

The Auditor-General
Audit Report No.41 2000–2001
Performance Audit

Causes and Consequences of Personnel Postings in the Australian Defence Force

Department of Defence

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Canberra ACT
29 May 2001

Dear Madam 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*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Causes and Consequences of Personnel Postings in the Australian Defence Force*.

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



P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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Contents

Figures and Tables	7
Abbreviations	8
Summary and Recommendations	
Summary	11
Background	11
Conclusions	12
Key Findings	13
Recommendations	16
Audit Findings and Conclusions	
1. Introduction	21
Defence Efficiency Review	22
Posting Turbulence Review Team	23
Defence White Paper	23
The audit	23
Report structure	24
2. ADF Posting Policy and Process	25
Posting policy directive	25
Role of career management agencies	26
Compliance with posting directive	27
Need to review posting policy	28
Cost of postings	29
Conclusion	31
3. Posting Turbulence Review	32
Posting Turbulence Review findings	32
ANAO reports on personnel retention and recruitment issues	34
Need for better data	35
Conclusion	36
4. Separations and Recruitment	37
Separations from the ADF	37
Separation rates by rank and targeted retention measures	38
Recruitment targets	39
Lateral recruitment	40
Recruitment advertising expenditure	42
Conclusion	43

5. Attitudes to Postings and the Initiatives of the Career Management Agencies	44
Attitudes to postings	44
Career management initiatives	46
Conclusion	47
Appendices	
Appendix 1—Areas for Action of the Action Plan for People	51
Appendix 2—Recommendations in ANAO Report on Retention of Military Personnel	53
Appendix 3—Other ANAO Recommendations to Defence on Personnel Matters	56
Appendix 4—ADF Career Management Agencies' Initiatives	61
Appendix 5—Performance Audits in Defence	64
Index	66
Series Titles	67
Better Practice Guides	70

Figures and Tables

Figure 1 ADF personnel separation rates, 1990–91 to 1999–2000	32
Figure 2 Relationship of separations to enlistments in the ADF, 1990–91 to 1999–2000	38
Figure 3 Change in advertising expenditure and recruitment performance, 1998–99 to 1999–2000	42
Figure 4 1999 ADF Attitude Survey—Summary of responses to questions relating to postings	44
Figure 5 1999 ADF Attitude Survey—Summary of responses to question: I want more locational stability for my family	45
Figure 6 1999 ADF Attitude Survey—Summary of responses to question: Information on my career management has been adequate	46
Table 1 ADF career management agencies	26
Table 2 Compliance with requirements of CDF Directive 19/95 <i>Posting Policy</i> in 1998–99	28
Table 3 Recruitment achievements in the ADF, 1999–2000	40

Abbreviations

ADF	Australian Defence Force
ANAO	Australian National Audit Office
ARMS	Audit Recommendations Management System
CDF	Chief of the Defence Force
DER	Defence Efficiency Review
OPERA	Officer Professional Effectiveness Review–Army
PTRT	Posting Turbulence Review Team
ROPES	Royal Australian Navy Officer Professional Effectiveness Study

Summary and Recommendations

Summary

Background

1. The three Services (Navy, Army and Air Force) of the Australian Defence Force (ADF) need to locate their personnel on ships, units and bases, which are distributed widely throughout Australia. They also need to be able to send personnel overseas to fulfil Australia's international military commitments. The ability to post personnel is an important factor in maintaining the overall capability of the ADF. Moreover, periodic postings are seen by the ADF as a positive and necessary step in developing well rounded and experienced Service personnel.
2. The Defence Efficiency Review (1997) reported that many postings did not comply with ADF posting policy and that action to reduce the number of postings could yield savings of \$24 million a year. Difficulties in achieving these savings, and a perception that postings were too frequent and causing 'posting turbulence', prompted Defence to establish the Posting Turbulence Review Team (PTRT) in February 2000.
3. The PTRT examined all aspects of the posting process and reported late in 2000. It found that postings cost \$156 million in 1998-99 and that most postings were caused by the need to maintain the operational capabilities of units where vacancies had been created by separations from the ADF. It recommended an integrated program of retention measures designed to reduce separations which, in turn, would reduce postings; achieve savings; and ultimately increase the geographic stability of ADF members.
4. To implement the PTRT's recommendations, Defence developed an Action Plan for People. Full implementation of Action Plan initiatives is awaiting higher committee endorsement and completion later in 2001 of an external review of ADF remuneration.
5. The Australian National Audit Office (ANAO) conducted a limited scope audit to examine the posting process and provide assurance to Parliament that Defence has identified and examined salient postings issues and is addressing them efficiently and effectively.

Conclusions

6. The main conclusion of the PTRT is that personnel postings are largely driven by separations from the ADF. Any significant reduction in postings depends on reducing the overall separation rate, and, more specifically, on reducing the numbers leaving particular ranks and employment categories.

7. The ANAO found that the PTRT's separations-as-driver model provides a reasonable rationale for the current posting cycles and posting turbulence, and that an efficient way to manage postings and reduce posting turbulence is to improve retention rates. The findings of the PTRT were based on a model that best utilised the available and accessible data. Developing a capability to gain full access to actual data would allow Defence to better understand the postings cycle and facilitate effective, informed remedial action as well as improved workforce planning.

8. The ADF is finding it increasingly difficult to recruit sufficient personnel to meet recruitment targets and to retain existing members. During 1999–2000, the ADF recruited 4043 members but, in the same year, 6467 members left. If the gap between separations and recruitment continues to increase, the Services will be less able to control postings and, more importantly, ADF personnel numbers will remain below desired levels.

9. It is in Defence's interests that it continues to take action to improve recruitment and retention rates in the ADF as soon as possible. This would help reduce posting turbulence and the number and cost of postings, and put the ADF in a better position to meet current and future capability requirements. Appropriate action would include implementation of initiatives arising from last year's Posting Turbulence Review.

10. Lateral recruitment of people from outside the ADF into positions requiring recognised professional or trade qualifications and experience may offer some opportunities for the ADF to address its recruitment difficulties. A review of the feasibility and effectiveness of lateral recruitment would be of value in making transparent the potential benefits as well as the potential problems.

11. Defence should also consider evaluating the success of recruitment advertising. Significantly increased advertising activity has produced more inquiries about joining the ADF but resulted in only a small increase in actual enlistments.

Key Findings

ADF Posting Policy and Process (Chapter 2)

12. Data on compliance with ADF posting policy indicates that posting practice does not reflect current policy, which directs postings to be of three years' duration and, wherever possible, back-to-back in the same location, except in allowable circumstances. Most postings are now in the category of allowable exceptions and are neither of three years' duration nor back-to-back in the same location. The ANAO suggests that ADF posting policy should be reconsidered in the light of current posting practices, the required levels of operational capability, and the geographical dispersion of bases and functions.

13. Postings that entail personnel removal or relocation generate a cost to Defence in the form of allowances associated with the relocation of members and their families. As many of these allowances form part of the conditions of service, the ADF's career management agencies have few options to reduce costs. An opportunity to increase flexibility in the conditions of service is provided by the current external review of ADF remuneration.

Posting Turbulence Review (Chapter 3)

14. The PTRT found that 80 per cent of postings are generated as a result of personnel separating from the ADF. These postings include those necessary to fill vacancies caused by the separations and the subsequent postings required to fill vacancies generated as individuals are moved to fill positions.

15. Separation rates in the ADF are currently higher than the Services' have, on average, historically experienced. Better retention rates are required if capability is to be maintained. The PTRT highlighted retention as an issue. Previous ANAO reports on Defence, in recognition of the importance of ADF personnel in achieving the Defence mission, have made recommendations on improvements to recruitment and retention.

16. The PTRT finding that most postings are caused by separations was derived from a model that best utilised the available and accessible data. However, it would further Defence's understanding of the link between postings and separations if it had full access to actual data. This would also help confirm the PTRT's findings, and facilitate a better informed decision-making process.

Separations and Recruitment (Chapter 4)

17. The ADF is experiencing difficulty in meeting its recruitment targets. The excess of the number of members the ADF needs to meet its capability requirements over the actual number of members the ADF has enlisted is growing. If this situation continues, ADF personnel strength will remain below desired levels and ADF capability will consequently be impaired.

18. Since separations differ by rank and employment category, broad retention initiatives aimed at reducing overall separation rates are insufficient on their own. Such initiatives must be allied with targeted retention measures that focus on reducing separations from specific areas where separation rates potentially have most impact on ADF capability. Defence could undertake a systematic study of lateral recruitment as a possible solution to particular recruitment problems in the ADF.

19. There may also be benefit from reviewing ADF recruitment advertising. In 1999–2000, expenditure on recruitment advertising rose by 112 per cent from the previous year's level but enlistments increased by only 31 per cent, indicating that the cost effectiveness of expenditure might be improved. It could also indicate that an impediment in the inquiry-to-application recruitment process is artificially reducing the number of potential recruits who continue with their applications.

Attitudes to Postings and the Initiatives of the Career Management Agencies (Chapter 5)

20. The 1999 ADF Attitude Survey indicated that members of the three Services were generally content with current posting policy and practices. However, the survey also indicated that posting frequency and location are a major cause of concern for members with families. The survey also indicated that Defence should consider reviewing the career management information given to members to ensure that it meets their particular needs.

21. The ADF's career management agencies are implementing initiatives designed to enhance career management and retention of personnel across the three Services. Given the pressure to improve retention of personnel throughout the ADF, such initiatives are important in their own right and complementary to those proposed in the Action Plan for People.

Defence response to the report

22. The ANAO made four recommendations that addressed ADF personnel postings, recruitment and retention issues. Defence agreed to the recommendations.

Recommendations

Set out below are the ANAO's recommendations, together with report paragraph references and an indication of Defence's response.

Recommendation No.1
Para. 2.18

The ANAO recommends that Defence review existing ADF posting policy, including CDF Directive 19/95 *Posting Policy*, in the light of current posting practices, and to reconsider the need for three year postings and other key aspects of the present policy.

Defence response: Agreed.

Recommendation No.2
Para. 3.13

The ANAO recommends that Defence:

- a) continue to take action to improve recruitment and retention rates in the ADF, including implementation of initiatives arising from the Posting Turbulence Review; and
- b) review its progress in implementing recommendations on ADF personnel recruitment and retention made in previous ANAO reports on Defence.

