

The Auditor-General
Audit Report No.31 2002-03
Performance Audit

Retention of Military Personnel Follow-up Audit

Department of Defence

Australian National Audit Office

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Canberra ACT
5 March 2003

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit 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 *Retention of Military Personnel Follow-up Audit*.

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

Yours sincerely



Oliver Winder
Acting Auditor-General

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

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Abbreviations

ADF	Australian Defence Force
ANAO	Australian National Audit Office
DCO	Defence Community Organisation
DFRO	Defence Force Recruiting Organisation
DHS	Defence Health Services
DPE	Defence Personnel Executive
DSPRR	Directorate of Strategic Personnel Planning and Research
PTI	Physical Training Instructor

Summary and Recommendations

Summary

Background

1. The Australian National Audit Office (ANAO) has followed up its 2000 performance audit report on retention of military personnel (Audit Report No.35 1999–2000 *Retention of Military Personnel*). Retention of military personnel for a cost-effective period is an important factor in maintaining the overall capability of the Australian Defence Force (ADF). The loss of experienced personnel can have adverse implications for ADF preparedness.
2. The objective of the original audit was to review the management of personnel retention within the ADF with a view to evaluating the measures Defence has in place to monitor, and control, the flow of trained personnel from the Services. It found that Defence was making considerable efforts to ensure that the conditions of service for members did not become a factor in members' decisions to separate from the military.
3. The audit report made nine recommendations directed at improving retention arrangements within Defence. Defence agreed with the recommendations, one with qualifications.
4. The objective of the follow-up audit was to outline the present situation regarding the retention of military personnel and assess the extent to which Defence has implemented the recommendations made in the original audit report. This report does not make further recommendations but identifies where recommendations have not been fully implemented and where further action is still required.

Conclusion

5. The separation rate for the ADF in 2001–02 was 11.43 per cent from a full-time force of some 51 400 members. This was the lowest rate for nearly five years. In the individual Services, separation rates were 12.15 per cent from Navy (full-time force of 12 600 members), 11.63 per cent from Army (full-time force of 25 200 members) and 10.37 per cent from Air Force (full-time force of 13 600 members). Defence has previously acknowledged that identified retention problems relate to specific combinations of trade, rank, location and Service. For example, all three Services experience problems retaining doctors and pilots. There are separation difficulties for Air Force regarding air traffic controllers; for Navy regarding electronics technicians; and for Army in relation to members at the rank of Captain and Major.

6. Defence has made progress, in some cases significant progress, in implementing the ANAO's original audit recommendations. Commendable work has begun in evaluating the cost-effectiveness of quality of life measures designed to retain personnel; promoting the resolution of issues affecting the education of ADF members' children; and addressing physical training injury issues. The proposed Retention Research Decision Guide, together with studies by the Directorate of Strategic Personnel Planning and Research, will help Defence develop a good understanding of the key factors that motivate ADF members to remain in the Services. Programs are being developed to address the reasons given by personnel for leaving the Services after a deployment.

7. The Government's Defence White Paper, in 2000, stated that Defence will use retention to shape its future workforce and that this requires a sophisticated approach that identifies the experience profile needed, followed by active management to achieve that profile. To give effect to this approach, Defence stated in May 2002 that, in 2002-03, it would begin implementing the Defence People Plan, which would provide vision and strategic guidance for Defence personnel policies, and specifically target recruitment and retention issues. The Plan has not yet been approved for implementation. It is to be considered by the Defence People Committee in 2003. When implemented, the Plan should assist in resolving issues raised in the original audit report.

8. In part because Defence personnel matters are subject to new administrative processes, implementation of some of the ANAO's recommendations has been slow. Several recommendations are only in the early stages of implementation, such as the development of costing models to assess the cost of replacing personnel at all levels. Full implementation of several recommendations depends on establishing a criteria-based management framework that details retention policies, procedures, benchmarks and performance indicators. A factor that will have some impact on the implementation of two recommendations is the recent outsourcing of the recruiting function.

9. In recent years, several reviews have highlighted the need for Defence to reform its personnel management. In response to these reviews, Defence has implemented a range of strategic personnel initiatives that target retention. The number of reviews that have raised retention, as a specific matter to be addressed, indicates a continuing need for Defence to prioritise efforts in this area.

Key Findings

10. Defence has made variable progress in implementing the recommendations made in the original audit report, with significant progress having been made on several recommendations. Set out below are the ANAO's key findings from its follow-up audit in relation to each of the original recommendations. (Recommendations which were considered to be a priority area in the original report are marked with an asterisk.) The original recommendations are listed in Table 3 of this report.

Management of the ADF workforce (Chapter 2)

Recommendation No.1*

11. Defence has acknowledged the need to assess the costs of replacing personnel (including costs associated with recruiting). Defence intends to use the data generated to inform decisions about the balance between the need for cost-effective service from personnel and a balanced age profile for the ADF. A number of projects have been undertaken to develop suitable costing models. Defence has indicated that assessing the costs of replacing personnel has been challenging for all Services and has acknowledged that further work is required on refining costing methodologies. A project to assess the cost of replacing personnel is expected to be completed by August 2004.

Recommendation No.2*

12. Specific responsibility for retention has been assigned to several organisational levels in Defence. Defence has been working to refine the key drivers and effects of retention issues. Defence considers that, once this system dynamics analysis has been completed, it will be in a position to deliver a criteria-based management framework as outlined in the original audit recommendation. It is estimated that this framework will be completed in July 2004. Personnel matters within Defence have been, and continue to be, the subject of a number of new planning processes, which has delayed the development of the new framework. The proposed Defence People Plan, to provide vision and strategic guidance for Defence personnel policies, and specifically target recruitment and retention issues, is to be considered by the Defence People Committee in 2003.

Recommendation No.3

13. There has been no significant variation in separation figures since military personnel were deployed to East Timor in 1999. Defence has stated that there is an ongoing commitment to the management of retention of members who were deployed to East Timor. Defence considers that it has now established a coordinated approach to key personnel issues, such as post-deployment separation, and that the individual Service personnel action plans also contribute to the management of the original audit recommendation. In the absence of a criteria-based management framework under which retention can be managed, Defence is undertaking a number of projects to improve post-deployment retention which should address the reasons that individuals choose to separate post-deployment.

Quality of life (Chapter 3)

Recommendation No.4

14. The Defence Community Organisation (DCO) is working to improve information about its customer and client base that will assist in developing services and programs that support the Defence focus on retention and capability. Defence has advised that DCO is reviewing its organisational priorities before undertaking a project to evaluate the effectiveness and efficiency of its client service delivery programs. In addition, DCO has begun a quality management review directed at achieving professional accreditation in line with other service delivery organisations in both the private and public sectors.

Recommendation No.5

15. Defence is continuing to use the Ministerial Council on Education, Employment, Training and Youth Affairs, together with ongoing discussions with State and Territory education departments, to promote the educational interests of Defence families. With the Department of Education, Science and Technology, Defence has funded a study of mobility and its impact on learning outcomes. Defence has also introduced the Defence School Transition Aide Program to assist Defence families with integration into schools after relocation.

Recruiting and training (Chapter 4)

Recommendation No.6

16. Defence estimates that a criteria-based management framework, including performance indicators on recruitment and retention, will be completed in July 2004. Progress has been slow due to the development of new planning

processes for personnel matters in Defence. Given Defence's recent outsourcing of its recruiting function, it is particularly important that the suite of indicators that are developed assist Defence to assess the extent to which the right people are being recruited and retained.

Recommendation No.7

17. To address issues relating to physical training injuries raised in the ADF Health Status Report, Defence Health Services has initiated a detailed program, comprising four principal elements: standards; supervision; surveillance; and safety in physical training. Funding to implement the Defence Injury Prevention Program ADF-wide has recently been approved.

ADF personnel research (Chapter 5)

Recommendation No.8*

18. The proposed Retention Research Decision Guide will apply a systematic approach to the issue of retention by optimising the use of research to guide retention policy and planning. The ongoing use of annual surveys and specific studies is enabling Defence to develop a good understanding of the key factors that motivate ADF members to remain in the Services, as well as providing a sound knowledge of members' views of those factors.

Recommendation No.9

19. The Directorate of Strategic Personnel Planning and Research has introduced an ADF Entrant Opinion Survey, the results of which are used by the Defence Force Recruiting Organisation (DFRO) to evaluate its performance, refine business processes and modify staff training. DFRO is also involved in an ongoing program to review policy and process; train careers advisers; and advise ADF recruiting units on specific recruiting issues. With the outsourcing of the recruiting function, Defence will retain control of entry standards; decide which applicants are accepted into the ADF; and remain accountable for overall results. The service provider will be responsible for the service delivery aspects of Defence recruiting.

Response to the report

20. Defence agreed with the ANAO's findings about the current implementation status of the original audit recommendations.

Audit Findings and Conclusions

1. Introduction

This chapter outlines the original audit findings and recommendations, and subsequent major statements on retention of Defence personnel. Some personnel statistics for the three Services, including under-strength strategically-significant positions, are provided. This chapter also sets out the follow-up audit objectives and outlines the report structure.

Overview

1.1 The Defence mission is ‘defending Australia and its national interests.’¹ Defence’s ability to achieve this outcome depends to a large extent on having sufficient numbers of trained, experienced personnel. ‘Defence’ comprises the Department of Defence and the Australian Defence Force (ADF), which in turn comprises the three Services: Navy, Army and Air Force. The ADF has some 51 400 full-time members of the Permanent Force and 20 000 part-time members of the Reserve Force.²

1.2 The ADF requires sufficient military personnel to undertake tasks that are specifically military in nature or that may need to be performed in an area of combat operations. Appropriate recruitment, training and management of this military force are critical to the achievement of the Defence outcome. Retention of required personnel for a cost-effective period is an important factor in maintaining the overall capability of the ADF. The loss of experienced personnel has implications for ADF preparedness.

1.3 An ANAO audit in 2000 on retention of military personnel found that the Services were making an effort to retain their trained personnel. They were seeking to ensure that conditions of service for members did not become a factor in members’ decisions to separate from the military. The ANAO report commented that Defence’s strategies should be directed to managing motivation and retention rather than managing the results of unwanted separations. Reducing the outflow of members from the ADF would save resources lost in their training and in the resources that need to be applied to train their replacements. The audit report made several recommendations to assist Defence to focus on this aspect of personnel management and to retain the trained personnel that it needs.³

¹ *Defence Annual Report 2001–02, 2002*, p. 13.

² Like the original audit report, this report concerns retention of military personnel (members of the ADF), not retention of civilian employees of the Department of Defence.

³ ANAO, *Retention of Military Personnel—Australian Defence Force*, Audit Report No.35 1999–2000, 2000.

The importance of retention

1.4 Since completion of the performance audit in 2000, retention, as an issue alongside recruitment, has been referred to in the Government's Defence White Paper, Defence statements and external reviews of Defence. The White Paper commented as follows:

Recruiting and retaining sufficient skilled and experienced people will be one of the most significant challenges in building the ADF of the twenty-first century. ...

