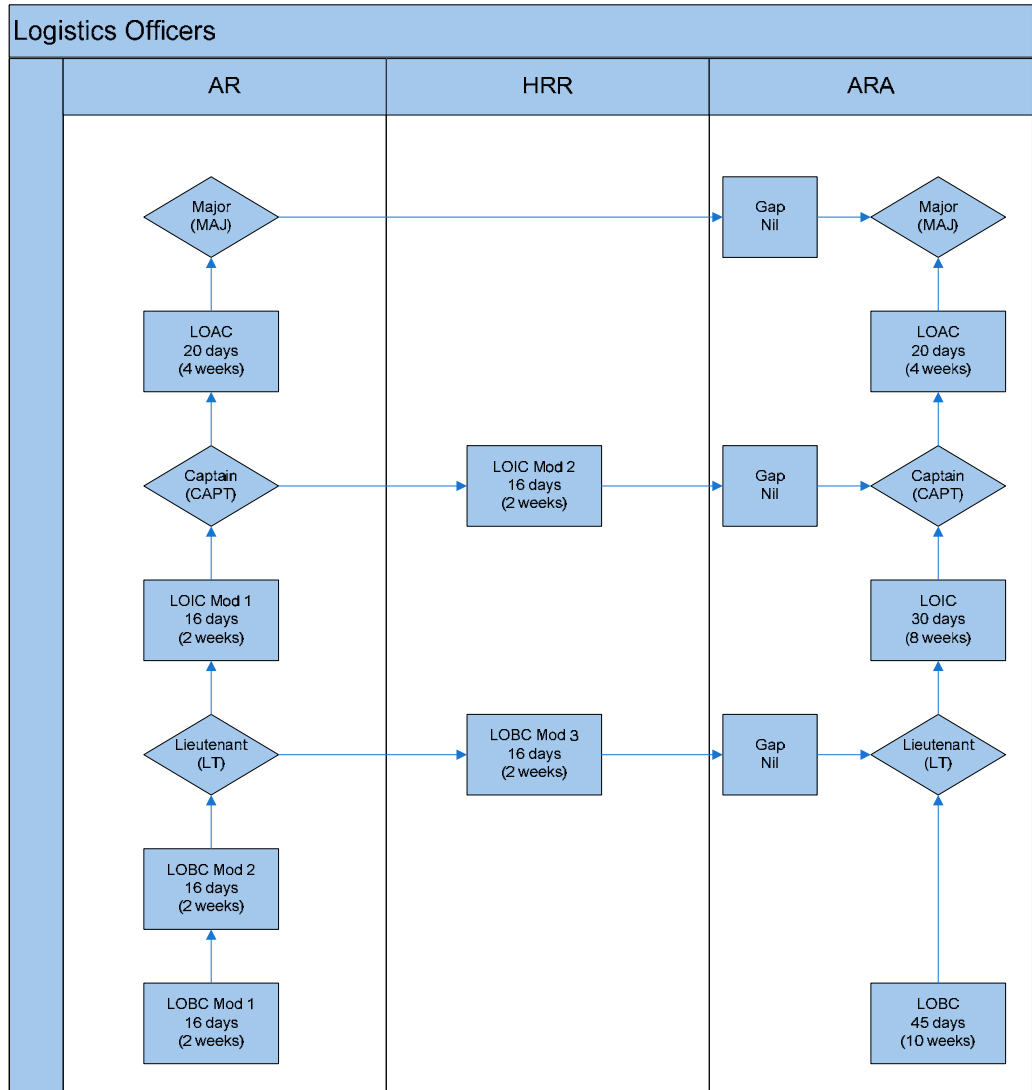
Source: Defence

Note: (1) SOR – Statement of Reasons

(2) Reservists who joined the Army after 1 July 2003 are required to serve in the SR for 5 years after discharge from the Active Reserve.

Appendix 4: HTM training continuum for a logistics corps officer

HTM training continuum for a logistics corps officer, identifying the training gap between the AR, HRR and ARA.



Source: Defence – Review of the Hardened and Networked Army Training Model Project

Note: In employment category reviews, many trade structures are being remodelled to suit both the AR and HRR construct. This enables those who are able to only provide a limited time commitment to Reserve service to complete their trade with a narrower skill set, particularly for more technical trades.

Appendix 5: Summary of findings from UK and USA audits on Reserves

There have been two reports published in recent times by the British House of Commons, *Recruiting and retaining Armed Forces personnel* in July 2008 and *Reserve Forces* in June 2007. Both reports identified issues affecting Reservists that are similar to those being experienced by the Australian Army Reserve. These are listed below.