Defence response: a) Agreed.

b) Agreed.

Recommendation No.3
Para. 3.17

The ANAO recommends that Defence develop a capability to capture data on personnel separations and postings that will enable the ADF to better understand the posting cycle and facilitate more informed decision-making.

Defence response: Agreed.

**Recommendation
No.4
Para. 4.25**

The ANAO recommends that Defence:

- a) review the feasibility and effectiveness of lateral recruitment as a means of alleviating present staffing difficulties in the ADF; and
- b) evaluate the cost-effectiveness of the ADF's recruitment advertising activity.

Defence response: a) Agreed.

b) Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter discusses postings, the framework in which they occur and the concerns that have been expressed regarding their number and frequency. It also sets out the objectives, scope and focus of the audit.

1.1 The Defence mission is to prevent or defeat the use of armed force against Australia and its interests.¹ The Australian Defence Force (ADF) requires sufficient uniformed personnel to undertake military tasks that need to be performed in an area of combat operations. The dispersed nature of the ADF's three Services throughout Australia establishes the need for each Service to be able to move its personnel and their families between ships, units and bases. They also need to be able to send personnel overseas to fulfil Australia's international military commitments. The ability to post personnel is thus an important factor in maintaining the overall capability of the ADF and is critical to achieving the Defence mission. Periodic postings of personnel are also seen by the ADF as being a positive and necessary step in developing well rounded and experienced individuals.

1.2 A posting order authorises a Service member to move from one job to another in the Service and from one location to another, either to fill a vacancy or to broaden the member's experience and professional development. The general factors considered when posting individuals are:

- the need of the relevant Service to maintain capability;
- the career and development needs of the individual; and
- the individual's job and geographic location preferences.

Not all personnel can be posted to all positions of their rank. Many positions require specialist knowledge, particular experience or specific training.

1.3 Official posting policy in the ADF is set out in CDF² Directive 19/95 *Posting Policy*, which requires postings to be of three years' duration and, wherever possible, 'back-to-back' in the same location (see Chapter 2).

¹ 'Defence' comprises the Department of Defence and the Australian Defence Force, which in turn comprises the three Services: Navy, Army and Air Force.

² Chief of the Defence Force.

1.4 A higher than desired frequency of posting can lead to the emergence of a set of issues known as 'posting turbulence'. These issues include:

- a high level of separations by disaffected members;
- a lack of job mastery, particularly in the case of officers;
- a lessening in organisational effectiveness; and
- a high level of resultant relocation and removals that adversely affect members and their spouse and family.

Defence Efficiency Review

1.5 The high cost and perceived impact of the ongoing level of ADF personnel postings were raised as issues in the Defence Efficiency Review (DER), which was completed in 1997. The DER reported that the ADF Activities Survey indicated that, on average, ADF members are posted every 18 months, despite the CDF Directive. It also reported that high levels of posting turbulence were reported in attitude surveys as a significant factor in the decision by many members to leave the ADF.

1.6 The DER highlighted two main concerns relating to posting frequency. These related to the costs incurred in the posting process and, consequently, the potential savings that could be achieved by reducing the actual number of postings; and the effect that a high number of postings has on separation rates from the ADF. The DER recommended that Defence take action to reduce the number of postings and estimated that this would yield around \$24 million per annum in savings.³

1.7 The Defence Reform Program was introduced in 1997 on the basis of the findings of the DER. In the context of the Defence Reform Program, the Services' career management agencies, when considering how to achieve postings savings, decided that, for all the reasons they posted people, there were actually very few that fell within their control. For example, the Air Force agencies assessed that separations, recruiting (including initial and basic training) and the need to fill vacancies generated 78 per cent of their postings. Given the conditions of service and policy guidelines, the career management agencies also found that they could not meet expected savings without curtailing operations and thus reducing capability.

³ *Future Directions for the Management of Australia's Defence, Addendum to the Report of the Defence Efficiency Review*, Secretariat Papers, 1997, Directorate of Publishing and Visual Communications, Canberra, pp. 275–6.

The recommendation that Defence take action to reduce the number of postings overall was made by the DER Secretariat and was not a recommendation of the DER Senior Review Panel. The Panel said in its report that it benefited greatly from papers produced by the Secretariat but did not always accept its recommendations.

Posting Turbulence Review Team

1.8 Difficulties in achieving the DER savings, and a perception that postings were too frequent and causing posting turbulence, prompted Defence to establish the Posting Turbulence Review Team (PTRT) in February 2000.

1.9 The PTRT examined all aspects of the posting process, specifically the Service infrastructure, career management policies, philosophies and practices that generated a posting, with the aim of reducing posting turbulence.

1.10 The PTRT reported late in 2000 (see Chapter 3). A proposed Action Plan for People, with initiatives aimed at improving current personnel management, was developed from its findings. Full implementation of the Action Plan's 12 areas for action (see Appendix 1) is awaiting higher committee endorsement and completion later in 2001 of an external review of ADF remuneration.

Defence White Paper

1.11 The Government's recent Defence White Paper⁴ indicated that frequent postings to different areas is a factor causing experienced members to leave the ADF. To counter these influences on retention, the Government will ensure that the impact on families, in terms of spouse or partner employment opportunities, education and special needs, will be an important consideration in postings decisions and when locating all new capabilities and establishments. The White Paper also stated that, wherever practical, establishments are collocated to increase the options for back-to-back postings.⁵ It also acknowledged the need to improve recruitment and retention of personnel.

The audit

1.12 ADF personnel postings was selected as a topic for a preliminary study by the ANAO largely because of the concerns expressed by the DER and the scope for savings it identified. Such a study is also consistent with the human resource management theme the ANAO has adopted as an element of its audit coverage in recognition of the importance of workforce planning and management to the achievement of organisational objectives.⁶

⁴ *Defence 2000: Our Future Defence Force*, 2000, Defence Publishing Service, Canberra.

⁵ *ibid.*, p. 66.

⁶ The ANAO's better practice guide for managers *Planning for the Workforce of the Future—Workforce Planning in the Australian Public Service* is available at <http://www.anao.gov.au>

Audit objective

1.13 The ANAO began a preliminary study in November 2000. During the study it became apparent that issues to be considered by the audit team were also being considered by the PTRT and the ADF's career management agencies. It was subsequently decided to conduct a performance audit but with a limited scope to avoid duplication of the PTRT's work.

1.14 The objective of the audit was to examine the posting process and provide assurance to Parliament that Defence has identified and examined salient postings issues and is addressing them efficiently and effectively. The ANAO will consider conducting a full performance audit of ADF personnel postings subsequent to implementation of initiatives arising from the Action Plan.

Audit methodology

1.15 The scope of the audit incorporated examination of posting policy; PTRT findings and recommendations and Action Plan initiatives; separation and recruitment issues; members' attitudes to postings and Service career management agencies' initiatives.

1.16 The proposed report of the audit was provided to Defence in April 2001. The audit was conducted in conformance with ANAO auditing standards and cost \$140 000.

Report structure

1.17 The remainder of this report sets out the ANAO's findings and conclusions and is divided into four chapters, as follows:

- Chapter 2 — posting policy and process in the ADF;
- Chapter 3 — findings and recommendations of the PTRT;
- Chapter 4 — separation and recruitment issues in the ADF; and
- Chapter 5 — members' attitudes to postings, and the initiatives of the career management agencies.

2. ADF Posting Policy and Process

This chapter examines ADF posting policy and practice, the role of the Services' career management agencies and the costs associated with postings.

Posting policy directive

2.1 Personnel posting policy in the ADF is set out in CDF Directive 19/95 *Posting Policy* (February 1995). It states that the aim of ADF staffing policies is:

... to achieve a balance between the competing demands of operational effectiveness, the requirement to provide career development of members and the need to minimise disruptions to family well-being.

2.2 The Directive notes that there are significant costs associated with the posting process and that frequent postings can inhibit better work practices by:

- not allowing personnel sufficient time to be fully effective in an appointment;
- diminishing the acquisition of corporate knowledge of a unit; and
- discouraging effective forward planning.

2.3 Given these considerations, the Directive includes requirements, in relation to posting frequency and geographic turbulence. The requirements are that the standard posting period is to be three years and, wherever possible, ADF members should stay at the same geographic location for two successive postings.

2.4 Allowable exceptions to these two requirements are postings for:

- personnel under training or as a stipulated trade requirement to retain skills and currency;
- command and operational appointments that require more frequent rotation to widen the experience of more individuals;
- postings on promotion;
- United Nations, aide-de-camp, military adviser and RSM⁷ postings;
- postings as a consequence of unexpected discharges and resignations, unsuitability reports, formal warnings and adverse reports;

⁷ Regimental Sergeant Major.

- postings due to compelling compassionate and medical reasons including follow-on postings;
- staggering of unit executives' postings; and
- hardship postings.

The Directive states that *'the list is not exhaustive but highlights the contingencies that arise periodically'*.

Role of career management agencies

2.5 Posting military personnel is one of the functions performed by the career management agencies of the three Services.⁸ The six career management agencies (see Table 1) each have a career management process that aims to meet Service needs and to satisfy, where possible, the aspirations and career development needs of the individual.

Table 1

ADF career management agencies

Career management agency	Abbreviation	Service	Ranks serviced
Directorate of Sailors' Career Management	DSCM	Navy	Other ranks
Directorate of Naval Officer Postings	DNOP	Navy	Officers
Soldier Career Management Agency	SCMA	Army	Other ranks
Directorate of Officer Career Management – Army	DOCM-A	Army	Officers
Directorate of Personnel Airmen	DPA	Air Force	Other ranks
Directorate of Personnel Officers – Air Force	DPO (AF)	Air Force	Officers

Note: 'Other ranks' refers to ADF personnel who are not officers.

Source: PTRT discussion paper *Personnel Philosophies, Policies and Practices that Generate a Removal*.

2.6 Posting decisions are made within the context of the Service workforce plan, which sets the number of personnel at rank and in a particular employment category and, in the case of Navy, the ship/shore roster. Three considerations are then taken into account in deciding to post a member:

- Service need—that is, staffing of units;
- personal desires—for example, the member's desired posting location and particular professional development opportunity he or she wishes to undertake; and
- the development needs of the individual—for example, activities that may test the suitability of an individual for promotion.

⁸ The functions also include career management, performance assessment and promotions.