Retention

To be a 'knowledge organisation' Defence must retain skilled and experienced people. Ensuring that people do not leave the ADF when they are of most value is a priority concern for the Government.

Defence will use retention to shape its future workforce. This requires a sophisticated approach that identifies the experience profile needed and then actively manages to achieve that profile. Mechanisms are needed to encourage turnover in those parts of the Services where it is necessary and to retain the numbers and skill-sets we need in other areas. The Government's policies will address:

- the unique characteristics of Service life;
- job satisfaction;
- remuneration, superannuation and compensation;
- health and safety; and
- career and lifestyle issues.⁴

1.5 The Minister for Defence has also acknowledged retention as an issue. The Portfolio Budget Statements, which he submitted to the Parliament in support of the Defence budget, commented as follows:

Defence faces a number of key areas of risk and emerging priorities which must be monitored and addressed if it is to deliver the performance expected of it by the Government. These include ... recruitment and retention of sufficient numbers of ADF personnel, especially in key skill areas. ...

In 2002–03, Defence will ... begin implementation of the Defence People Plan to provide vision and strategic guidance for Defence personnel policies, and specifically target recruitment and retention issues. ...

⁴ *Defence 2000—Our Future Defence Force*, Defence Publishing Service, Canberra, 2000, pp. xii, 63 and 64.

Defence's approach to its people will focus on five strategic people themes:

- Attracting—to make Defence an employer of choice;
- Recruiting—to recruit the right people;
- Developing—to develop our people to meet Defence and individual needs;
- Retaining—to create a climate where the people with the skills we need will want to stay in Defence; and
- Transitioning—to ensure that our people are supported when they leave Defence and that they are welcome back, including for part-time work.⁵

1.6 *The Defence Plan* acknowledges that Defence recruitment and retention are among several mission-critical issues that have, for some years, involved duplicated effort, nugatory work and no clear whole-of-Defence strategy to address them. The Plan indicates that a new whole-of-Defence strategy map will assist in focusing resources on such issues.⁶

1.7 The former Departmental Secretary commented that:

To be and remain a first class fighting force, we must recognise that it's people who make the difference—it's people who provide our competitive advantage. It's fundamental that we engage our people—that we show them how and why their contribution matters. We must attract, develop and retain talented people to do our job.⁷

1.8 The former Chief of the Defence Force, in evidence to the 'Senate estimates' committee, acknowledged that retention is a difficult issue:

I think we always have trouble with the recruitment and retention issue and trained personnel in the Defence Force. ... A government likes a situation of full employment; the Defence Force likes a situation of high unemployment, because that is when we get good recruits.⁸

⁵ *Portfolio Budget Statements 2002–03, Defence Portfolio (Department of Defence and the Defence Housing Authority)*, Budget Related Paper Nos.1.4A and 1.4C, 2002, pp. 5, 9 and 103.

⁶ Department of Defence, *The Defence Plan*, (first version), Foreword by the Secretary of Defence and the Chief of the Defence Force, 2001.

⁷ Dr A. Hawke, *Welcome from the Secretary of Defence*, [Online], Available: <<http://www.defence.gov.au/secretary/main.htm>>, [Accessed: 1 October 2002], 2002.

⁸ Adm. C. Barrie, Evidence given to Senate Foreign Affairs, Defence and Trade Legislation Committee—Consideration of Additional Estimates, *Official Committee Hansard*, DPRS, Canberra, [21 February 2002], 2002, p. FAD&T 172.

Major reviews

1.9 Since the original ANAO audit report there have been a number of major reviews of issues associated with the retention of military personnel. Issues of relevance raised by the following reports are summarised at Appendix 1:

- Review of Posting Turbulence;
- Review of ADF remuneration (the Nunn Review);
- Senate Foreign Affairs, Defence and Trade References Committee inquiry into recruitment and retention of ADF personnel;
- Joint Standing Committee on Foreign Affairs, Defence and Trade review of the *Defence Annual Report 2000–2001*;
- Remuneration reform project;
- Review of Service Allowance;
- ADF Workplace Remuneration Arrangement; and
- Strategic Workforce Planning Review.

Both the Nunn Review and the Senate Committee report (mentioned above) made critical comments about Defence management of personnel retention and associated issues.

Present situation

1.10 Defence considers that the skills and knowledge of its people are critical to its military capability and that achieving its outcome involves every aspect of the way it works with its people. Defence has also recognised that, as the nature of its work changes, its workforce will need to become better educated, more adaptable, more innovative, better paid and more inclusive.

1.11 Table 1 shows the required and actual average ADF personnel strength in 2001–02. It also shows the planned required average strength at 1 July 2003, to provide information on the future recruitment intentions of the ADF.

Table 1
ADF Personnel Requirements(a)

	Required 2001–02 (b)	Actual 2001–02	Required 1 July 2003
Navy—Regulars	12 570	12 598	12 838
Navy—Reserves	2 100	1 544	2 142
Air Force—Regulars	13 189	13 322	13 196
Air Force—Reserves	2 020	1 655	1 576
Army—Regulars (c)	25 152	25 012	25 289
Army—Reserves	16 228	15 669	16 300
TOTAL—Regulars	50 911	50 932	51 323
TOTAL—Reserves	20 348	18 868	20 018

Source: Directorate of Workforce Planning and Establishment, Defence Personnel Executive.

(a) Numbers of trained force members—based on Average Funded Strength for the financial year.

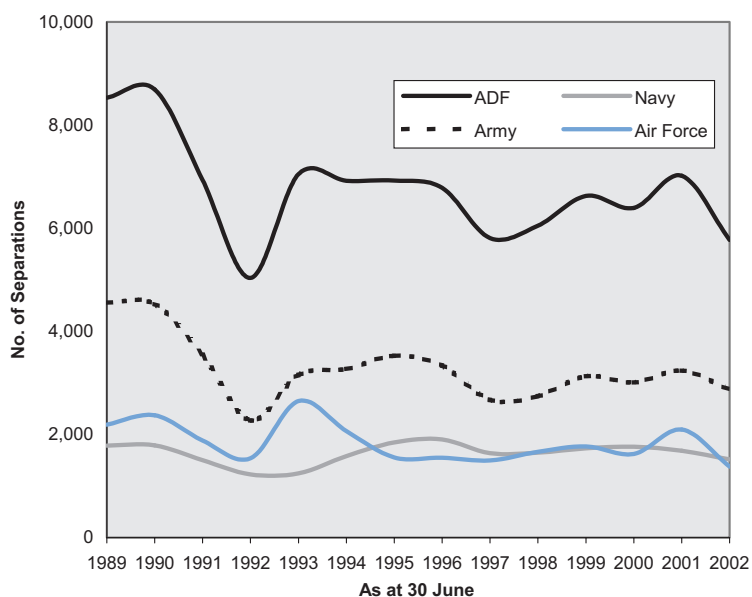
(b) Revised estimate for 2001–02.

(c) Members of the Army Individual Emergency Force are not included although they are technically part of the Regular Force.

1.12 Figure 1 displays the total number of separations from the ADF and from each of the individual Services over the last 14 years.⁹ Although the level of separations is seen to vary markedly over time, the number of separations for each of the Services follow similar trends. The original audit report indicated a similarity in trends among the Services.

1.13 The separation rate for the ADF in 2001–02 was 11.43 per cent. This was the lowest rate for nearly five years, as can be seen in Table 2. The Table presents the separation rates (separations in a particular category expressed as a percentage of the personnel in that category) for ADF personnel in total and for each of the three Services. In the individual Services, separation rates in 2001–02 were 12.15 per cent from Navy, 11.63 per cent from Army and 10.37 per cent from Air Force. As indicated in Table 2, separation rates for Air Force have been generally lower than for the other Services, except in 2000–01 when the rate increased to 15.55 per cent. Statistically, Navy and Army separation rates have remained relatively constant over the last 14 years.

⁹ This is the period for which statistical information could be readily supplied by the Directorate of Workforce Planning and Establishment, in Defence Personnel Executive.

Figure 1**ADF and Service Separations, 30 June 1989 to 30 June 2002.**

Source: Directorate of Workforce Planning and Establishment, in Defence Personnel Executive.

Table 2**ADF and Service Separation Rates, 1988–89 to 2001–02.**

	Total (%)	Navy (%)	Army (%)	Air Force (%)
1988–1989	12.23	11.45	14.39	9.72
1989–1990	12.72	11.52	14.84	10.65
1990–1991	10.18	9.58	11.63	8.60
1991–1992	7.38	7.82	7.38	7.05
1992–1993	10.79	8.10	10.78	12.79
1993–1994	11.42	10.68	12.05	11.08
1994–1995	11.88	12.60	13.53	8.84
1995–1996	11.79	13.31	12.83	8.96
1996–1997	10.20	11.47	10.37	8.86
1997–1998	10.87	11.64	10.82	10.29
1998–1999	12.53	12.69	12.90	11.78
1999–2000	12.60	13.76	12.63	11.50
2000–2001	14.08	13.75	13.42	15.55
2001–2002	11.43	12.15	11.63	10.37

Source: Directorate of Workforce Planning and Establishment, in Defence Personnel Executive.

1.14 Appendix 2 of this report contains 16 charts of statistical information on separation for various categories of ADF personnel. The charts depict information on separations of military personnel in total and by trained and training force, gender and rank. Key features of the charts are discussed. Similar statistical information was presented in the original ANAO report.¹⁰

Under-strength strategically-significant positions

1.15 Defence has previously acknowledged that identified retention problems relate to specific combinations of trade, rank, location and Service. Appendix 3 to this report provides information on strategically-significant positions in the ADF that were under-strength during 2002. The tables indicate the nature of the retention problems that have arisen with some positions and classifications. The tables update information provided in Table 2.2 of the original audit report.¹¹

1.16 The situation in Air Force has changed since the original audit report in that only one of the five Air Force strategically-significant positions considered under-strength in 1999 is included in the latest statistics. This contrasts with the Navy where all five strategically-significant positions listed in 1999 are still considered under-strength.

1.17 The ANAO was advised that in a number of areas, in particular for officers, it is not always possible for an individual Service to act independently to address shortages as there may be tri-Service issues that need to be considered. In such instances, coordination through Defence Personnel Executive is required. The Services also advised the ANAO that a number of projects to resolve current and potential retention issues for specific employment groups and critical categories were in the process of being developed and implemented.

The original audit

1.18 The objective of the original audit was to review the management of personnel retention within the ADF with a view to evaluating the measures Defence had in place to monitor and control the flow of trained personnel from the Services. Specifically, the audit examined whether ADF personnel management practices to retain personnel were commensurate with the cost of recruiting and training new personnel, or whether more cost-effective steps could be taken to reduce the separation rates of desirable personnel.¹²

¹⁰ ANAO, *op. cit.*, Appendix 3: Statistics on ADF Personnel Retention, 2000, pp. 96–108.

¹¹ *ibid.*, pp. 31–32.

¹² *ibid.*, p. 27.