- there is a lack of comprehensive cost information about the Reserve forces.
- Reservists civilian skills are not systematically recorded in a database that is accessible to commanding officers.
- there is a high turnover in the Reserve primarily due to civilian work and family commitments.
- Reservists are being relied upon to provide an increasing amount of capability. The Reserve Forces Act (1996) states that a Reservist can only be deployed for a maximum of 12 months in any three year period. In order to reduce the burden on Reservists' families and civilian employers, the Ministry of Defence has, where possible, undertaken to limit the deployment of Reservists to a maximum of 12 months in five years. Use of the Territorial Army¹³⁸ has increased to the point that approximately one third of the trained strength of the Territorial Army that were deployed in 2003 are unavailable for deployment till 2008.
- the Territorial Army is being restructured to allow them to fulfil their primary role of augmenting the Regular Army for large scale operations, while also supporting smaller scale enduring operations whilst the Regular Army is stretched.
- it was found that employer support for Reserve activities was initially very high (around 89 per cent), however this support reduced by

¹³⁸ Territorial Army is the principal Reserve Force of the British Army and the land armed forces branch of the United Kingdom. This group comprises part-time soldiers who voluntarily join the Reserves. The Regular Army Reserve comprises personnel who have a mobilisation obligation for six years once they have finished their full time service in the Regular Army.

approximately six per cent for a second deployment and by a further 10 per cent for subsequent deployments.¹³⁹

- Reservists were given a low priority when it came to training. If training was to occur at shared facilities with the Regular Force, then the Reserve training is subject to cancellation, often at short notice. It was also identified that Reservists were not always able to train on necessary equipment prior to being required to use it on operations. For integrated units, Reservists are also often unable to train with their Regular counterparts.

A review of the American National Guard and Reserves, Commission on the National Guard and Reserves – *Transforming the National Guard and Reserves into a 21st Century Operational Force*,¹⁴⁰ was conducted between 2006 and 2008. The review reported on a number of issues similar to those identified for the Australian Army Reserve. These included:

- the roles and missions of the Reserve;
- how to best use the Reserve capability to achieve national security objectives;
- Reserve pay and benefits;
- readiness, recruitment and retention of personnel;
- adequacy of funding for equipment and personnel; and
- Reserve organisation, structure and overall funding.

A summary of the main findings of the review that are related to the current audit is listed below.

- The US Reserves and National Guard are providing an increased capability to the American Armed Forces.
- The review was able to determine that the cost of an active component service member is approximately four times that of a Reservist when they are not on active duty.

¹³⁹ House of Commons Defence Committee, *Recruiting and Retaining Armed Forces Personnel*, 15 July 2008, p. 70.

¹⁴⁰ Commission on the National Guard and Reserves, *Transforming the National Guard and Reserves into a 21st Century Operational Force – Final Report*, January 2008.

- The current US Department of Defence Civilian Employment Information (CEI) database is not an effective tool in recording Reservists civilian skills and employer. This is in part due to the system being unable to capture updated employment information, and civilian skills data is not standardised for practical use.
- The current human resource and pay system is not an integrated or standardised system, meaning that the weaknesses in the system result in incorrect pay, low data quality, multiple personnel files and records and inaccurate accounting of credit for service. The review notes that: 'the future system must be a continuum of service system that enables a trouble-free, easy transition between active and reserve statuses'.¹⁴¹
- US Congress has recently made changes to the compensation and benefits available to the National Guard and the Reserves including: new health care benefits for members and their families; a stipend for civilian health plan coverage for personnel with special health care needs; an improved housing allowance; and a Reserve component critical skills bonus.
- The Uniformed Services Employment and Reemployment Rights Act of 1994 sets out employers' roles and responsibilities for employing Reservists. The legislation states that an employee may be absent from work for military duty for a cumulative total of five years while still retaining protection for their job when they return. Under the legislation there is no minimum period of notice that is required to be given to employers, and employers are only entitled to proof of service if the Reservist is absent for more than 30 days.

¹⁴¹ Commission on the National Guard and Reserves – *Transforming the National Guard and Reserves into a 21st Century Operational Force*, p. 35.

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*Management of the Australian Government's Action Plan to Eradicate
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Department of Immigration and Citizenship

Australian Federal Police

Department of Families, Housing, Community Services and Indigenous Affairs

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