2.7 The career management agencies must balance the career development aspirations of individual members with the basic need to meet military capability requirements. Although career development and posting preferences are taken into account whenever possible, the *primary* consideration for each career management agency is the operational requirements of the Service. Because of this operational necessity, career managers can tend to see their role as, essentially, 'plugging holes'.

2.8 An added complication is that operational requirements of the ADF can change. Priority areas are set by the Government and CDF in response to changing domestic and international requirements, such as assisting with security at the Sydney Olympic Games and assisting with the United Nations' deployment to East Timor.

2.9 These priorities mean that certain relevant formations or units need to be fully manned at a particular point in time and that, consequently, postings may be necessary from other areas within the Services to fulfil specific operational requirements. This may leave gaps in non-priority areas.

2.10 The career management agencies consider that some ongoing unfilled vacancies are unavoidable at present, due to the fact that all three Services are undermanned to varying degrees. (Chapter 5 considers some of the agencies' initiatives aimed at improving personnel management.)

Compliance with posting Directive

2.11 Compliance with the posting Directive is checked by means of annual returns provided by the Services to Headquarters ADF (Services Personnel and Policy Branch). Returns for 1998–99 indicate that, of 30 247 posting orders issued in that year, 13 958 necessitated a geographic relocation but only a small percentage of the latter did not comply with the Directive. However, the majority of postings were classified as allowable exceptions, as outlined in paragraph 2.4.

2.12 Analysis of compliance returns (see Table 2) indicates that exceptions are becoming the norm, with the majority of postings allowable under the parameters of the Directive without actually complying with its requirements for three year postings and, wherever possible, two successive postings in the same location.

Table 2**Compliance with requirements of CDF Directive 19/95 Posting Policy in 1998–99**

Requirements of Directive	Postings that complied with requirements of Directive (%)	Postings classified as allowable exceptions (%)	Postings that did not comply with requirements of Directive (%)	Total postings (%)
Posting period of three years	25.4	71.8	2.8	100.0
Same geographic location for two successive postings	35.6	62.9	1.5	100.0

Source: Posting Turbulence Review Team.

2.13 The ANAO was informed on several occasions that three year postings and back-to-back postings in the same location were impracticable, given present circumstances in the ADF where operational necessity has had to take precedence, and where there are relatively high separation and low recruitment rates.

Need to review posting policy

2.14 Postings are for the purpose of filling staffing complements but numerous postings can have adverse ‘turbulence’ effects, as indicated in paragraph 1.4. In any large organisation, postings can help renew particular areas by introducing new people with new ideas, but frequent postings driven by necessity or policy may also degrade organisational memory and affect organisational efficiency.

2.15 The ANAO considers that existing posting policy should be reviewed, particularly with respect to its continued use of accepted historical posting practice. Frequent job rotation has long been seen within the ADF as having the positive effect of producing well-rounded service personnel. However, the following comment indicates that a high rate of job rotation can also have a detrimental effect on capability:

A major handicap for senior military officers is that the career management system requires them to continue to rotate through successive appointments at the same rate as in their apprentice years. This makes it difficult to initiate and see through genuine organisational improvement programs....

Job rotation is a very useful career development strategy, but the Defence Force overdoes it.⁹

⁹ Jans, Brigadier N., 2000, ‘Rich Organisation, Poor Organisation: Defence Performance and Military Leadership’ in *Australian Defence Force Journal*, No. 142 May/June 2000, pp. 6–7.

2.16 Problems relating to the posting Directive, with regard to posting length and geographic location of postings, have been recognised by the Services. Under its terms of reference, the Posting Turbulence Review Team (PTRT) was to make a critical examination of the Directive. In the event, it recommended that the Directive be replaced with a new personnel directive based on the Strategic Workforce Plan.

2.17 The ANAO suggests that the policy Directive should be reconsidered in the light of current posting practices, the required levels of operational capability, and the geographical dispersion of bases and functions. In developing a new directive, it would be appropriate to question the need for three year postings and other basic aspects of the present Directive. It would also be appropriate to review other job rotation cycles and enduring practices like Navy's ship/shore personnel ratio.

Recommendation No.1

2.18 The ANAO recommends that Defence review existing ADF posting policy, including CDF Directive 19/95 *Posting Policy*, in the light of current posting practices, and to reconsider the need for three year postings and other key aspects of the present policy.

Defence response:

2.19 Agreed, noting that geographic stability remains a factor that influences retention.

Cost of postings

2.20 Postings represent a significant cost overhead for the ADF. PTRT analysis indicates that in 1998–99 the movement of ADF personnel cost \$156 million. A significant component of this is the cost of removals and relocations;¹⁰ the average cost is approximately \$7800.

2.21 Only those postings that entail a removal or relocation generate a cost to Defence through the relevant career management agency. These costs are in the form of numerous allowances associated with relocation of members and their families.¹¹

¹⁰ A removal is caused by a posting resulting in a change in geographic area. A relocation may simply involve a change of location in the same area.

¹¹ The allowances include those for posting travel; childcare reimbursement; removal costs, freight and storage; disturbance; pet relocation; student reunion travel; education; separation; settling in/settling out; and house hunting trips.

2.22 As the allowances form part of the conditions of service, the only avenue career management agencies have to reduce these costs is to reduce the number of postings that generate a removal or relocation. In some cases this is also beyond their control as removals are entitlements in certain circumstances, such as divorce, marriage or on promotion.

2.23 This situation is not unique to Australia. The US General Accounting Office reported in 1996:

The military services have limited control over the costs of relocating service members because most relocation entitlements are provided in U.S. laws and DOD [Department of Defense] policies.¹²

2.24 The General Accounting Office commented that, despite this, the US Services were taking steps to reduce costs by reassessing their posting policies and practices, and by encouraging 'consecutive assignments in certain geographic locations and increasing tour lengths where possible'.¹³

2.25 As indicated in paragraph 1.7, the ADF's career management agencies found little scope for postings savings. However, the Services have recognised the inflexible nature of many allowances. The current certified agreement for ADF personnel notes that the ADF has initiated a review of costs associated with removals and that the results of the review are to be implemented before 2002.¹⁴

2.26 It would be timely for Defence to consider whether the present system of entitlement to allowances remains appropriate or could be replaced by a more flexible system of reimbursement of costs or other approaches that might better meet ADF needs. This could be done as part of the Government's external review of ADF remuneration arrangements announced in the recent Defence White Paper. The focus of the external review is to provide options that improve the attractiveness of the total remuneration package within overall Defence budget constraints.¹⁵ The review is due to report to the Minister for Defence and the Minister for Finance and Administration by 31 August 2001.

¹² United States General Accounting Office, 1996, *Military Personnel Reassignments: Services Are Exploring Opportunities to Reduce Relocation Costs*, Report to the Chairman, Subcommittee on Military Personnel, Committee on National Security, House of Representatives, [16 February 1996], [Online], Available: <http://www.gao.gov/AindexFY96/abstracts/ns96084.htm>, [22 January 2001], p. 2.

¹³ *ibid.*, p. 2.

¹⁴ Australian Defence Force, 1999, *Australian Defence Force Enterprise Productivity Arrangement: 1999–2002*, [Online], Available: <http://defweb.cbr.defence.gov.au/dpedsa/EPA%20VERSION%205.doc>, [23 February 2001], p. 17.

¹⁵ *Defence 2000: Our Future Defence Force*, *op. cit.*, p. 65.

The terms of reference for the External Review of ADF Remuneration Arrangements were announced in a joint media release by the Minister for Defence and Minister Assisting the Minister for Defence on 15 March 2001. The chairman of the review is Major-General Barry Nunn.

Conclusion

2.27 The ADF has not fulfilled the objectives of the CDF Directive on postings policy with regard to either posting length or geographic location. In practice, most postings are 'allowable exceptions' to the Directive. As these allowable exceptions have now become the norm, it would be appropriate to review the Directive in the light of current posting practices and to reconsider the need for three year postings and other basic aspects of the present policy.

2.28 Many of the costs associated with postings are non-discretionary entitlements. The current review of ADF remuneration provides an opportunity to consider whether these entitlements remain appropriate or should be replaced by a system that offers more flexibility in conditions of service.

3. Posting Turbulence Review

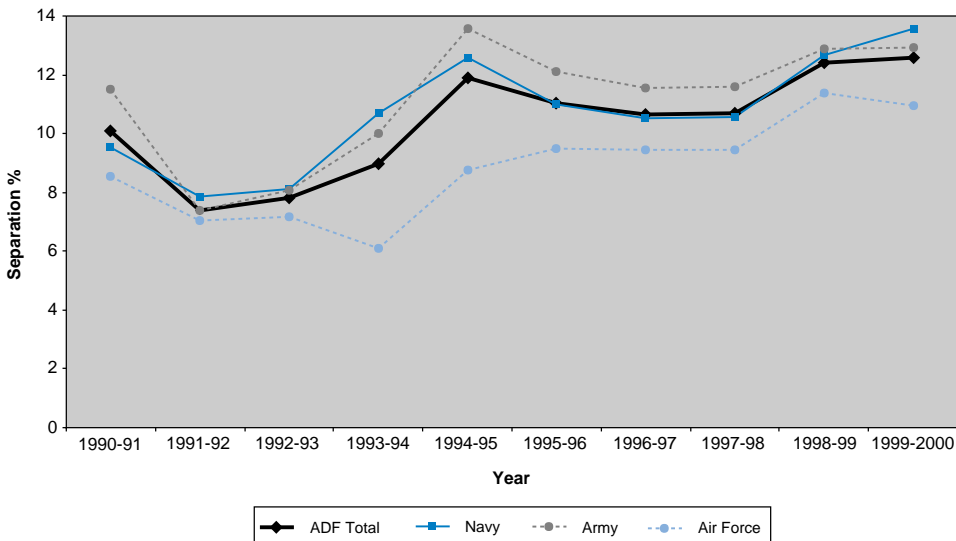
This chapter discusses the findings of the Posting Turbulence Review Team established by Defence to examine all aspects of the posting process.

Posting Turbulence Review findings

3.1 Defence established the Posting Turbulence Review Team (PTRT) in February 2000. It was given wide terms of reference to examine all Service infrastructure, career management policies, philosophies and Service practices that generate a posting. Its report, completed late in 2000, covered personnel policies and practices that generate removals and relocations. The PTRT found that personnel separations from the ADF are the main driver behind posting turbulence and the large number and cost of postings. Separation rates from the ADF are presently at 10 year highs, as Figure 1 shows.