1.19 In addition, the ANAO examined whether personnel monitoring systems enabled the Services to predict and avoid shortfalls in key positions, classifications and trades. The audit also examined measures taken by Defence to retain military personnel generally and to identify factors that would cause a member to discharge while he or she was still valuable to the Defence mission.¹³

1.20 Defence informed the ANAO that overall separation rates are not, by themselves, regarded as a particular problem, as the ADF needs a constant throughput of young, enthusiastic personnel. Rather, identified retention problems relate to specific combinations of trade, rank, location and Service.¹⁴

1.21 As part of the audit, the ANAO also interviewed a large and diverse sample of ADF military personnel to identify the issues perceived by a range of members as most important to the retention of military personnel. The interviews were qualitative in nature and were conducted to identify those issues that were perceived to be significant by personnel across geographical and Service boundaries.¹⁵

Original report conclusion

1.22 The audit report concluded that Defence was making considerable efforts to ensure that the conditions of service for members did not become a factor in the decisions to separate from the military. Defence agencies responsible for posting people to new positions and locations were attempting to meet the needs of most personnel where those needs did not conflict with the effectiveness of the ADF.¹⁶

1.23 The interviews of ADF members found that members had a positive perception of some aspects of their military service. In general, personnel interviewed indicated that in recent times there had been considerable improvements in housing. As well, military pay was regarded as comparable to private sector pay at most levels although many members surveyed said that they were working long hours too often.¹⁷

1.24 The interviews also revealed several causes of dissatisfaction that can, either in isolation or when they occur in combination, cause valuable, trained personnel to leave, with consequent detriment to their particular Service and to the ADF. Most of these issues are complex and cannot always be dealt with easily or addressed in isolation from wider issues of workforce planning.¹⁸

¹³ *ibid.*

¹⁴ *ibid.*, p. 24.

¹⁵ *ibid.*, pp. 27–28.

¹⁶ *ibid.*, p. 11.

¹⁷ *ibid.*, p. 12.

¹⁸ *ibid.*

1.25 A sizeable proportion of members interviewed saw these factors as being significant and that they were relevant to the loss or retention of personnel. Defence's strategies should be directed to managing motivation and retention rather than managing the results of unwanted separations.¹⁹

1.26 Action to reduce the flow of members from the ADF would save resources lost in the training of 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. Retention of personnel will become increasingly significant because, in the external environment, the increasingly competitive labour market will provide a diminishing pool of quality people at graduate and secondary level from which to attract suitable candidates for military service.²⁰

1.27 The audit report made nine recommendations directed at improving retention arrangements within Defence. Defence agreed with the recommendations, one with qualifications.²¹

The follow-up audit

1.28 The objective of the follow-up audit was to outline the present situation regarding retention of military personnel and assess the extent to which Defence has implemented the nine recommendations in the original audit report.

1.29 Recommendations in the original audit served as criteria in assessing Defence's performance. Defence provided information on the implementation of the original audit recommendations which was confirmed through interviews with key personnel and reviews of relevant documentation. The ANAO also considered the currency of the original recommendations, any changed circumstances, and any new administrative issues.

¹⁹ *ibid.*

²⁰ *ibid.*, p. 13.

²¹ *ibid.*, pp. 18–19.

1.30 In reviewing the progress Defence has made in implementing the recommendations of the original audit report, the ANAO had recourse to the Audit Recommendations Management System (ARMS).²² Several of the recommendations are recorded on ARMS as having been completed in 2001. However, the ANAO's findings indicate that, although Defence has systems and procedures in place to implement the recommendations, the action envisaged by Defence to address the recommendation is yet to be completed. The ANAO considers that the setting of realistic completion dates in ARMS assists Defence in working proactively towards the implementation of recommendations.

1.31 Issues papers consolidating the ANAO's findings on each recommendation were provided to Defence in October 2002. This process included seeking specific comment from each of the Services. The proposed report was provided to Defence in December 2002 for comment.

1.32 The follow-up audit was conducted in conformance with ANAO auditing standards and cost \$151 000.

Report structure

1.33 The remainder of the audit report is organised into four chapters which follow the structure of the original report. Table 3 provides an overview of Defence's progress towards implementing the original audit recommendations and indicates the chapter within which the recommendation is discussed.

²² ARMS was established by Defence's Management Audit Branch in 1999 to monitor progress in implementing audit recommendations. Information recorded on ARMS includes Defence's implementation plan and estimated and actual completion dates.

Table 3**Implementation of original audit recommendations.**

Original recommendation and response (* priority recommendation in original report)	Implementation
Chapter 2—Management of the ADF Workforce	
<p>*Recommendation No.1</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>In Progress—expected to be completed by August 2004.</p>
<p>*Recommendation No.2</p> <p>The ANAO <i>recommends</i> that Defence establish a criteria-based management framework that details retention policies and procedures, benchmarks and performance indicators and clearly assigns specific responsibility for retention at various organisational levels.</p> <p>Response: Agreed.</p>	<p>In Progress—expected to be completed by July 2004.</p>
<p>Recommendation No.3</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>Complete with respect to East Timor deployment. Similar action would assist for future deployments.</p>
Chapter 3—Quality of Life	
<p>Recommendation No.4</p> <p>The ANAO <i>recommends</i> that Defence establish systems to continuously evaluate the cost-effectiveness of quality of life measures designed to reduce the separation incentives of personnel.</p> <p>Response: Agreed, with qualification.</p>	<p>Significant Progress.</p>
<p>Recommendation No.5</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>Recommendation is currently being met.</p>

Table 3 cont.

Original recommendation and response (* priority recommendation in original report)	Implementation
Chapter 4—Recruiting and Training	
<p>Recommendation No.6</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>To be completed as part of Rec. No.2—expected to be completed by July 2004.</p>
<p>Recommendation No.7</p> <p>The ANAO <i>recommends</i> that Defence take action to address the issues relating to physical training injuries raised in the <i>ADF Health Status Report 1999</i>.</p> <p>Response: Agreed.</p>	<p>Recommendation is currently being met.</p>
Chapter 5—ADF Personnel Research	
<p>*Recommendation No.8</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>Recommendation is currently being met.</p>
<p>Recommendation No.9</p> <p>The ANAO <i>recommends</i> 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.</p> <p>Response: Agreed.</p>	<p>As the new recruiting organisation is to be operational from 1 July 2003, implementation of this recommendation cannot be assessed until after that date.</p>

2. Management of the ADF Workforce

This chapter outlines Defence's implementation of Recommendation Nos 1, 2 and 3 of the original audit report. These concerned assessing the cost of replacing personnel to assist in career management and retention; establishing a criteria-based management framework detailing retention issues and assigning responsibility for retention; and actively managing the retention of members deployed to East Timor.

2.1 Enabling ADF capability by providing people planning, policy and services is the mission of Defence Personnel Executive (DPE).²³ Specifically, DPE is responsible for establishing the framework for overall monitoring and control of the current and future ADF workforce by number, characteristics, cost and function. It is also responsible for establishing and managing positions in the ADF. Implementation of policies to support this framework is in the hands of the formation and unit commanders.

Decision-making

Findings of the original audit

2.2 The original audit report concluded that workforce planning by DPE could be more effective. The major identified problem related to the difficulty DPE has in obtaining and manipulating data. It was considered that the introduction of Defence's computerised personnel system, PMKeyS, should considerably improve the quality of data to which workforce planners have access.

2.3 In our original report, the ANAO considered that the career management agencies in DPE lacked sufficient resources to manage the careers of personnel at the Private soldier level.²⁴ Likewise there was no indication of investment in resources for units to influence significantly the retention/separation decisions of all ADF members.

²³ Defence Personnel Executive Strategy Map.

²⁴ Defence has advised that the career management agencies are no longer located in DPE. For Army, the management of soldiers of Private rank is the responsibility of commanding officers. The Soldier Career Management Agency becomes involved once a soldier is qualified for first promotion. Defence also acknowledges that a soldier's immediate supervisor has the greatest impact on influencing intentions to stay. Over the last two years, Army has introduced initiatives targeted at providing more information to units to enable them to counsel soldiers on their options for future employment in the ADF.

2.4 The cost of recruiting and training a basic-level entrant to the military, although not quantified by Defence, is known to be significant. This indicated that substantial investment in retaining these personnel could be cost-effective. As a first step, the ANAO considered that Defence should establish how much it cost to recruit and train a Private soldier (or equivalent in the other Services), to help assess how much should reasonably be spent on retaining these personnel for as long as they are useful to the ADF.²⁵

Original Recommendation No.1²⁶

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.

Original Defence response: Agreed.

Findings of the follow-up audit

2.5 Defence has acknowledged that there is a need to identify the costs of replacing personnel (including costs associated with recruiting) and the preferred separation rate for each employment group. Defence intends to use that information in decisions on balancing the need for cost-effective service and a balanced age profile.²⁷

2.6 However, there are practical difficulties in quantifying the costs. Some of the cost data is readily collated, such as the cost of formal personnel training. The full cost of replacing personnel is unknown as there are several non-attributable costs such as those associated with the loss of corporate memory and the experience gained through participation in, for example, military training exercises. The initial response by Defence to Recommendation No.1 of the original audit was to engage a Fellow at the Australian Defence Force Academy to develop a model for capturing these non-attributable costs. Although a preliminary model has been developed, it is not in use as it would need to be engineered for every trade and specialist group in the ADF, of which there are approximately 460. The model would also require the input of additional training data for individuals (for example, attendance on field training exercises) that cannot be readily or practically captured.

²⁵ ANAO, op. cit., 2000, p. 41.

²⁶ *ibid.*, p. 42.

²⁷ Defence has advised that the focus of their workforce management is to ensure that appropriately qualified and trained personnel are in the right location at the right time. Defence further advised that this aspect must be balanced with cost-effectiveness and ensuring that sufficient opportunities for advancement and development are offered to maintain the attractiveness of continued service in the ADF.

2.7 The cost of replacing personnel is now being assessed as part of the ongoing development of a strategic Defence Workforce Plan, in the framework of an overarching Defence Personnel Strategy and a revised methodology for workforce planning. A number of costing models are being reviewed with the Services, who are progressively working through personnel costings on a trade/mustering basis, and some preliminary data has been collected. Defence has indicated that attributing the costs of replacing personnel has been challenging for all Services and has acknowledged that further work is required on refining costing methodologies.

2.8 With current resources Defence expects that the project to attribute the cost of replacing personnel will be completed by August 2004.

Conclusion

2.9 The project to implement the recommendation is in its initial stages and will evidently take a long time to complete. To be able to assess the cost of replacing personnel and make well-informed decisions on resource allocation, Defence needs information from a reliable costing model. But, in establishing such a model, Defence should keep in mind the need to strike a balance between having data sufficient for timely decision-making and the pursuit of precision.