Figure 1

ADF personnel separation rates, 1990–91 to 1999–2000



Source: Posting Turbulence Review Team.

3.2 There is, therefore, some scope to reduce postings by reducing separation rates to more 'normal' levels based on either historical average ADF separations data, preferred separation rates for particular occupational groups within the ADF, or on average separation rates taken from a wider employment base. A reduction in separations to this normal rate should be an initial goal of the ADF. However, once achieved the

scope for reducing postings further may well be limited. Separations from the ADF are discussed further in Chapter 4.

3.3 The PTRT found that each departure from the ADF creates a vacancy in the unit the member left and generates, in many cases, a posting removal order. The vacancy normally needs filling to enable the unit to retain operational capability and readiness in line with the ADF's strategic priorities. This is especially so in the present environment of high turnover rates where most non-essential posts are already empty. To fill the vacancy, a posting order must be prepared, as another ADF member must change job and/or location to fill it. The replacement, in turn, creates a vacancy that needs filling, and the cycle continues until a vacancy does not need to be filled or cannot be filled by an existing member of the Service. For example, the separation of a Warrant Officer from Navy or Air Force might generate five subsequent postings, given that there are five ranks below the rank of Warrant Officer.

3.4 The PTRT estimated that 80 per cent of postings are due to ADF members separating and the 'knock-on' effect the separations have on other posting requirements. The PTRT believe that this finding contradicts contemporary thinking about the relationship between ADF separations and posting turbulence. The DER, for example, suggested that high levels of posting turbulence *cause* separations, not vice versa.

3.5 Given the significant costs associated with postings (see paragraph 2.20), it is apparent that there is scope for Defence to make savings by improving retention and lowering separation rates in the ADF.

Consideration of PTRT recommendations

3.6 The Defence Committee considered the PTRT's recommendations in October 2000 and decided that they should be developed into an Implementation Plan, which the Committee considered in November 2000.¹⁶ At the Committee's request, Defence Personnel Executive developed the Implementation Plan into a more comprehensive Action Plan for People for the Committee's consideration.¹⁷

¹⁶ The Defence Committee is responsible for providing advice on the long-term strategic direction of Defence with a focus on capability, timely and responsive defence advice, and proper stewardship of people and resources.

¹⁷ Defence Personnel Executive is responsible for monitoring and controlling current and future ADF workforce by number, characteristics, cost and function and for establishing and managing ADF personnel positions.

3.7 The proposed Action Plan for People sought to *'create a work environment for current and future Defence members which is appealing, challenging, sustainable and supportive of their family and lifestyle aspirations'*. It contained 12 areas for action based on PTRT recommendations and designed to address major identified deficiencies in personnel management in the ADF. The areas for action are set out in Appendix 1 to this report.

3.8 The Government initiated an external review of ADF remuneration (see paragraph 2.26) at about the time the Defence Committee was considering the PTRT's recommendations. The ANAO initially understood that the external review might delay implementation of the Action Plan for People. However, Defence informed the ANAO at the completion of this audit that it is proceeding to work through a range of initiatives relating to the Action Plan for People, the first of which have been agreed by the Defence Committee and should be publicly announced soon.

ANAO reports on personnel retention and recruitment issues

3.9 The ANAO supports the development and implementation of retention measures. The ANAO's report last year on retention of ADF personnel concluded that action to reduce significantly the flow of members from the ADF would save resources lost in the training that had been given to experienced members who leave and in the resources that need to be applied to train their replacements. Expenditure on retention has the potential to be much more cost effective than expenditure on recruitment and training.¹⁸

3.10 The audit report recommended establishing a management framework that details retention policies and assigns responsibility for personnel retention; and developing a system for gaining a good understanding of the factors that motivate members to remain in the ADF. The report made nine recommendations to assist Defence in managing personnel retention and improving retention rates. These are reproduced at Appendix 2 to this report.

¹⁸ ANAO, 2000, *Retention of Military Personnel*, Audit Report No.35 1999–2000, Canberra, p. 13.

3.11 In recognition of the importance of ADF personnel in achieving the Defence mission, other ANAO reports in the last five years have made recommendations designed to enhance ADF recruitment and retention. These recommendations are reproduced at Appendix 3 to this report. At the request of the Defence Audit Committee, Defence's Management Audit Branch established the Audit Recommendations Management System (ARMS) in 1999 to monitor progress in implementing audit recommendations. Information on ARMS indicates that Defence has initiated some action in response to the ANAO recommendations on recruitment and retention, but data on specific action plans and achieved implementation milestones is not made available on the database. Furthermore, no information is available on recommendations made prior to the establishment of ARMS.

3.12 Recruitment, retention and separation issues underlined by the PTRT, and the present situation regarding ADF force numbers, call for a concerted effort to address them. Among other measures in hand, it would be appropriate for Defence, in the context of overall ADF workforce planning, to review its progress in implementing the recommendations that the ANAO has made on these issues in recent reports.

Recommendation No.2

3.13 The ANAO recommends that Defence:

- a) continue to take action to improve recruitment and retention rates in the ADF, including implementation of initiatives arising from the Posting Turbulence Review; and
- b) review its progress in implementing recommendations on ADF personnel recruitment and retention made in previous ANAO reports on Defence.

Defence response:

- 3.14** a) Agreed.
b) Agreed.

Need for better data

3.15 The PTRT finding that most postings are caused by separations was derived from a model that best utilised the available and accessible data. The model provides a reasonable rationale for the current postings cycle and posting turbulence. However, it would further Defence's understanding of the link between postings and separations if it had full access to actual data. Developing a capability to capture separation and posting data would allow Defence to better understand the postings cycle and facilitate effective, informed remedial action as well as improved workforce planning.

3.16 The introduction of the Personnel Management Key Solution (PMKeyS), the new Defence personnel management system, into the career management agencies during 2001 should, if successfully implemented, provide an opportunity for the ADF to collect the data.¹⁹ Developing a capability to collect comprehensive data need not delay action to implement broad initiatives arising from the PTRT report.

Recommendation No.3

3.17 The ANAO recommends that Defence develop a capability to capture data on personnel separations and postings that will enable the ADF to better understand the posting cycle and facilitate more informed decision-making.

Defence response:

3.18 Agreed, noting that PMKeyS will produce this data.

Conclusion

3.19 The ADF is experiencing higher than desired separation rates and needs to have a better retention rate in order to maintain its capability. The PTRT has highlighted retention as an issue, and previous ANAO reports on Defence have made recommendations on the recruitment and retention of ADF personnel.

3.20 It is in Defence's interests that it continues to take action to improve recruitment and retention rates in the ADF as soon as possible. This would help reduce posting turbulence and the number and cost of postings, and put the ADF in a better position to meet current and future capability requirements. Appropriate action would include implementation of initiatives arising from last year's Posting Turbulence Review. Defence should also review progress on the implementation of agreed recommendations made by the ANAO on recruitment and retention issues in earlier reports.

3.21 The PTRT has modelled data on which to base its finding that 80 per cent of postings are caused by separations. It would further Defence's understanding of the link between postings and separations if it were able to access actual rather than modelled data. This would also help confirm the PTRT's findings, and facilitate a better informed decision-making process.

¹⁹ The Personnel Management Key Solution will result in the ADF using a common personnel management system. Currently, each Service has its own personnel management system.

4. Separations and Recruitment

This chapter discusses and analyses separation and recruitment issues in the ADF.

Separations from the ADF

4.1 The current separation rates across all three Services are higher than both the five and 10 year average separation rates. The separation rate for the ADF as a whole has fluctuated over time and has been shown to be related to the national unemployment rate. The Posting Turbulence Review Team (PTRT) found that, as employment in the Australian economy increases, the ADF separation rates increases as members leave to take up civilian employment opportunities outside Defence.

4.2 However, Navy informed the ANAO that the difficulties in recruitment were of more concern than the separation rate of navy personnel. Navy data on separations and enlistments indicate that separations have been comparatively stable over the last five years but enlistments have significantly decreased. This has resulted in the gap between separations and enlistments widening considerably over this time. The recent decrease in Navy personnel is thus more the result of difficulty in recruiting personnel than in retaining them.

4.3 The ADF is currently experiencing difficulty in achieving its overall recruitment targets. The gap between the numbers of members the ADF needs to meet its capability requirements and the actual number of members the ADF has at a particular time is growing. The size of the gap is influenced by the difference between recruitment and separation rates or, put another way, the ability of the ADF to recruit sufficient numbers to offset the numbers leaving. If this difference continues at its current rate, or begins to increase, ADF capability may be impaired.

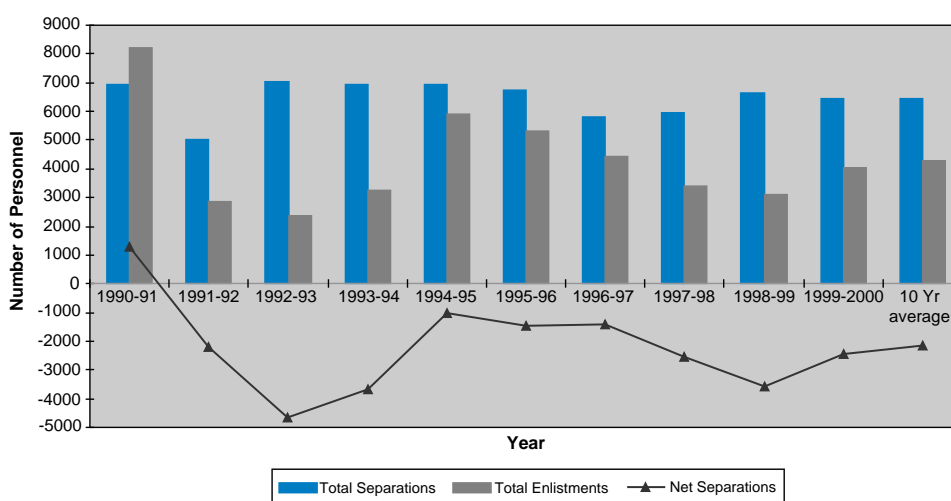
4.4 The US General Accounting Office reported similar personnel problems for the US Department of Defense, which has *'encountered considerable difficulties in achieving its desired military strength due to problems in recruiting and retaining personnel.'*²⁰

²⁰ United States General Accounting Office, January 2001, *Major Management Challenges and Program Risks—Department of Defense*, Performance and Accountability Series, GAO-01-244, p. 22.