Management framework

Findings of the original audit

2.10 The original audit found that the ADF considered that it had established a broad-based strategic personnel planning process to identify significant internal and external issues likely to affect the attraction, development, management, retention and attrition of military personnel. DPE was responsible for establishing the framework for overall monitoring and control of the current and future ADF workforce by number, characteristics, cost and function. It was also responsible for establishing and managing positions in the ADF.²⁸

2.11 Important in workforce planning is the ability to predict and, if possible, control, separation/retention rates, particularly in critical trades and classifications. The ANAO found that, despite the ADF personnel management arrangements described in the original report, responsibility for retention of military personnel, both overall and within each employment category, appeared to be ill-defined. The report observed that no-one had responsibility for retention of specific categories of personnel or for individual personnel. Although DPE's

²⁸ ANAO, op. cit., 2000, pp. 32–33.

responsibilities implied that it had overall responsibility for retention of personnel in general, it had limited involvement in day-to-day management of specific personnel or groups of personnel, and it would thus be unreasonable for DPE to be held fully accountable for separation rates. The ANAO also observed that high or low separation rates or retention rates seemed not to be considered as indicators of management performance across the ADF and were regarded more as a fact of life that must be managed around.²⁹

Original Recommendation No.2³⁰

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.

Original Defence response: Agreed. Work to develop a framework for managing retention is under way, leading to assignment of responsibility for managing retention. However, the retention problems are not driven solely by factors concluded in the ANAO report. For instance, the report ignores the need to lead and manage expectations.

Findings of the follow-up audit

2.12 A year after the original audit, the report of the external review of ADF remuneration arrangements (Nunn Review) commented as follows:

The absence of clear people responsibilities in the ADF gives rise to organisational practices and patterns of behaviour which are invariably negative, both in terms of their effect on the organisation and on the members. They are not characteristics of a modern, effective organisation.

... the lack of corporate ownership among the Services resulting from the highly centralised nature of the remuneration system means there is no-one exercising real authority and accepting accountability among the Services. Notwithstanding the centralised nature of the system, no-one behaves as if they are totally accountable for ADF personnel, including those at senior levels.³¹

²⁹ *ibid.*, p. 35.

³⁰ *ibid.*, p. 42.

³¹ *Review of Australian Defence Force Remuneration 2001*, ('Nunn Review'), 2001, pp. 26–7. Further information about this review is in Appendix 1 of this report.

2.13 Defence has decided that responsibility for managing retention issues rests with the respective Service Chief and the monitoring of progress in relation to retention issues is the responsibility of Head, Defence Personnel Executive. A formal management framework has been established which incorporates the assignment of the following specific responsibilities for retention:

- the Director General Navy Personnel and Training, Director General Personnel—Army and Director General Personnel—Air Force are responsible for management of retention within their respective Service;
- the Personnel Steering Group is responsible for monitoring retention;³² and
- the Defence People Committee and Defence Committee are responsible for decisions on the future direction of retention.

2.14 DPE has established a coordinated approach to consider key personnel issues, including retention, through the monthly meetings of the Personnel Steering Group and its subordinate Personnel Working Group. Decisions on retention issues are made through the following fora:

- initiatives from the Personnel Working Group are considered by the Personnel Steering Group, which is chaired by the First Assistant Secretary Personnel;
- reports from the Personnel Steering Group are considered by the Defence People Committee and in turn by the Defence Committee as requested; and
- as Chair of the Personnel Steering Group, the First Assistant Secretary Personnel coordinates the direction of retention initiatives, with the Director General Navy Personnel and Training, Director General Personnel—Army and Director General Personnel—Air Force, and ensures that retention issues are formally monitored as updates are referred to the Defence People Committee and Defence Committee.

This improved reporting framework for senior committees is expected to enable earlier identification of potentially adverse retention trends.

2.15 The Services, in conjunction with DPE, are also working to refine the key drivers and effects of retention issues. Defence considers that, once this system dynamics analysis has been completed, it will be in a position to deliver a criteria-based management framework as outlined in the original audit recommendation. The estimated time of completion of the criteria-based management framework is July 2004.

³² Members of the Personnel Steering Group are the First Assistant Secretary Personnel as Chair, Head Defence Personnel Executive, Director General Personnel Plans, Director General Career Management Policy, Director General Personnel Policy and Employment Conditions, Director General Navy Personnel and Training, Director General Personnel—Army and Director General Personnel—Air Force.

2.16 As noted in Chapter 1, the Government envisaged that Defence would use retention to shape its future workforce and that this would require a sophisticated approach that identifies the experience profile needed and then actively manages to achieve that profile. Defence has acknowledged that recruitment and retention of sufficient numbers of ADF personnel, especially in key skill areas, is an area of risk which needs to be monitored and addressed.

2.17 The ANAO considers that retention of personnel with key skills, as an identified key area of risk,³³ requires systematic treatment under Defence's Risk Management Implementation Plan 2002–2003, which was introduced in April 2002. This would help provide the sophisticated approach envisaged by the Government and a clear whole-of-Defence strategy to address the issue and avoid the kind of nugatory work that has occurred in the past.³⁴

2.18 The Defence People Plan would be an appropriate place for the strategy to be articulated. Defence stated in May 2002 that in 2002–03 it would begin implementation of the Defence People Plan, to provide vision and strategic guidance for Defence personnel policies, and specifically target recruitment and retention issues.³⁵ However, the Plan has not yet been implemented. Its development is progressing to ensure alignment with the *Defence Matters* balanced scorecard, the Whole-of-Defence Strategy Map and the outcomes of the Strategic Workforce Planning Review.³⁶ Relevant performance indicators, and associated measures and targets, are also being developed. The proposed People Plan is expected to be reviewed by the Defence People Committee during 2003.

2.19 A Defence Personnel Strategy is also being developed to define the personnel element of capability and provide guiding principles to the Services in the further development of personnel plans.

Conclusion

2.20 With the assignment of responsibility for retention to various organisational levels in Defence, the ANAO considers that Defence has begun to implement this recommendation. The absence of a criteria-based management framework that details retention policies and procedures, benchmarks and performance indicators has significant implications for Defence's ability to address and manage the issues of retention comprehensively. For example, Defence has made little progress in implementing several of the original recommendations that depend on elements of this recommendation. The ANAO

³³ See paragraph 1.5.

³⁴ See paragraphs 1.4 and 1.6.

³⁵ See paragraph 1.5.

³⁶ Further information about this review is in Appendix 1 of this report.

recognises that personnel matters in Defence have been, and continue to be, the subject of a number of new planning processes, but concludes that Defence still has significant work to do in implementing this recommendation. Defence expects completion of a criteria-based management framework in July 2004.

East Timor

Findings of the original audit

2.21 Overseas experience suggests that a high separation rate from military personnel returning from peacekeeping operations is to be expected as personnel can feel some sort of closure, considering that they have done what they joined up for.³⁷ The ANAO considered that Defence should be aware of this overseas experience and canvass ADF members in East Timor to ascertain their intentions once their deployment was completed. Workforce and recruiting planning could then take into account any potential issues resulting from the deployment.³⁸

Original Recommendation No.3³⁹

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.

Original Defence response: Agreed.

Findings of the follow-up audit

2.22 The ANAO's subsequent report *Management of Australian Defence Force Deployments to East Timor* commented that Defence had developed a strategy to manage the risk of increased separations by returning personnel by increasing the availability of information on career development and trade transfers within the Army. A number of other measures, such as surveying the psychological impact of peacekeeping deployment, had also been undertaken by Defence.⁴⁰ The ANAO report commented that the measures adopted

... do not amount to a comprehensive strategy and action which would be required if Defence is to be actively managing the retention of personnel who served in East Timor. This needs to be part of a comprehensive strategy on recruitment and retention.⁴¹

³⁷ ANAO, op. cit., 2000, pp. 39–40.

³⁸ *ibid.*, p.41.

³⁹ *ibid.*, p. 42.

⁴⁰ ANAO, *Management of Australian Defence Force Deployments to East Timor*, Audit Report No.38 2001–02, 2002a, pp. 101–2.

⁴¹ *ibid.*, p. 102.

2.23 In response, Defence commented as follows:

It now appears that earlier concerns with regard to retention of personnel returning from East Timor were unfounded. There has been no apparent change to separation behaviour since operations began in East Timor; indeed separation rates appeared to be gradually declining.⁴²

2.24 Defence is continuing to monitor ADF separation rates to enable this information to be used in developing strategies to counter the recognised potential for an increase in separations for personnel who have been deployed to East Timor. As can be seen in Table 2 and in the separation statistics included at Appendix 2 of this report, there has been no significant variation in separation figures since military personnel were deployed to East Timor in 1999. It is worth noting, however, that, of those responding to the ADF Exit Survey, 46 per cent of respondents in 2001 had served on at least one operational deployment or United Nations mission compared to 38 per cent of respondents in 2000.⁴³ ⁴⁴ Approximately 60 per cent of those personnel who had served on at least one deployment had served in East Timor.

2.25 Defence has stated that there is an ongoing commitment to manage retention of personnel who were deployed to East Timor. DPE considers that it has now established a coordinated approach to key personnel issues through its monthly forums, discussed at paragraph 2.14, and that the individual Service personnel action plans also contribute to the management of the original audit recommendation.

Reasons for separating from the ADF post deployment

2.26 Analysis of the 2001 ADF Exit Survey indicated that respondents separating from the ADF who had experienced an operational deployment or served with a United Nations mission were more likely to report that having reached their goals in the Service had a strong influence on their decision to leave the ADF.⁴⁵ The analysis also showed that the top ten reasons for choosing discharge post-deployment to East Timor tended to fall into the four main themes of:

- career;
- family and personal issues;
- job satisfaction; and
- rewards.

⁴² *ibid.*, p. 102.

⁴³ DSPPR, *2001 Australian Defence Force Exit Survey Report—Reasons For Leaving*, DSPPR Research Report 4/2002, 2002a, p. 21.

⁴⁴ The ADF Exit Survey is discussed in more detail in Chapter 5.

⁴⁵ DSPPR, *op. cit.*, 2002a, p. v.

2.27 Although these themes are evident in the reasons for leaving given by all exiting ADF personnel, differences in ranking can be observed. Table 4 indicates that similar reasons for leaving were given by those personnel who had, and had not, been deployed but that the ordering or emphasis given to particular reasons differed.

Table 4

Top five reasons for leaving, by deployment, given by ADF personnel separating in 2001.

Deployment to East Timor	Deployment to Bougainville	Other Deployment	Not Deployed
To make a career change while still young enough	Desire to stay in one place	To make a career change while still young enough	To make a career change while still young enough
Lack of job satisfaction	To make a career change while still young enough	Desire to stay in one place	Desire to stay in one place
Desire for less separation from family	Desire for less separation from family	Little reward for what would be considered overtime in civilian community	Insufficient opportunities for career development
Better career prospects in civilian life	Insufficient personnel in units to do the work	Insufficient personnel in units to do the work	Better career prospects in civilian life
Little reward for what would be considered overtime in civilian community	Lack of job satisfaction	Desire for less separation from family	Little reward for what would be considered overtime in civilian community

Source: Appendix 7: List of Reasons for Leaving by Deployment in DSPPR, *2001 Australian Defence Force Exit Survey Report—Reasons For Leaving*, DSPPR Research Report 4/2002, 2002a.