4.5 Responses to the 1999 ADF Attitude Survey indicated that almost a third of respondents had formed the intention to leave their respective Service.²¹ This represents about 17 200 personnel (in a force of 51 500) looking for other employment.

4.6 Figure 2 tracks the relationship between separations and enlistments over the past 10 years and shows that the last time that enlistments exceeded separations was in 1990–91. The net separation line illustrates that between 2500 and 3500 personnel have been leaving the ADF a year over the three years to 1999–2000. The average separation rate over the last 10 years is 2150 a year.

Figure 2
Relationship of separations to enlistments in the ADF, 1990–91 to 1999–2000



Source: ANAO analysis of *Defence Annual Reports*.

Separation rates by rank and targeted retention measures

4.7 The relationship between postings and separations identified by the PTRT indicates that the key to reducing postings is through improving retention rates. However, broad retention measures aimed at reducing overall separation rates would be insufficient on their own to mitigate

²¹ In the first ADF-wide attitude survey, the ADF sent questionnaires in July and August 1999 to a random sample of approximately 20 per cent of Navy, Army, and Air Force personnel. The survey sought to gain information from respondents on a range of issues including management, supervision, career management, postings, organisational change, service conditions, equity, family and career intentions. Further results from this survey are discussed in Chapter 5. The next ADF Attitude Survey is to be conducted in March 2001.

the effect separations have on capability, as separations differ by rank and employment category. Broad retention initiatives must therefore be allied with *targeted* retention measures that focus on reducing separations from specific areas where high separation rates could have the most impact on ADF capability.

4.8 Aggregated separation rates can be misleading as they can mask specific problem areas. If separation rates were consistent across rank, the solution would be to recruit at the same rate as separations occur. This process would have to allow for an appropriate time-lag and workforce planning decisions (including recruitment policies) but, in effect, the recruits would progress through the ranks at a constant pace and replace the ‘known’ percentage of separations at each rank.

4.9 In practice, separation rates are not consistent by job, rank or Service. What is needed in support of broad retention measures are job, role or rank specific initiatives which target particular priority areas where high separations rates are significantly impinging on ADF capability. Initiatives currently being developed by the three Services are discussed in Chapter 5 and Appendix 4.

Recruitment targets

4.10 The former Minister for Defence commented on Defence recruitment in 2000 as follows:

I have to say that the record in recruitment this year is but fair. And so, in the coming year, we'll need to address why that was only fair and what our programs ought to be addressed to in the future to ensure that we're getting our fair share of the people in the Department and Defence Force.²²

4.11 Table 3 summarises the ADF performance in meeting recruiting targets for 1999–2000. In 1999–2000 the ADF was able to meet 76 per cent of its recruitment target. If the difficulty in recruitment persists, the enhanced force structure outlined in the recent White Paper—an increase from 51 500 to 54 000 full-time ADF personnel—will be difficult to achieve.

²² Moore, Hon. J., 2000, Address to the Royal United Services Institute of Australia International Seminar in *Journal of the Royal United Services Institute of Australia*, Vol. 22, December 2000, p. 11.

Table 3**Recruitment achievements in the ADF, 1999–2000**

Service	Recruitment Target	Recruitment Achievement against Target (%)
Army – Officers	434	64
Army – Other Ranks	2188	87
Navy – Officers	192	53
Navy – Other Ranks	1304	57
Air Force – Officers	305	66
Air Force – Other Ranks	904	89
Total ADF	5327	76

Source: ADF data.

4.12 The PTRT indicated there were many potential reasons for the Services' inability to meet recruitment targets. These included:

- demographic restrictions, with a shrinking pool of available 18–24 year-old Australians;
- strength of the Australian economy has reduced unemployment levels and increased the range of alternative well-paid careers for people who might otherwise have joined the ADF;
- sociological change away from military based career options;
- adverse publicity, such as 'crossing the line' rituals for new recruits;
- structure and resource usage of the current ADF recruitment function; and
- higher levels of education amongst young Australians.

4.13 The ADF is attempting to address this problem by restructuring recruitment. A pilot exercise in Victoria and Tasmania is testing the use of a private sector firm to provide recruitment services to the ADF. The firm was awarded a 12 month pilot contract, which commenced in September 2000. It is expected that, if the pilot is successful, the firm would provide services for a period of five years and enable the ADF to recruit from far more recruitment offices than it is able to at present.

Lateral recruitment

4.14 Lateral recruitment is the normal means by which civilian employers fill vacancies with appropriately skilled and experienced external people when suitable internal candidates are not available. Recruitment of appropriately skilled and experienced personnel from outside the Services to specialist positions in the Services is more problematic. The armed forces are unique in their purpose, training and

culture and there are many issues attached to recruiting civilians into such an environment.

4.15 The Services already have direct recruitment for selected employment categories whereby civilians with recognised qualifications in professional and specialist technical vocations can be recruited into the Services. Direct recruitment removes the need for the Services to pay for the training costs of employment categories such as engineering, financial, legal and health, although initial military training is a requirement for all recruits.

4.16 Lateral recruitment has been discussed as a possible way of helping to alleviate recruitment problems experienced by the ADF. The Glenn Report (1995) commented:

*With a clearer definition of jobs, a range of flexible work practices...and a more complete accreditation of skills and competencies...the ADF will be in a better position to pursue selected lateral recruitment.*²³

4.17 The issue has also been raised by the Management Audit Branch of Defence:

*... lateral recruiting could be applied for most specialist technical positions. However, initial talks with Defence Force Recruiting Organisation (DFRO) revealed that lateral recruiting requires an enormous amount of administrative work and is quite expensive. Further, lateral recruiting in its current form often takes 8–12 months to finalise.*²⁴

4.18 More recently the Joint Committee of Public Accounts and Audit, in its review of Audit Report No.40 1999–2000 *Tactical Fighter Operations*, expressed interest in the usefulness and applicability of lateral recruitment processes for the ADF. An Air Force representative informed the committee that ‘...for many years we have had a clearly focused lateral recruitment policy. We have recruited people from the UK, Canada, USA, New Zealand and Singapore’.²⁵ This comment was made in relation to the international availability of suitably skilled fighter pilots; in terms of more general recruitment the Air Force indicated it had recruited people ‘off the street’ from New Zealand but had ‘not really gone beyond that to try and recruit other nationalities’.²⁶

²³ *Serving Australia—The Australian Defence Force in the Twenty First Century* (the Glenn Report) 1995, Directorate of Publishing, Canberra, p. 89.

²⁴ Department of Defence, Management Audit Branch, 1999, *Military Postings Cycles*, Draft Issues Paper, [29 April 1999], p. 6.

²⁵ Blackburn, Air Cdre J., 2000, Evidence given to Joint Committee of Public Accounts and Audit Inquiry—Reference: Review of Auditor-General’s reports, third and fourth quarters 1999–2000, *Proof Committee Hansard*, DPRS, Canberra, [3 November 2000], p. 129.

²⁶ *ibid.*, p. 130.

4.19 Although there have been suggestions from internal and external sources that the ADF could make more use of lateral recruitment, the ANAO is not aware that any systematic study of lateral recruitment has been undertaken by the ADF. In the present recruitment and retention circumstances, it would be appropriate to conduct such a study.

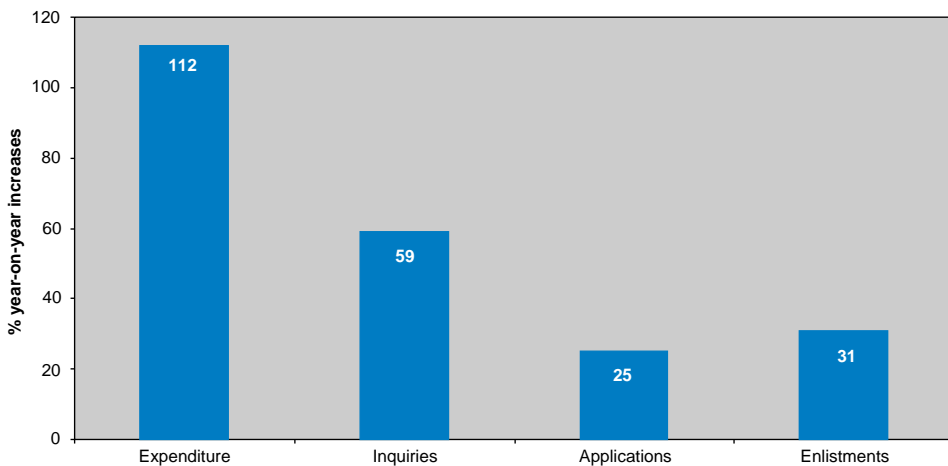
Recruitment advertising expenditure

4.20 The advertising and market research budget for the Defence Personnel Executive increased from \$15.4 million, in 1998–99, to \$32.8 million in the following year, 1999–2000. This represents an increase of 112 per cent.

4.21 Figure 3 illustrates percentage changes from 1998–99 to 1999–2000 in recruitment advertising expenditure, inquiries to the ADF, applications to the ADF and enlistments into the ADF. Although increased advertising appeared to have had an effect on inquiries, which rose 59 per cent year-on-year, applications rose only 25 per cent and enlistments rose 31 per cent. This indicates that the cost-effectiveness of the expenditure might be improved and/or an impediment is occurring in the inquiry to application recruitment process that is artificially reducing the numbers continuing their application. The figures indicate a need to evaluate the success of the recruitment advertising process.

Figure 3

Change in advertising expenditure and recruitment performance, 1998–99 to 1999–2000



Source: ANAO analysis of *Defence Annual Reports*.

Conclusion

4.22 The ADF is experiencing difficulties in recruiting sufficient numbers of personnel to meet recruitment targets, and in retaining existing members. The excess of the number of members the ADF needs to meet its capability requirements over the actual number of members the ADF has enlisted is growing. If this situation continues, ADF personnel strength will remain below desired levels and ADF capability will consequently be impaired.

4.23 Lateral recruitment of civilians into military positions requiring recognised professional or trade qualifications and experience raises cultural and organisational issues for a military organisation. The ADF has used it to fill only a few specialist positions. However, the present difficulties in recruitment and retention indicate that lateral recruitment, particularly in specialist areas, could offer advantages for the ADF, and it would be beneficial to review the feasibility and effectiveness of lateral recruitment as a means of alleviating present staffing difficulties.

4.24 Defence should evaluate the recruitment *advertising* process as analysis indicates that, although significantly increased advertising activity has increased inquiry rates, these inquiries have not subsequently been converted into actual enlistments. This raises questions as to the overall effectiveness of the recruitment advertising activity.

Recommendation No. 4

4.25 The ANAO recommends that Defence:

- a) review the feasibility and effectiveness of lateral recruitment as a means of alleviating present staffing difficulties in the ADF; and
- b) evaluate the cost-effectiveness of the ADF's recruitment advertising activity.

Defence response:

- 4.26**
- a) Agreed, noting that Army is already reviewing recognition of prior learning provisions for trades where civilian competencies may translate into relevant Service competencies.
 - b) Agreed.

5. Attitudes to Postings and the Initiatives of the Career Management Agencies

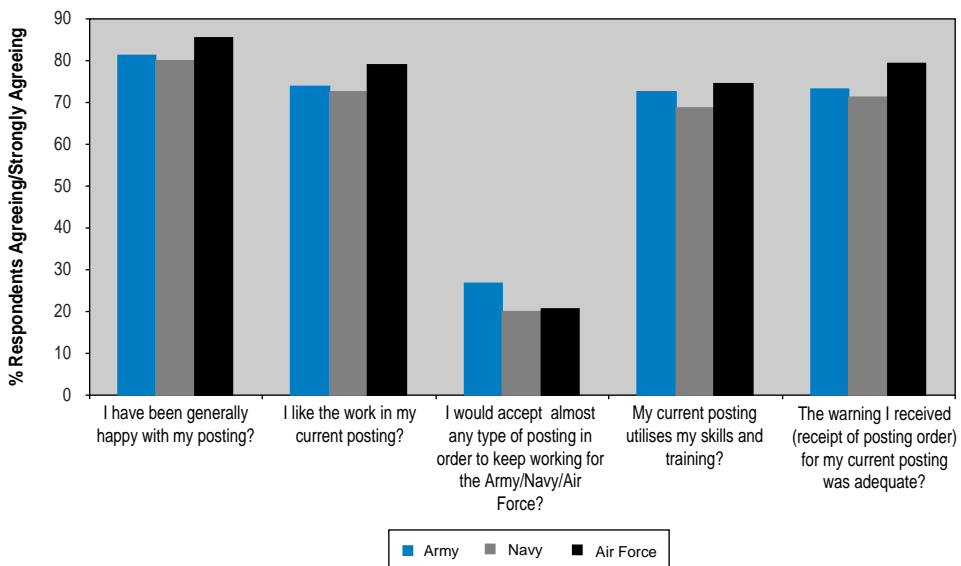
This chapter summarises certain data collected for the 1999 ADF Attitude Survey and the ADF career management agencies' initiatives to improve career management.

Attitudes to postings

5.1 The 1999 ADF Attitude Survey contained a number of questions relating to postings. The responses give a good indication of how ADF members regard their current posting and the overall posting process. Figure 4 summarises the responses of those members who either agreed or strongly agreed with selected survey questions.

Figure 4

1999 ADF Attitude Survey—Summary of responses to questions relating to postings



Source: 1999 ADF Attitude Survey.

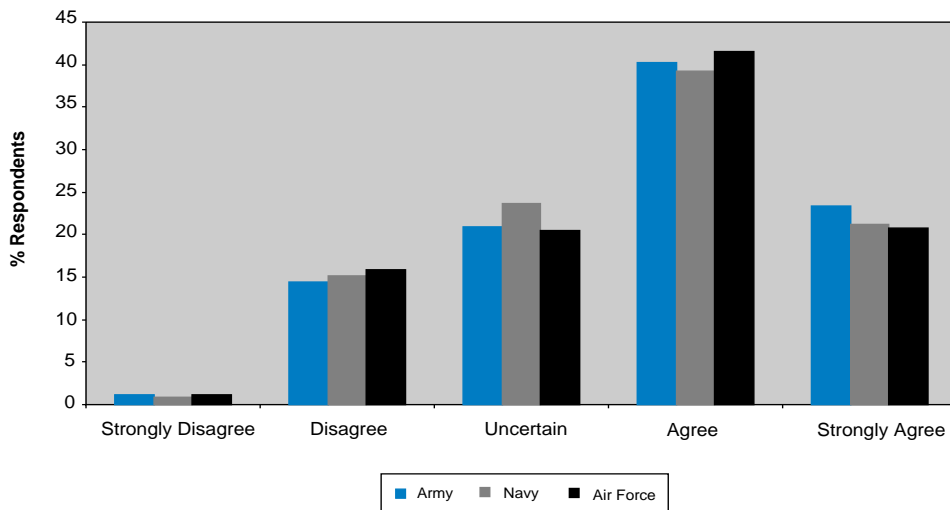
5.2 The responses indicate that most ADF members across the three Services are happy with their current postings and that the posting is utilising their skills. Such a response may be a result of individual members gaining their desired posting location and desired job. According to one career manager, most postings align with these preferences.

5.3 The reluctance to accept ‘any type of posting’ suggests that the current posting policies and procedures are placing ADF members in satisfactory locations and jobs. Most members also believe they received adequate notice of their posting.

5.4 However, the apparent contentment with postings from an individual ADF member’s perspective does not translate as strongly to attitudes towards their family circumstances. As Figure 5 shows, a significant proportion of ADF members do want more locational stability for their families.

Figure 5

1999 ADF Attitude Survey—Summary of responses to question: I want more locational stability for my family



Source: 1999 ADF Attitude Survey.

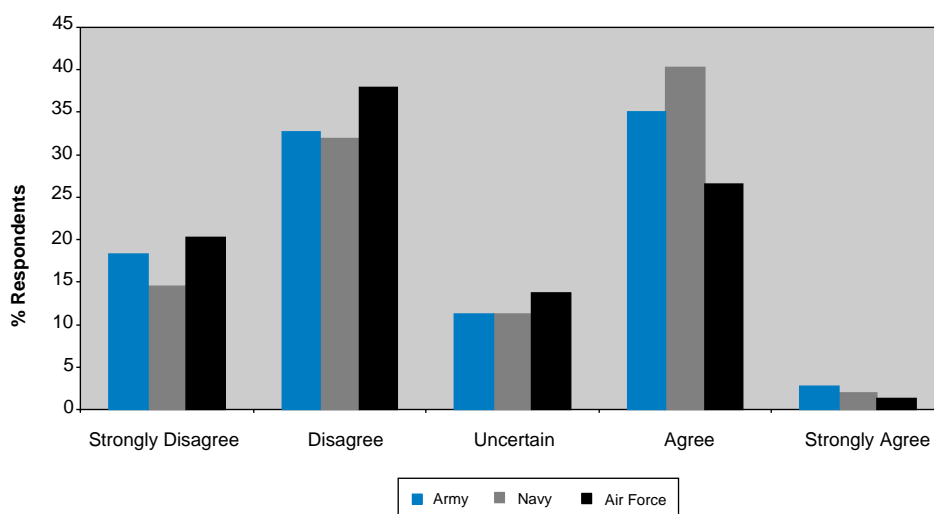
5.5 The responses shown in Figure 5 are echoed by the Posting Turbulence Review Team (PTRT) finding that changing geographic location can place families under considerable stress, and can lead to members leaving the Services. Although ADF members cannot stipulate places where they will not work (this is known as ‘restrictive service’), the reality is that some members will separate if posted to a location they regard as undesirable. Career managers try to differentiate between members who would leave because of genuine reasons for not wanting a particular posting, and those who would simply prefer a different posting but may be happy with the promise of a more desirable subsequent posting.

5.6 A consequential issue arising from the relocation of ADF members is spouse employment. The spouse of an ADF member may not be able to find suitable, or equivalent, employment near to the new posting location. Some locations, such as Darwin and Townsville, do not have the industrial or commercial infrastructure to absorb experienced and skilled people into the local workforce.

5.7 The ADF Attitude Survey also indicated some dissatisfaction with career management information, as shown in Figure 6. The number of 'strongly disagree' responses indicates strong feeling on the issue. However, there may always be dissatisfaction with aspects of career management when aspirations are not met. Some members may have used the survey as an opportunity to air personal dissatisfaction on not getting promotions or desired postings.

Figure 6

1999 ADF Attitude Survey—Summary of responses to question: Information on my career management has been adequate



Source: 1999 ADF Attitude Survey.

Career management initiatives

5.8 The ADF Attitude Survey drew attention to the need for better personnel career management. Similarly, the ANAO report on retention of military personnel commented on the need for better career management and more assistance from the career management agencies.²⁷

²⁷ ANAO, *op. cit.*, p. 92.

5.9 In the current audit, the ANAO found that the six career management agencies of the ADF (as outlined in Chapter 2) are implementing initiatives aimed at improving the career development and retention of members and, to a lesser extent, their posting outcomes. A summary of these initiatives is at Appendix 4.

5.10 The initiatives may not directly reduce the number of postings but they may result in an indirect reduction by providing a means by which the Services can better manage their rates of separation. Reductions in the level of separations may also result from the provision of better career management.

5.11 The initiatives are Service-specific responses to the need to improve retention of personnel and, as such, need to be seen as complementary to the proposed initiatives of the Action Plan for People. The impact of the career management agencies' initiatives may not be fully apparent for some years to come but they are positive attempts to address posting and retention issues.

Conclusion

5.12 Overall, the ADF Attitude Survey indicated that members were generally content with posting practices. However, there are some issues that the ADF should address with regard to ADF members with families. Career managers have the difficult job of balancing the overriding need to retain organisational capability with the need to maintain family stability. An issue brought to notice by the survey is that Defence should consider reviewing the career management information given to members to ensure that it meets their needs.

5.13 The career management agencies' are all implementing initiatives designed to enhance career management and retention of personnel across the three Services. Given the pressure to improve retention of personnel throughout the ADF, such initiatives are important initiatives in their own right and are complementary to the proposed initiatives of the Action Plan for People.



Canberra ACT
29 May 2001

P. J. Barrett
Auditor-General

Appendices

Appendix 1

Areas for Action of the Action Plan for People

Defence's proposed Action Plan for People, developed from the recommendations of the Posting Turbulence Review, contains the following areas for action designed to address identified deficiencies in ADF personnel management.