2.28 The Senate Foreign Affairs, Defence and Trade References Committee report on recruitment and retention in the ADF noted that the Committee had received a number of submissions referring to difficulties individuals had experienced in trying to transfer from one Service to another.⁴⁶ The report

⁴⁶ Further information about this inquiry is in Appendix 1 of this report.

commented that 'the ADF cannot afford to drive serving members to discharge while trying to transfer to a different Service ...'⁴⁷ Recommendation 6 of the Committee's report was that:

... the Department of Defence, as a matter of priority, support and implement changes to streamline the current recruiting process as proposed by HQ DFRO [Headquarters Defence Force Recruiting Organisation] ... developing clear policies and procedures for enlistment, re-enlistment, Service transfer and medical disability restrictions.⁴⁸

2.29 Another parliamentary committee has raised a similar issue. In considering the impact that an effective ADF personnel transition management program may have on retention, the Joint Standing Committee on Foreign Affairs, Defence and Trade concluded that an improved transition management program may entice personnel to stay longer in the ADF.⁴⁹ Further information about the Committee's consideration of this matter is included in Appendix 1 of this report.

2.30 Defence indicated to the ANAO that an internal communication strategy is being utilised to stress the opportunities for personnel to continue serving in the ADF by pursuing alternative employment opportunities in their respective Service through cross-training opportunities and commissioning courses. As a matter of course, career counselling opportunities, along with post-deployment briefings are being provided. Defence advised that they considered the action on the original ANAO recommendation to be complete.

2.31 During the course of the follow-up audit, the ANAO became aware of a number of projects to improve post-deployment retention. A business case for a Transition Counselling Program was being prepared by the Defence Force Psychology Organisation for consideration by the Personnel Steering Group. The program is seeking to provide improved vocational guidance counselling to assist in identifying possible alternative career paths within the ADF for returning personnel and 'motivational' counselling to actively encourage serving personnel to consider alternative careers and training with the ADF, in preference to seeking new careers within the civilian sector.

2.32 The Human Dimensions of Operations Program, to be formally rolled out in Army in 2003, is designed to assess various measures of social or unit 'climate' and various factors affecting retention. The program aims to make the people component of capability more visible to those in leadership positions. Commanding officers would be provided with information that they need to

⁴⁷ Senate Foreign Affairs, Defence and Trade References Committee, *Recruitment and Retention of ADF Personnel*, Canberra, 2001, p. 29.

⁴⁸ *ibid.*, p. 6.

⁴⁹ Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of Foreign Affairs, Trade and Defence Annual Reports, 2000–01*, 2001, p. 68.

implement initiatives on personnel matters in their units. Specifically designed for deployed units and for post-operational climate analysis, the program is expected to flow on to Navy and Air Force after evaluation of the program in 2004–05.

Conclusion

2.33 In accordance with Recommendation No.3 of the original audit report, Defence has undertaken a number of measures to actively manage the retention of personnel who deployed to East Timor. However, this occurred in the absence of a comprehensive strategy on both recruitment and retention. Ongoing work to identify the reasons given for separating by personnel who have been deployed, and developing programs to address these reasons, indicate that this is an area of concern for Defence. Given the number of military personnel who have been, or will be, deployed overseas, the ANAO considers that Defence should continue efforts to proactively manage the retention of personnel who have been deployed overseas. A criteria-based management framework for retention, as suggested in Recommendation No.2 of the original audit report, would enable Defence to apply a comprehensive strategy to actively manage retention of personnel who have been deployed overseas.

Reserves

2.34 The ANAO's report *Australian Defence Force Reserves* commented that separations for Reserves had been in the vicinity of 20 per cent per annum for the 10 years preceding the report and that, in absolute terms, the separations for the preceding three years had been in line with, or lower than, historical figures.⁵⁰ During preparation of the present report, an issue arose as to whether retention of Reservist members may be affected by differences between the public and private sectors, and also within the Commonwealth, regarding arrangements for leave for them to undertake ADF training and to deploy with the ADF. Defence informed the ANAO that supportive leave arrangements are a most important element in supporting the availability of Reservists to undertake Defence service. Defence further advised that, while a number of Commonwealth public sector departments, agencies and authorities have supportive leave policies, there is no single policy that applies across all departments, agencies and authorities.

⁵⁰ ANAO, *Australian Defence Force Reserves*, Audit Report No. 33 2000–01, 2001a, p. 134.

2.35 In the Defence White Paper, the Government stated:

As a major employer of Reservists, the Government will show the way by having leave policies and employment practices that support the release of Reservists for peacetime training and deployment.⁵¹

The Defence Reserves Support Council has developed a draft Commonwealth Public Sector Defence Leave and Employment Practices Policy to provide consistent support for Reservists across all departments, agencies and authorities.⁵²

2.36 Following presentation of the draft policy at a Portfolio Secretaries meeting and an Australian Public Service (APS) Round Table, the APS Round Table requested that further research into current public sector leave provisions be undertaken. The Department of Employment and Workplace Relations, in conjunction with Defence, will be undertaking this additional research. A consultation process on the draft policy and supporting discussion paper were announced by the Minister Assisting the Minister for Defence in December 2002. The Minister stated:

The discussion paper and draft policy focus on developing uniform leave policies and employment practices to support the release of reservists for training and deployment, to ensure reservists are treated consistently across all Commonwealth Government departments, agencies and authorities.⁵³

2.37 Defence expects that the APS Round Table will discuss the draft policy again in April 2003. Defence understands that, when the policy is approved, the Defence Reserves Support Council would seek the adoption of similar measures by State and Territory public sectors. A draft Defence Leave Policy for implementation in the private sector is also currently being developed.

⁵¹ *Defence 2000—Our Future Defence Force*, op. cit., p. 72.

⁵² The Defence Reserves Support Council comprises representatives from industry, small business, trade unions, youth and other interested community groups to provide a link between the Australian Defence Force, employers and community organisations from which the Reserve force is drawn.

⁵³ Hon. D. Vale [Minister Assisting the Minister for Defence], *Balancing Work and Reserve Service*, Media Release MIN707/02, [4 December 2002], 2002a.

3. Quality of Life

This chapter outlines Defence's implementation of Recommendation Nos 4 and 5 of the original audit report. These concerned establishing systems to continuously evaluate quality of life measures and continuing to promote the resolution of issues affecting the education of ADF members' children.

Continuous evaluation of quality of life measures

Findings of the original audit

3.1 The Defence Community Organisation (DCO) is a personnel service organisation that provides support to ADF members, and their spouses and dependants. DCO services vary, but mainly cover social work and community assistance, family liaison and educational services.⁵⁴

3.2 In the original audit the ANAO concluded that in some important cases Defence could address and promote members' quality of life issues with more vigour, particularly issues associated with members' families, with a view to discouraging members' separations from the ADF. A Defence evaluation report on DCO noted that 40 per cent of DCO's target market did not know of its existence, but it did not recommend that the existence and role of DCO be promoted more extensively.

3.3 The ANAO further noted that most of DCO's expenditure appeared to be applied to a small proportion of members, with only 20 per cent making regular use of DCO services. The ANAO considered that the ADF could cost effectively apply more resources to alleviating problems experienced by military families and that it should at least review the amount and effectiveness of the resources that it did apply to this activity.⁵⁵

⁵⁴ ANAO, op. cit., 2000, p. 44.

⁵⁵ ibid., p. 48.

Original Recommendation No.4⁵⁶

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.

Original Defence response: Agreed, with qualifications. The Defence Community Organisation is about to commence a study across all its major programs and services with a view to improving DCO effectiveness and efficiency. This study will compare external organisations in both the public and private sectors. It should be recognised however that there is limited potential for comparisons with external agencies due to the nature of both the ADF and the DCO. The Director of the DCO recently completed a study tour of Defence family support organisations in the USA, Canada and Great Britain, while the recently appointed Senior Defence Social Worker was recruited from the ACT Department of Family Services and will be able to provide some guidance on comparisons with that organisation. The information provided by these sources would form an integral part of the study.

Findings of the follow-up audit

3.4 The activities of the DCO are recognised in the Defence Service Charter as follows:

The Defence Community Organisation provides family support services such as childcare, education assistance, spouse employment assistance, access to social workers, and information and counselling.⁵⁷ It also has procedures in place to provide swift and effective support to the relatives of serving personnel who may be injured or killed.⁵⁸

3.5 There has been a considerable repositioning of DCO services since the conduct of the original audit. DCO is undertaking a number of activities intended to improve information about their customer and client base, including designing questions for inclusion in the 2003 Defence Census.⁵⁹ DCO-specific activities being undertaken include the following:

- A strategy has been developed to evaluate the effectiveness and efficiency of DCO client service delivery programs. Defence has advised that DCO is reviewing its organisational priorities before engaging in any evaluation process.

⁵⁶ *ibid.*, p. 48.

⁵⁷ For example, in 2001 the Family Information Network for Defence telephone information service, operated by the Defence Community Organisation, handled over 10 000 enquiries.

⁵⁸ *Defence Service Charter*, [Online], Available:

<<http://www.defence.gov.au/charters/charter.htm>>, [Accessed: 4 November 2002].

⁵⁹ The Defence Census is discussed in more detail in Chapter 5.

- The Spouse Employment Assistance Program has been reviewed and a series of recommendations for a redesigned program have been developed. The redesigned program is awaiting approval from the Personnel Steering Group and Minister.
- An electronic database, designed to capture DCO occasions of service, is to be implemented nationally in early 2003.
- DCO practice guidelines in relation to Families with Special Needs have been developed and are to be tested over the December 2002–February 2003 posting cycle. DCO practice guidelines in relation to Deployment support are planned to be developed in early 2003.
- The DCO website is being enhanced to focus on improving the quality of locality information available to personnel and their families. An internet-based Resource Centre to enable Command, personnel and their families to search on a broad range of topics and improve access to information and services to the DCO customer base is nearly ready.

3.6 The information provided by the above activities will assist in developing services and programs that support the Defence focus on retention and capability.

3.7 DCO has also begun a quality management review directed at achieving professional accreditation in line with other service delivery organisations in both the private and public sectors.⁶⁰ Accreditation will assist in ensuring that the DCO's service delivery operations are effective and efficient. The initial phase of the review has been completed and a quality improvement plan for DCO is to be developed. This will lead to a final accreditation review in 2004.

3.8 The DCO has developed nine targeted program areas to align closely with its client groups.⁶¹ Specifically, there has been increased activity since the original audit report in the areas of education, childcare, spousal and family support initiatives including prevention and early intervention initiatives such as *Peaceful Kids*, *Peaceful Partners* and *Welcome to the ADF Family*, and programs targeting single parents.

Conclusion

3.9 The ANAO considers that significant progress has been made in implementing this recommendation with the range of activities DCO is undertaking to evaluate its client service delivery programs and to attain professional accreditation. These activities are good first steps towards evaluating

⁶⁰ The accreditation process commenced in February 2001.

⁶¹ The nine targeted program areas are: Client Services; Communication and Information; Education; Childcare; Family Support Funding; Spouse Employment; Families with Special Needs; Support to Command; and Corporate Development.

the cost-effectiveness of quality of life measures. There remains scope, however, for DCO to investigate ways for the cost-effectiveness of its services to be continuously, or at least regularly, evaluated, as envisaged in the original recommendation.

Children's education

Findings of the original audit

3.10 Education of children in an environment of frequent relocation is perceived as a significant problem by many personnel with families. Defence has been seeking to alleviate the problems associated with the education of ADF members' children through its involvement with the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA).⁶² The ANAO considered that this may be an effective way of influencing the development of educational policy to reduce the negative impact on children of ADF members of changing schools and school systems.⁶³

Original Recommendation No.5⁶⁴

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.

Original Defence response: Agreed.

Findings of the follow-up audit

3.11 The ANAO's report *Causes and Consequences of Personnel Postings in the Australian Defence Force* noted that responses to the ADF Attitude Survey and findings of the Posting Turbulence Review Team both indicate that changing geographic location can place families under considerable stress and can lead to members leaving the Services.⁶⁵ The audit report went on to state that, 'although ADF members cannot stipulate places where they will not work ..., the reality is that some members will separate if posted to a location they regard as undesirable.'⁶⁶

⁶² The Council was established in 1994 and comprises Commonwealth, State, Territory and New Zealand Ministers with responsibility for education, employment, training and youth affairs.

⁶³ ANAO, op. cit., 2000, pp. 47–48.

⁶⁴ *ibid.*, p. 49.

⁶⁵ The findings of the Posting Turbulence Review Team are discussed further in Appendix 1.

⁶⁶ ANAO, *Causes and Consequences of Personnel Postings in the Australian Defence Force*, Audit Report No.41 2000–01, 2001b, p. 45.

3.12 Since the original audit report, Defence has jointly funded with the Department of Education, Science and Technology (DEST) a study to assess the impact that frequent family relocation has on learning outcomes of school-aged children from the preparatory years to Year 12.⁶⁷ The report made recommendations in the following areas:

- collection and transmission of student records information and tracking student movement;
- potential disruption to learning and meeting the social and emotional needs of mobile students;
- transmission of student learning information;
- national consistency in school starting ages, the points of transition, school curriculum and assessment processes;
- consistency in resourcing access to the curriculum for students with a disability; and
- areas for additional research.⁶⁸

3.13 DCO staff have developed a strategy in relation to progressing the recommendations of the study. Part of this strategy is to work jointly with DEST and stakeholder groups to promote initiatives that will assist families relocating across Australia. Defence and DEST will jointly provide \$300 000 to fund two projects to:

- identify the most useful data needed when students move to another school and establish a best practice approach to transferring it; and
- identify practical ways to help children better adjust socially and emotionally to a new school environment.⁶⁹

3.14 An initiative introduced by DCO to assist Defence families with integration into schools after relocation is the Defence School Transition Aide Program. Aides have been employed in 68 part-time positions across Australia in schools that have a significant proportion of Defence children enrolled. The Minister Assisting the Minister for Defence has stated that:

These positions will not only help Defence personnel and their families as they are posted to new locations, but will also help address some important mobility and retention issues facing the Australian Defence Force.⁷⁰

⁶⁷ *Changing Schools: Its Impact on Student Learning*, 2002.

⁶⁸ *ibid.*, pp. 4–6.

⁶⁹ Hon. D. Vale [Minister Assisting the Minister for Defence], *\$300,000 for Kids on the Move*, Media Release MIN754/02, [15 December 2002], 2002b.

⁷⁰ Hon. D. Vale [Minister Assisting the Minister for Defence], *Education Boost For Children of Defence Personnel*, Media Release MIN193/02, [7 May 2002], 2002c.

3.15 The positions will be evaluated through a report and an audited acquittal of funds by each school.

3.16 Defence staff are involved in pre and post meetings of MCEETYA and ongoing discussions with State and Territory education departments to promote the educational interests of Defence families. Recent discussions have been concerned with promoting and implementing the mobility study and the Defence School Transition Aide Program.

Conclusion

3.17 The ANAO considers that Defence is meeting this recommendation by continuing to promote the resolution of issues affecting the education of ADF members' children through MCEETYA. The development and introduction of the Defence School Transition Aide Program and the commissioning of the joint study and national projects with DEST show Defence's ongoing commitment to proactively addressing issues affecting the education of ADF members' children.

4. Recruiting and Training

This chapter outlines Defence's implementation of Recommendation Nos 6 and 7 of the original audit report. These concerned establishing performance indicators to measure the extent to which the 'right people' were recruited and retained and addressing issues relating to physical training injuries.

Performance indicators

Findings of the original audit

4.1 As part of the original audit the ANAO examined several aspects of Defence recruiting with a view to assessing whether the ADF sought to recruit personnel likely to remain in the Services for a cost-effective period. The Defence Force Recruiting Organisation (DFRO), which was responsible for recruiting ADF personnel, used annual recruitment targets supplied by Defence Personnel Executive (DPE) as performance indicators.⁷¹ The ANAO considered that annual recruitment targets alone as performance indicators did not indicate efficiency and economy of DFRO resource usage. Use of the number of recruits retained in the Services for a cost-effective period as a performance indicator would enable DFRO and Defence's managers to focus more on longer-term recruiting effectiveness.⁷² The ANAO considered that Defence should reflect a long-term, cost-effective approach to recruiting and retaining the right people in its performance indicators and any future contract for recruiting services.⁷³

Original Recommendation No.6⁷⁴

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.

Original Defence response: Agreed.

Findings of the follow-up audit

4.2 As discussed in Chapter 2, DPE is developing a criteria-based management framework, including appropriate performance indicators, that is expected to be completed by July 2004.

⁷¹ ANAO, op. cit., 2000, p. 50.

⁷² *ibid.*, p.51.

⁷³ *ibid.*, p. 55.

⁷⁴ *ibid.*, p. 56.

4.3 In 2000 Defence entered into a contract to use a commercial provider for ADF recruiting. The Senate Foreign Affairs, Defence and Trade References Committee's review of recruitment and retention of ADF personnel referred to Defence's contract with Manpower Defence Recruiting (originally for \$180 million over six years). The Committee noted that the first 12 months of the contract was a pilot project in the southern region to assess whether it was worthwhile proceeding with the contract. The Committee was critical of the contract and commented that the original contractual arrangement with Manpower for the trial left much to be desired and deserved further scrutiny by ANAO.⁷⁵

4.4 After an independent evaluation of the trial on the basis of quantity, quality and cost, Defence is establishing a new recruiting organisation, Defence Force Recruiting. It will consist of staff from both Defence and Manpower and is to be operational nationally from 1 July 2003.

4.5 In response to the Senate Committee's comments, the ANAO has begun a preliminary study of the recruiting services contract and relevant developments since it was signed.⁷⁶ A decision on whether to progress to a full performance audit of this topic will be made early in 2003.

Conclusion

4.6 Defence expects a criteria-based management framework, including performance indicators, to be completed in July 2004. The ANAO recognises that this has been progressing slowly due to the development of new planning processes for personnel matters in Defence but considers that Defence should continue to develop appropriate performance indicators. It is particularly important, in light of the decision to outsource the recruiting function, that the suite of indicators developed assist Defence to assess the extent to which the right people are being recruited and retained.

Physical training injuries

Findings of the original audit

4.7 Regular physical training of military personnel is necessary to maintain a fit, healthy and capable force.⁷⁷ Physical training activities and other training should aim to avoid injuries and costly rehabilitation or separation.⁷⁸ The

⁷⁵ Senate Foreign Affairs, Defence and Trade References Committee, op. cit., p. 36.

⁷⁶ ANAO, *Audit Work Program 2002–2003*, 2002b, pp. 31–32.

⁷⁷ Physical training in the ADF involves structured fitness regimes. In contrast, ADF sports are activities involving physical skills in a structured competition, with participants provided with a team or personal challenge.

⁷⁸ ANAO, op. cit., 2000, p. 53.

qualitative interviews conducted with personnel indicated that injuries, possibly leading to separations from the ADF, are often received during physical training exercises that have not been designed to minimise the risk of injuries occurring. Significant research on training-related injuries had been undertaken by the Preventive Health Section in Defence's Health Services Branch.

4.8 The *ADF Health Status Report*, produced by Defence Health Services (DHS), raised a number of significant issues that required remedial action.⁷⁹ The DHS report indicated that the strategic health priorities of the ADF should be the development of an efficient and effective system for capturing data on health; disease and injury prevention in deployed forces; and development of an ADF health promotion program focusing on injury prevention, mental health and cardiovascular health.⁸⁰

Original Recommendation No.7⁸¹

The ANAO *recommends* that Defence take action to address the issues relating to physical training injuries raised in the *ADF Health Status Report 1999*.

Original Defence response: Agreed.

Findings of the follow-up audit

4.9 DHS is preparing a new ADF Health Status Report. It has initiated a program to address the issues relating to physical training injuries raised in the previous ADF Health Status Report. The program comprises four principal elements: standards; supervision; surveillance; and safety in physical training. These are discussed below.

Standards

4.10 Defence advised that basic fitness standards are being reviewed constantly. In 2000 the Navy basic fitness test was reviewed and modified. Studies have also been conducted into the Army Basic Fitness Assessment and Combat Fitness Test. DHS is reviewing the recommendations from these studies, to help assess the need for any changes in fitness training.

4.11 Defence informed the ANAO that its emphasis is on mission-specific fitness, training and assessment. For example, the Physical Employment Standards study, managed by the Career Management Development Projects team of DPE, has been tasked with providing recommendations for the Combat Arms trades.

⁷⁹ *ibid.*, p. 54.

⁸⁰ Defence Health Service Branch, *ADF Health Status*, 2000, pp. x–xi.

⁸¹ ANAO, *op. cit.*, 2000, p. 56.

4.12 Minimum fitness conditioning for specific sports is being addressed through the development of sports safety management plans that provide guidance on the strength and conditioning required to prevent common injuries in each sport. Policy guidance on the supervision and conduct of sport and physical training is being prepared for review by the Service Chiefs. This involves a new chapter on physical training for the Safety Manual and a Health Directive on physical training. A new Defence Instruction (General) 14-2 *ADF Policy on Sport* was signed by the Chief of the Defence Force and released on 13 November 2002.

Supervision

4.13 Education and training for supervisors of sport and other physical activity in the ADF are being addressed through sports safety management plans, Defence Education and Training and ADF Training Command authorities. DHS, in collaboration with Defence Education and Training, is investigating the best method to deliver a system for administration of coaching and sports trainer courses.

4.14 Physical training instructor (PTI) training is being addressed through the Training Commands, following a report from DHS regarding the necessary training requirement. A basic training needs analysis has been conducted as part of a PTI occupational analysis.⁸²

4.15 The ANAO understands that Training Command will soon consider a proposal for detailed training needs analyses to guide future developments in this area. Previous proposals to provide training for the PTIs in this area were not supported by the Training Command authorities, due to their complexity and cost implications. In cases where there are insufficient Service PTIs, civilian providers can provide qualified physical training support, subject to appropriate policy guidelines.