1. Command and leadership/high performance culture

Enhance Defence leadership through the implementation of a High Performance Culture program across the services and non-Service groups.

2. Special and unique nature of military service

Create and maintain an awareness of the special and unique nature of military service.

3. Public relations and communication

Prepare a Public Relations strategy to promote Navy, Army, Air Force and Defence as the employers of choice and to counter the effects of brand damage.

4. Attraction and recruitment

Attract and recruit sufficient suitable personnel to maintain Defence capabilities.

5. Workforce planning

Develop a Work Force Plan which effectively links personnel to the other elements of capability.

6. Defence estate

Establish few large multifunction bases where family and lifestyle requirements can be met and greater posting stability achieved.

7. Professional streams

Re-engineer the professional streams in the Defence Organisation and establish supporting training, education and research organisations.

8. Civilian staff development

Enhance the civilian staff development process.

9. Financial conditions of service

Review ADF Financial Conditions of Service to ensure the attraction and retention of sufficient suitable personnel and which recognize the special and unique nature of military service.

10. Relocations

Commercialise the Defence relocation function.

11. Housing/accommodation

Review Defence housing and accommodation assistance provisions/entitlements.

12. Family support

Review family support measures.

Appendix 2

Recommendations in ANAO Report on Retention of Military Personnel

Audit Report No.35 1999–2000 *Retention of Military Personnel* reviewed the management of personnel retention within the ADF and evaluated the measures Defence had in place to monitor and control the flow of trained personnel from the Services (paragraph 3.10 above refers).

The ANAO made nine recommendations designed to assist Defence in managing military personnel retention and improving retention rates. These recommendations are set out below with an indication of Defence's response at the time. The ANAO considered that Defence should give priority to Recommendations Nos 1, 2 and 8.

Recommendation No.1 The ANAO recommends that Defence assess the cost of replacing personnel at all levels, and the impact on Defence outputs and outcomes, in order to make well-informed decisions about the extent of resources to be applied to career management and retention of specific classes of personnel.

Defence response: Agreed.

Recommendation No.2 The ANAO recommends that Defence establish a criteria based management framework that details retention policies and procedures, benchmarks, performance indicators and clearly assigns specific responsibility for retention at various organisational levels.

Defence response: Agreed.

Recommendation No.3 The ANAO recommends that Defence commence actively managing retention of members deployed to East Timor in view of the potential for military personnel to review their career options on return from an overseas deployment.

Defence response: Agreed.

Recommendation No.4 The ANAO recommends that Defence establish systems to continuously evaluate the cost-effectiveness of quality of life measures designed to reduce the separation incentives of personnel.

Defence response: Agreed with qualifications.

Recommendation No.5 The ANAO recommends that Defence continue to promote the resolution of issues affecting the education of ADF members' children through the Ministerial Council on Education, Employment, Training and Youth Affairs.

Defence response: Agreed.

Recommendation No.6 The ANAO recommends that Defence establish performance indicators to measure the extent to which it 'recruits and retains the right people', which is a key success factor for Defence Personnel Executive.

Defence response: Agreed.

Recommendation No.7 The ANAO recommends that Defence take action to address the issues relating to physical training injuries raised in the *ADF Health Status Report 1999*.

Defence response: Agreed.

Recommendation No.8 The ANAO recommends that Defence develop and implement a system for ensuring that it has a good understanding of the key factors that motivate ADF members to remain in the Services in the short and long terms and a sound ongoing knowledge of members' view of those factors.

Defence response: Agreed.

Recommendation No.9 The ANAO recommends that Defence endeavour to make its recruitment strategies more effective in retaining recruits for a cost-effective period by studying the effectiveness of its recruiting strategies and the perceptions held by recruits on the accuracy of recruitment information provided to them.

Defence response: Agreed.

Appendix 3

Other ANAO Recommendations to Defence on Personnel Matters

Set out below are recommendations the ANAO has made to Defence in the last five years (other than those listed in Appendix 2) concerning recruitment, retention and separations, together with an indication of Defence's response at the time.

Audit Report No.11 2000–01 Knowledge System Equipment Acquisition Projects in Defence

Recommendation No.7 The ANAO recommends that Defence undertake formal workforce planning and assessments of the Defence Information Environment workforce to ensure that training, postings, career prospects and professional development are carefully planned and that a holistic view, at least in a strategic sense, is taken in relation to these matters.

Defence response: Agreed, with qualification.

Audit Report No.40 1999–2000 Tactical Fighter Operations

Recommendation No.6 The ANAO recommends that Defence systematically monitor the progress of trainee fast-jet pilots recruited in the 1998 and subsequent recruiting campaigns to help identify strategies to improve the cost-effectiveness of fast-jet pilot recruiting and training.

Defence response: Agreed.

Recommendation No.7 The ANAO recommends that Air Force endeavour to raise the pass rates in fast-jet pilot training by:

- (a) identifying early Australian Defence Force Academy (ADFA) pilot applicants who do not meet the flying aptitude standards and direct them to other careers;
- (b) allowing ADFA cadets to commence pilot training only if they meet the minimum flying aptitude standards; and
- (c) making up the shortfall on pilot training courses due to any reduced ADFA component with non-ADFA recruits.

Defence response: Agreed.

Recommendation No.8 The ANAO recommends that Defence seek to retain a greater proportion of its fast-jet pilots by:

- (a) conducting a full review of the Pilot Retention Bonus scheme, possibly including a survey of past and current pilots, to ascertain how to make such a scheme more effective;
- (b) targeting any future bonus to pilots who have completed their Return of Service Obligation, whose retention is operationally necessary and who will contribute to filling an identified shortage; and
- (c) considering the use of individual agreements or other special arrangements covering pay and conditions for fast-jet pilots.

Defence response: Agreed.

Recommendation No.9 The ANAO recommends that Defence coordinate its efforts to acquire and retain sufficient numbers of pilots for the Tactical Fighter Group (TFG) by formulating and implementing a TFG pilot workforce plan to:

(a) identify and approve authoritative figures for the required Hornet pilot numbers across the Defence organisation;

(b) set appropriate recruitment targets and selection processes;

(c) guide research on issues affecting the pilot workforce;

(d) facilitate a greater workforce planning and modelling capacity in relation to fast-jet pilots;

(e) identify key result areas and suitable measures for fast-jet pilot recruitment, selection, training and retention; and

(f) allocate responsibility for implementing, monitoring and evaluating actions under the workforce plan to a discrete functional unit within Defence.

Defence response: Agreed.

Audit Report No.13 1999–2000 Management of Major Equipment Acquisition Projects

Recommendation No.6 The ANAO recommends that DAO, in consultation with Output Managers responsible for capability outputs, maintain its personnel strategic plan as a workforce plan that brings together its current personnel and workforce initiatives and manages workforce demographics to increase the availability and continuity of experienced project managers, and revise the plan as necessary to take account of any changed work practices and economies from initiatives such as business process re-engineering.

Defence response: Agreed.

Audit Report No.44 1998–99 Naval Aviation Force

Recommendation No.12 The ANAO recommends that, to promote optimal use of its workforce, NAF review and prioritise the staffing requirements of NAF squadrons as part of the process of more effectively reallocating positions as the Super Seasprite helicopters enter Naval service.

Defence response: Agreed.

Audit Report No.34 1996–97 ADF Health Services

Recommendation No. 7 The ANAO recommends that, in conjunction with any recommendations flowing from the review of Attraction and Retention of Medical and Dental Officers, Defence examine the present medical officer structure with a view to providing more flexibility, including the employment of specialist medical officers, promotions for general practice clinicians and the streaming of medical officers into either clinical or administrative posts.

Defence response: Agreed.

Audit Report No.17 1996–97 Workforce Planning in the ADF

Recommendation No. 14 The ANAO recommends that the Services conduct further research into the causes of, and trends behind, personnel wastage with a view to improving the accuracy of predictions.

Defence response: Agreed.

Recommendation No. 15 The ANAO recommends that Air Force review the overall requirement for pilots, and either reduce the requirement or increase the pilot training capacity.

Defence response: Agreed.

Recommendation No. 16 The ANAO recommends that each Service more actively consider Management Initiated Early Retirement and Limited Tenure Promotion in managing the workforce.

Defence response: Agreed.

Recommendation No. 17 The ANAO recommends that Navy and Army introduce a system whereby, for each category for which overall demand is higher than overall strength, Commands nominate annually those positions that are of lower priority for filling.

Defence Response: Agreed.

Appendix 4

ADF Career Management Agencies' Initiatives

1. As indicated at paragraph 5.9, the six career management agencies of the ADF are implementing initiatives aimed at improving the career development and retention of members and, to a lesser extent, their posting outcomes. The initiatives are Service-specific responses to the need to improve retention of personnel and as such need to be seen as complementary to the initiatives of the Defence's proposed Action Plan for People. The following paragraphs summarise the initiatives.

Directorate of Sailors' Career Management

2. The Directorate of Sailors' Career Management commenced the Sailor Career Management Study in August 2000. The focus of the study is to formulate an improved career management model by examining the career expectations and aspirations of sailors. The opinions held by sailors regarding career management are also being considered.

3. The study is expected to result in provision of better information about postings to sailors. This will include information on where a particular posting sits in the context of an individual's career and more readily accessible information about naval careers in general. Consideration is also being given to the use of functional qualifications and some questioning of basic fundamentals such as the ship/shore roster.²⁸

Directorate of Naval Officer Postings

4. The aim of the Royal Australian Navy Officers Performance Effectiveness Study (ROPES), initiated by the Directorate of Naval Officer Postings, is to lengthen the amount of time officers spend in the Navy, make career paths more evident and provide greater stability. This is to be done by implementing functional qualifications, career review points and positive career management. These will form part of a more holistic approach to career management along with other career management initiatives such as changes to the promotion system.

²⁸ Functional qualifications are qualifications obtained by those working in specialised streams such as military strategy and policy, human resources, intelligence and project management.

5. Better defined career paths may convince individuals to extend their time in the Navy, even if only by an extra two to three years, and thus help the Navy to better manage separations. The results of the study will be specifically directed towards Lieutenants and Lieutenant Commanders,²⁹ who have 10–15 years' experience. A reduction in the separation rate of naval officers should result in a decrease in the number of postings. A detailed study considering the implications of the proposals in ROPES is under way and an implementation plan is being developed to commence in 2002.