4.16 DHS indicated that they are aware of the potential for considerable savings to be made if the personnel undertaking physical training have the underpinning knowledge to influence the delivery of training with an emphasis on the preservation of manpower. Acknowledging that PTIs in such circumstances will need to take greater responsibility for the review and evaluation of design, planning and conduct of unit physical training programs, DHS are seeking a shift in the training of the PTI trade to the clinical aspects of preventive health, injury prevention, rehabilitation, supervision and compliance of programs.

⁸² DSPPR, *Australian Defence Force—Physical Training Instructors—Occupational Analysis Survey*, DSPPR Occupational Analysis D287/02, 2002b.

Surveillance

4.17 The Director General DHS tasked the Directorate of Preventative Health to investigate injuries in sport and physical training. This led to the development of the Defence Injury Prevention Program (DIPP), which has been researching injury surveillance systems for physical training over the last two years. The DIPP developed a prototype system now active in about 15 per cent of the full-time Army population. It serves as an interim system until the implementation of HealthKEYS, a windows-based relational database designed to support health management requirements for the ADF. Data will be entered once and used to support multiple Defence processes.

4.18 The injury surveillance module of HealthKEYS is being developed on the basis of the prototype system. The module is expected to be available in July 2003, in the first phase of HealthKEYS implementation.

Safety in physical training

4.19 Defence has indicated it is aware that safety in physical training depends on:

- appropriate policy and guidelines for the conduct of sport and physical training;
- appropriate risk assessment and management, based on accurate and detailed injury surveillance where possible;
- implementation of risk-targeted, evidence-based injury countermeasures;
- implementation of sports safety management plans; and
- appropriate organisational frameworks, support and catalysts to ensure these occur.

4.20 There is an agreement between DSMA and DHS that primary responsibility for addressing the issue of physical training injuries will rest with the Directorate of Preventive Health in DHS. DSMA initially provided DHS with data for the Health Status Report that identified physical training as a high-risk activity, and will continue to provide data from DEFCARE to identify high-risk activities.⁸³

4.21 In consultation with the ADF's national sports associations, DHS has developed draft safety management plans for the major ADF sports. DHS is continuing to review and develop these drafts. DSMA is developing guidelines for managing safety risks that will complement DHS initiatives by providing an essential working guide for risk assessment and management in physical training.⁸⁴

⁸³ DEFCARE is the ADF's accident and injury database.

⁸⁴ In accordance with the legislative requirements for all work related activities, including physical training, to be conducted safely.

4.22 DHS, by funding the DIPP, and with assistance from the Defence Psychology Organisation and external expertise,⁸⁵ has developed an organisational framework to assist in ensuring appropriate risk management in local establishments with respect to physical training and sport. DHS intends to facilitate the implementation of this model across the ADF. In addition, the DIPP is collecting information on injury trends in physical training and sport and the development of remedial measures. Funding to implement the DIPP ADF-wide has recently been approved.

Conclusion

4.23 Defence has made significant progress towards addressing the issues relating to physical training injuries raised in the ADF Health Status Report. Implementation of the various programs should assist in reducing the incidence of separations occurring as a result of physical training injuries. While supporting the continued actions to address issues relating to physical training injuries, the ANAO considers that Defence would find it beneficial to designate performance milestones and identify any financial savings.

⁸⁵ Monash University Accident Research Centre.

5. ADF Personnel Research

This chapter outlines Defence's implementation of Recommendation Nos 8 and 9 of the original audit report. These concerned developing and implementing a system to ensure a good understanding of factors motivating members to remain in the Services and studying the effectiveness of recruiting strategies and perceptions held by recruits on the recruitment information provided to them.

Research

Findings of the original audit

5.1 Gaining information on factors affecting the retention of personnel is essential in assisting Defence to influence its retention rates. The original audit report stated that Defence lacked any systematic efforts to collect any such information but considered that the annual ADF Attitude Survey and Survey of Reasons for Leaving (now known as the ADF Exit Survey) were good first steps towards such an understanding.⁸⁶ The Attitude Survey aims to obtain information on issues such as supervision, service life, change, communication and management by ascertaining the feelings and opinions of a random sample of 20 per cent of military personnel. The Survey of Reasons for Leaving was designed to provide feedback to career managers and workforce planners.⁸⁷ The audit also concluded that Defence needed to establish effective mechanisms to respond to the information gathered by these processes.⁸⁸

Original Recommendation No.8⁸⁹

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.

Original Defence response: Agreed.

⁸⁶ ANAO, op. cit., 2000, p. 62.

⁸⁷ *ibid.*, pp. 59–60.

⁸⁸ *ibid.*, p. 62.

⁸⁹ *ibid.*, p. 63.

Findings of the follow-up audit

5.2 The Directorate of Strategic Personnel Planning and Research (DSPPR), located in DPE, provides a personnel research capability to support strategic workforce planning, strategic personnel planning and advice and assistance on the evaluation of personnel management policies and practices.

5.3 Defence informed the ANAO that the results of DSPPR studies and surveys are monitored to gain a better understanding of the reasons that motivate personnel to remain or separate from the ADF. The knowledge acquired from these research activities is used to develop and refine retention management strategies. Specifically, the information gained is used to monitor trends across the total ADF workforce and assist in the development of more effective ADF policies, including the management of careers and retention of required personnel. The Services advised the ANAO that they are using the research activities of DSPPR to develop targeted approaches to retention, to aid strategic planning and to monitor the attitudes and intentions of personnel returning from operational deployments.

5.4 The following paragraphs outline work recently undertaken by DSPPR.

Retention Research Decision Guide

5.5 The Retention Research Decision Guide (R2DG) is a project to apply a systematic approach to the issue of retention by optimising the use of research to guide retention policy and planning. R2DG is intended to provide the ADF with an overarching way of understanding retention and to help to better understand and utilise survey data in a way that also provides a further method to measure the ADF's retention environment. Compilation of current Human Resource (HR) initiatives against the retention drivers will provide a better understanding of ADF activities, where they might be most effective and guide the prioritisation of personnel initiatives.

5.6 The first step in this project has been to document all research and allied information against the identified internal and external retention drivers. The external drivers, as identified by the *Defence Personnel Environment Scan 2020*, include the Australian economy and unemployment trends, social trends and becoming an employer of choice. The internal drivers, recognised by the Environment Scan and mirroring data in the ADF Exit Survey, include job satisfaction, career management and opportunities, family and personal considerations and rewards and recognition. Amplifiers, which can influence the internal drivers positively or negatively, have been identified as including morale, operational tempo, postings, leadership, workload, superannuation, the promotion system and recognition.

5.7 R2DG will be used to gain a better understanding of an ADF member's consideration of whether to separate from the ADF or not. People make a decision regarding continued service in the ADF based on the internal drivers coupled with the influence of the amplifiers and finally with reference to the external drivers. Defence has the ability to modify the internal drivers and amplifiers through a range of personnel initiatives, with each of the Services and DPE producing plans that seek to modify HR policy aspects to improve retention.

5.8 A gap analysis is to be conducted between the retention drivers and ADF personnel initiatives and strategy. It is envisaged that the results of this analysis will assist the Defence People Committee in directing personnel strategy and evaluating personnel submissions. It is recognised that continually updating R2DG will assist Defence to see where effort or optimal focus needs to be dedicated. The ANAO was advised that R2DG will be used to improve research into retention issues and develop and prioritise activities within the individual services and Defence.

ADF Exit Survey

5.9 The ADF Exit Survey of members leaving the ADF has continued. Its content was revised for 2001 and 2002. From analysis of the 2001 survey, DSPPR reported that:

The findings are remarkably similar to those of previous ADF Exit Surveys and suggest that a member's decision to leave the ADF is rarely based on a single factor, rather a multitude of interacting factors lead to the decision to leave the ADF. The four main themes to emerge were:

- a desire to change careers while still young enough to be considered competitive in the civilian job market;
- a perception that better career prospects are available in civilian life than in the ADF and dissatisfaction with career management and development opportunities in the ADF;
- a lack of job satisfaction, low morale and a desire for greater recognition of their work and work hours; and
- a desire for greater stability in their home and family lives.⁹⁰

5.10 Investigation of the survey data for various demographic groups has shown that the above four themes are important across all groups although there is a slightly different emphasis. For example, job satisfaction is relatively more important to younger age groups but greater stability is of most importance to older ADF members.

⁹⁰ DSPPR, op. cit., 2002a, p. v.

Attitude Survey

5.11 Since the conduct of the original audit the sample size of the Defence Attitude Survey has been expanded to 30 per cent of the ADF. A smaller 'Your Say' survey is also administered twice each year to 10 per cent of personnel. These surveys provide trend data on various organisation themes and core attitudes and permit focused investigations into specific areas of importance through the 'Topical Issue Section'.

5.12 The November 2001 Your Say survey specifically addressed retention issues. The issues rated most highly by ADF members included those related to improved equipment to perform operational duties (to assist in work load/rate), posting management (both in terms of geographical location and knowing the location ahead of time), knowing a long term career plan, pay increases to compensate for longer working hours and more effective administrative support.

5.13 The Defence Attitude Survey was comprehensively reviewed in 2002. This resulted in further coverage of issues related to work-life balance and conditions of service, mental health and well-being, postings and career management and reward and recognition.

Other DSPPR research studies

5.14 A number of general studies have been undertaken by DSPPR to increase its understanding of issues relating to the retention of military personnel. The studies include:

- a longitudinal investigation of retention among Army Reserve Soldiers;⁹¹
- retention initiatives in the Air Force;⁹²
- retention initiatives in the ADF;⁹³

⁹¹ DSPPR, *2001 Australian Defence Reserves Survey Report*, DSPPR Research Report 4/2001, 2001.
DSPPR, *Longitudinal Investigation of Retention Among Army Reserve Soldiers—Baseline Study of Cohort January 2002*, DSPPR Research Report 14/2002, 2002c.

DSPPR, *Longitudinal Investigation of Retention Among Army Reserve Soldiers—Cohort January 01 Initial (2002) Follow up Study*, DSPPR Research Report 18/2002, 2002d.

DSPPR, *Longitudinal Investigation of Retention Among Army Reserve Soldiers—Baseline Study of June 2002 Cohort*, DSPPR Research Report 19/2002, 2002e.

DSPPR, *Longitudinal Investigation of Retention Among Army Reserve Soldiers—Cohort Jun 01 2002 (Initial) Follow up Study*, DSPPR Research Report 14/2002, 2002f.

⁹² DSPPR, *Retention Initiatives and the Air Force—An Analysis of Responses from Seven 'Critical' Specialisations and Musterings from the Topical Issue Section of the Your Say Survey—November 2001*, DSPPR Research Report 11/2002, 2002g.

⁹³ DSPPR, *Retention Initiatives and the Australian Defence Force—An Analysis of the Topical Issue Section of the Your Say Survey—November 2001*, DSPPR Research Report 10/2002, 2002h.