Soldier Career Management Agency

6. The Soldier Career Management Agency is working to assist units to achieve better posting outcomes. A handbook on career management issues, containing chapters on the posting cycle and compassionate postings, was provided to unit commanding officers in 2000. Plans are also being developed to conduct a series of visits to major bases as an additional means of providing information. The visits depend on allocation of funding.

Directorate of Officer Career Management – Army

7. In 1999 the Directorate of Officer Career Management – Army commenced the Officer Professional Effectiveness Review – Army (OPERA) with the aim of improving the effectiveness of Army officers. OPERA aims to provide officers with more meaningful and challenging work and is directed towards officers of the rank of Major and above, these being the ranks at which a large number of personnel leave the Army.

8. OPERA is considering the introduction of functional qualifications and providing specified career review points, where a decision can be made to undertake a 'second' career in Army.³⁰ The matters that may be considered at these career review points include determining what an individual may want from his or her career and, where appropriate, what assistance can be provided prior to separation, such as assistance to transfer to the Reserves. As such, it is expected that OPERA should enable the Army to better manage its rate of separations and should lead to some small reductions in the number of postings.

9. The second career stream element of the project is being implemented with other elements of the project due to be implemented throughout 2001.

²⁹ Equivalent to the rank of Captain and Major in the Army.

³⁰ A 'second' career would involve ongoing work (as opposed to a posting) in a new military specialisation rather than continuing to work in the officers' original specialisation. For example, this could mean moving from infantry to human resources.

Directorate of Personnel Airmen

10. The Directorate of Personnel Airmen introduced the Airmen Career Management System in 1999 after a review of procedures in several career management agencies. The decision to post an individual now depends both on their suitability for the position and whether there is a surplus of individuals of the same rank at their existing posting. Defence advised that the system also places far greater emphasis on tenure in post and predictability on the timing of a posting. Prior to the review the primary posting driver was simply the preference of the individual to be posted to a particular job and location.

11. The revised process has so far been applied only to the posting cycle which took effect in December 2000/January 2001.

12. The Access Scheme, which establishes the rank and level of service at which an airmen/women may have direct contact with their career manager, has also been extended to airmen/women of lower ranks. Consideration is being given to extending this further to include all ranks.

Directorate of Personnel Officers – Air Force

13. The Directorate of Personnel Officers – Air Force recently established the Strategic Aircrew Management Organisation to assist with the retention of Aircrew. The aim of this organisation is to identify the factors that would prompt Aircrew members to continue their service in the Air Force. Initially, this will be done by means of exit interviews. The Organisation also provides strategic oversight on issues relating to recruiting, selection, training, career management, structural balance, remuneration and conditions of service for Aircrew. A specialist career and pay structure are being developed to improve the conditions of service of pilots with the intent of improving their attraction and retention.

14. Alongside this, Air Force has established the Directorate of Personnel Capability Management to examine the factors that attract people to the Air Force and those that influence them to remain in the Air Force. Essentially, the Directorate will be responsible for strategic planning in the areas of recruitment and retention.

Appendix 5

Performance Audits in Defence

Set out below are the titles of the ANAO's previous performance audit reports on Department of Defence and ADF operations tabled in the Parliament in the last five years.

Audit Report No.26 1995–96 *Defence Export Facilitation and Control*

Audit Report No.28 1995–96 *Jindalee Operational Radar Network Project*

Audit Report No.31 1995–96 *Environmental Management of Commonwealth Land*

Audit Report No.15 1996–97 *Food Provisioning in the ADF*

Audit Report No.17 1996–97 *Workforce Planning in the ADF*

Audit Report No.27 1996–97 *Army Presence in the North*

Audit Report No.34 1996–97 *ADF Health Services*

Audit Report No.5 1997–98 *Performance Management of Defence Inventory*

Audit Report No.34 1997–98 *New Submarine Project*

Audit Report No.43 1997–98 *Life-cycle Costing in Defence*

Audit Report No.2 1998–99 *Commercial Support Program*

Audit Report No.17 1998–99 *Acquisition of Aerospace Simulators*

Audit Report No.41 1998–99 *General Service Vehicle Fleet*

Audit Report No.44 1998–99 *Naval Aviation Force*

Audit Report No.46 1998–99 *Redress of Grievances in the ADF*

Audit Report No.13 1999–2000 *Management of Major Equipment Acquisition Projects*

Audit Report No.26 1999–2000 *Army Individual Readiness Notice*

Audit Report No.35 1999–2000 *Retention of Military Personnel*

Audit Report No.37 1999–2000 *Defence Estate Project Delivery*

Audit Report No.40 1999–2000 *Tactical Fighter Operations*

Audit Report No.41 1999–2000 *Commonwealth Emergency Management Arrangements*

Audit Report No.50 1999–2000 *Management Audit Branch—follow-up*

Audit Report No.3 2000–01 *Environmental Management of Commonwealth Land—follow-up*

Audit Report No.8 2000–01 *Amphibious Transport Ship Project*

Audit Report No.11 2000–01 *Knowledge System Equipment Acquisition Projects in Defence*

Audit Report No.22 2000–01 *Fraud Control in Defence*

Audit Report No.26 2000–01 *Defence Estate Facilities Operations*

Audit Report No.32 2000–01 *Defence Cooperation Program*

Audit Report No.33 2000–01 *Australian Defence Force Reserves*

Index

A

Action Plan for People 11, 14, 23, 33, 34, 47, 51, 61
ADF Attitude Survey 14, 38, 44-47
allowances 13, 29, 30
attitudes to postings 14, 24, 44, 45, 47
Audit Report No.35 Retention of Military Personnel 34, 53, 64

C

career management 13, 14, 22-30, 32, 36, 38, 44-47, 53, 61-63
career management agencies 13, 14, 22, 24-27, 30, 36, 44-47, 61, 63
CDF Directive 19/95 Posting Policy 16, 25, 28, 29
conditions of service 13, 22, 30, 31, 51, 63

D

Defence Audit Committee 35
Defence Committee 33, 34
Defence Efficiency Review (DER) 22, 23, 33
Defence Reform Program (DRP) 22
Defence White Paper 23, 30

F

families 13, 14, 21, 23, 29, 45, 47

G

General Accounting Office 30, 37
Glenn Report 41

J

job rotation 28, 29
Joint Committee of Public Accounts and Audit 41

L

lateral recruitment 12, 14, 17, 40-43
locational stability 45

M

Management Audit Branch 35, 41, 64
Minister for Defence 30, 39

P

PMKeyS 36
posting order 21, 27, 33
posting policy 11, 13, 14, 16, 21, 24, 25, 28, 29
posting turbulence 11, 12, 13, 16, 22, 23, 28, 29, 32, 33, 35, 36, 37, 45, 51
Posting Turbulence Review Team (PTRT) 11, 12, 13, 23, 24, 26, 29, 32-38, 40, 45

R

recruitment 12-17, 23, 24, 28, 34-37, 39-43, 51, 55, 56, 58, 63
recruitment advertising 12, 14, 17, 42, 43
relocation 13, 22, 27, 29, 30, 32, 46, 52
removal 13, 22, 26, 29, 30, 32, 33
retention 11-16, 23, 29, 33-36, 38, 39, 42, 43, 46, 47, 51, 53, 56-59, 61, 63, 64

S

separation rates 13, 14, 22, 32, 33, 36, 37, 38, 39
separations 11-14, 16, 22, 32, 33, 35-39, 41, 43, 47, 56, 62
spouse employment 46

Series Titles

Titles published during the financial year 2000–01

Audit Report No.40 Performance Audit

Management of the Adult Migrant English Program Contracts

Department of Immigration and Multicultural Affairs

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Information and Technology in Centrelink

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Department of Veterans' Affairs

Veterans' Review Board

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Audit Activity Report: July to December 2000
Summary of Outcomes

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Department of Defence

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Benchmarking the Finance Function

Audit Report No.24 Performance Audit
Family Relationships Services Program (FRSP)
Department of Family and Community Services (FaCS)

Audit Report No.23 Financial Statement Audit
Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2000

Audit Report No.22 Performance Audit
Fraud Control in Defence
Department of Defence

Audit Report No.21 Performance Audit
Management of the National Highways System Program
Department of Transport and Regional Services

Audit Report No.20 Performance Audit
Second Tranche Sale of Telstra Shares

Audit Report No.19 Financial Control and Administration Audit
Management of Public Sector Travel Arrangements—Follow-up audit

Audit Report No.18 Performance Audit
Reform of Service Delivery of Business Assistance Programs
Department of Industry, Science and Resources

Audit Report No.17 Performance Audit
Administration of the Waterfront Redundancy Scheme
Department of Transport and Regional Services
Maritime Industry Finance Company Limited

Audit Report No.16 Performance Audit
Australian Taxation Office Internal Fraud Control Arrangements
Australian Taxation Office

Audit Report No.15 Performance Audit
Agencies' Performance Monitoring of Commonwealth Government Business Enterprises

Audit Report No.14 Information Support Services Report
Benchmarking the Internal Audit Function

Audit Report No.13 Performance Audit
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Audit Report No.12 Performance Audit
Passenger Movement Charge—Follow-up Audit
Australian Customs Service

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Knowledge System Equipment Acquisition Projects in Defence
Department of Defence

Audit Report No.10 Performance Audit
AQIS Cost-Recovery Systems
Australian Quarantine and Inspection Service

Audit Report No.9 Performance Audit
Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative

Audit Report No.8 Performance Audit
Amphibious Transport Ship Project
Department of Defence

Audit Report No.7 Performance Audit
The Australian Taxation Offices' Use of AUSTRAC Data
Australian Taxation Office

Audit Report No.6 Performance Audit
Fraud Control Arrangements in the Department of Health & Aged Care
Department of Health & Aged Care

Audit Report No.5 Performance Audit
Fraud Control Arrangements in the Department of Industry, Science & Resources
Department of Industry, Science & Resources

Audit Report No.4 Activity Report
Audit Activity Report: January to June 2000—Summary of Outcomes

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Environmental Management of Commonwealth Land—Follow-up audit
Department of Defence

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Drug Evaluation by the Therapeutic Goods Administration—Follow-up audit
Department of Health and Aged Care
Therapeutic Goods Administration

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