- conditions of service for the High Readiness Reserve;⁹⁴
- a longitudinal study of recent Royal Military College General Reserve officer graduates prompted by changes to Army Reserve officer training and the requirement to gain an understanding of the unique retention issues as they pertain to Reserve officers;⁹⁵ and
- an analysis of existing research, policy and Defence initiatives to identify scope to enhance the transfer of permanent members of the ADF to the Active Reserve.⁹⁶

5.15 DSPPR have also conducted a number of specific studies to address potential occupational and location issues. A study of the Army Critical Trades is under consideration by Army.⁹⁷ Factors impacting on retention of Air Force pilots are being examined through a Career Decision Support System study with information being collected from Pilots on their preferences for different career packages and how these may differentially impact on their intention for future service.⁹⁸ A study of factors which may be specific to retaining personnel in Northern Australia is under way.

Employer of Choice study

5.16 A significant human resource project is being undertaken to enable Defence to position itself as an Employer of Choice. The Employer of Choice study commenced in February 2002 and is scheduled for completion in early 2003.

5.17 The study is comparing Defence personnel management practices with those adopted by the best employers in Australia and those organisations that people most want to join and stay in. The study investigates how the four pivotal factors that have been shown to differentiate Australian employers (the compelling employment offer, learning and development, leadership and culture and values) are operationalised in the ADF. Using this information, a 'gap analysis' is being conducted against best employers to identify any areas that the ADF may wish to pursue to improve retention and position itself as a best employer.

⁹⁴ DSPPR, *High Readiness Reserve Conditions of Service Study Focus Groups Feedback Report—Policy Decision Support System (Stage 1)*, DSPRR Research Report 8/2002, 2002i.

DSPPR, *High Readiness Reserve—Conditions of Service Focus Groups Feedback*, DSPRR Research Report 6/2002, 2002j.

⁹⁵ DSPPR, *The Royal Military College Study of Retention Among Army Reserve Officers Report*, Research Report 2/02, 2002k.

⁹⁶ DSPPR, *Enhancing the Transfer of Permanent Members of the Australian Defence Force to the Active Reserve on Completion of Full-Time Service*, DSPPR Research Report 12/2002, 2002l.

⁹⁷ DSPPR, *Army Critical Trades Survey Report*, DSPPR Research Report 17/2002, 2002m.

⁹⁸ An audit of Air Force fast jet pilots is to be considered in the context of the ANAO's annual work program for 2003–04.

5.18 Following consideration of the study's results, several projects are expected to be developed to implement the study's findings.

Defence Census

5.19 The Defence Census has been conducted at four-yearly intervals since 1991. It is designed to provide reliable demographic data on the Defence workforce. Results from the Census are used to monitor workforce trends and provide a basis, together with attitudinal information, for Defence planning. For example, ADF policy makers and implementers have used data from previous Censuses and supporting surveys in arguing for assistance with recruiting and retention policy development, initiatives and studies.⁹⁹

5.20 The next Defence Census will be administered on 18 March 2003.

Conclusion

5.21 The ANAO considers that Defence is meeting this recommendation. The ongoing use of annual surveys and specific studies is enabling Defence to develop a good understanding of the key factors that motivate ADF members to remain in the Services, as well as providing a sound knowledge of members' views of those factors. The ongoing development of the Retention Research Decision Guide and the completion of the Employer of Choice study in early 2003 will be useful in assisting Defence to address the issues which prompt personnel to separate.

Recruiting strategies

Findings of the original audit

5.22 At the time of the original audit DFRO did not undertake research on the effectiveness of its recruiting strategies and had not developed a system to obtain feedback from recruits on their perceptions of the accuracy of the information it supplied. Interviews of ADF personnel conducted by the ANAO identified a common perception among recruits that the information supplied by DFRO staff was often inaccurate and misleading. The ANAO considered that research such as that outlined above would be of use to DFRO in monitoring and revising its recruiting strategies to ensure that recruits were retained for a cost-effective period. The attainment of this information was viewed by the ANAO as a necessary and worthwhile first step for Defence to take towards the greater retention of ADF recruits.¹⁰⁰

⁹⁹ Department of Defence, *Why do we need a census?* [Online], Available: <<http://www.defence.gov.au/dpe/defencecensus2003/why.htm>>, [Accessed: 29 January 2003].

¹⁰⁰ ANAO, op. cit., 2000, p. 58.

Original Recommendation No.9¹⁰¹

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.

Original Defence response: Agreed.

Findings of the follow-up audit

5.23 Since the original audit report, DFRO has endeavoured to ensure the accuracy of recruiting information provided to potential recruits. For example, DSPPR has introduced an ADF Entrant Opinion Survey. Results from this survey are used by DFRO to evaluate their performance, refine business processes and modify staff training. The DSPPR recently reviewed the survey with a view to improving its procedures.¹⁰²

5.24 DFRO are involved in an ongoing program of policy and process reviews, training of careers advisers and the provision of advice to ADF recruiting units on specific recruiting issues. Recent activities undertaken by DFRO include the following:

- A tertiary recruiting strategy targeted at seeking university students for direct, graduate and undergraduate entry. Following good trial results in 2002 the program is to be launched in 2003.
- A technical trades strategy is being developed which will focus on identifying potential targets and developing strategies to recruit to Defence's technical trades.
- A review into recruiting for the Australian Defence Force Academy has been completed with major recommendations to be implemented in 2003.
- A review into recruiting for the Reserve elements of Defence has been completed with recommendations to be implemented in 2003.
- A review of the Officer Selection Board process for selecting officers for the ADF has been completed with recommendations to be implemented in 2003.
- A trial has been conducted on the use of the Job Network and Work for the Dole programs as an additional avenue of recruitment. An evaluation recommended that national rollout of this approach not proceed. The trial will be reviewed in late 2003 following the development of electronic applicant screening tools.

¹⁰¹ *ibid.*, p. 63.

¹⁰² DSPPR, *The Australian Defence Force Entrant Opinion Survey*, DSPPR Research Report 13/2002, 2002n.

5.25 As discussed in Chapter 4, Defence recently outsourced much of the ADF recruiting function. In announcing the four-year agreement, the Minister Assisting the Minister for Defence noted that:

... the collaborative strategy developed by Defence and Manpower Services would provide excellent opportunities to further improve recruiting performance. The strategy would enhance performance with new technology, improved alignment of responsibility and accountability, as well as better control of costs.¹⁰³

Manpower Services will be responsible for the service delivery aspects of Defence recruiting. Defence will retain control of entry standards, decide which applicants are accepted into the ADF and remain accountable for overall results.

5.26 As mentioned in Chapter 4, the ANAO is conducting a preliminary study of Defence's contract with Manpower.

Conclusion

5.27 The ANAO concludes that, since the original audit report, Defence has made progress in attempting to gain a greater understanding of the views of recruits and making use of this information to improve its recruitment strategies. With the outsourcing of the recruitment function, Defence will need to monitor the recruitment firm's performance to ensure that recruitment strategies provide Defence with recruits that are likely to be retained for a cost-effective period.

Canberra ACT
5 March 2003



Oliver Winder
Acting Auditor-General

¹⁰³ Hon. D. Vale [Minister Assisting the Minister for Defence], *Boost For Defence Force Recruiting*, Media Release MIN521/02, [26 September 2002], 2002d.

Appendices

Appendix 1

Major reviews

Review of Posting Turbulence

1. Defence established the Posting Turbulence Review Team (PTRT) in February 2000 to examine 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. Its report, completed late in 2000, covered personnel policies and practices that generate removals and relocations. The main finding of the PTRT was that personnel separations from the ADF are the main driver behind posting turbulence and the large number and cost of postings.
2. 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. 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 was contingent on the completion in 2001 of the external review of ADF remuneration (discussed below).
3. The findings and recommendations of the PTRT and Action Plan initiatives were considered by the ANAO as part of a limited scope performance audit of the posting process in Defence reported in May 2001.¹⁰⁴ The audit examined posting policy; separation and recruitment issues; members' attitudes to postings and Service career management agencies' initiatives. The ANAO made four recommendations that addressed ADF personnel postings, recruitment and retention issues. Defence agreed to the recommendations.¹⁰⁵

¹⁰⁴ ANAO, 2001b, op. cit.

¹⁰⁵ *ibid.*, pp. 16–17.

Review of ADF remuneration (Nunn Review)

4. An external review of ADF personnel remuneration arrangements reported to the Government in August 2001.¹⁰⁶ Chapter 2 of the report commented as follows:

A good deal of what we observed provides scope for reforms in personnel management. In some areas, significant reforms are needed.¹⁰⁷

... the Defence Organisation has a poor record in implementing the recommendations of reviews aimed at improving its personnel policies and practices.¹⁰⁸

Unfortunately, the utilisation of [military] capability is inhibited by inadequate management systems. This renders the people less effective than they should be, not to mention their frustration in attempting to cope with seemingly inflexible and unsupportive systems. Frustration with management systems is a major source of dissatisfaction, and contributor to personnel leaving the Services.¹⁰⁹

The Panel considers there is sufficient data to conclude that the generality of ADF personnel are not disadvantaged in respect of their overall remuneration when compared with the wider community.¹¹⁰

5. The report's Chapter 12, 'Attraction and retention', made the following comments:

The number of past reviews focused on retention in the ADF is testament to the recurring nature of the retention problem. We have been shown that ADF retention is directly related to economic conditions. This relationship is understandable. With an average career span of only eight years, the majority of ADF members have not been interested in a long-term ADF career and seek to establish second careers in the right economic circumstances.

The ADF benefits from staff turnover by maintaining a youthful workforce, although this has associated recruiting and training costs. Also, the ADF attracts recruits by offering valuable training and this has an associated expectation of labour turnover. So the problem is not one of general retention but the focused retention of particular groups of highly trained personnel whose loss results in immediate reductions in capability.¹¹¹

¹⁰⁶ *Review of Australian Defence Force Remuneration 2001*, op. cit.

¹⁰⁷ *ibid.*, p. 5.

¹⁰⁸ *ibid.*, p. 6.

¹⁰⁹ *ibid.*, p. 7.

¹¹⁰ *ibid.*, p. 10.

¹¹¹ *ibid.*, p. 125.

6. Chapter 12 made the following recommendations:
- Strategic people capability planning be fully embedded in the ADF planning process.
 - ADF leadership act to identify and reduce excessive workloads.
 - Government be advised of any reduced capability caused by excessive workloads.
 - Innovative work practices be actively pursued by the Chief of the Defence Force (CDF) and Service Chiefs.
 - Financial incentives be specifically targeted and monitored for effectiveness and not be built in to base salary and allowance rates.
 - Particular attention be given to the management of unrealistic career expectations.¹¹²
7. The Government has yet to respond to this review.¹¹³

Senate committee inquiry into recruitment and retention of ADF personnel

8. The Senate Foreign Affairs, Defence and Trade References Committee inquired into recruitment and retention of ADF personnel in 2001. The Committee examined the fundamental linkages between recruitment and retention and formed the view that retention is the key personnel issue. The Committee's report stated that:

It may be argued that retention of current personnel is more important than recruiting new personnel. The pillar of this argument is that 'the better the retention, the fewer the requirements there are for recruiting'. But the more important argument is that initiatives to improve retention have a wider impact than initiatives to improve recruiting. Improving career management and conditions of service will not only retain current personnel, but also attract people to enlist in the ADF. Therefore, the broad thrust of all ADF personnel planning and management strategy must be retention minded. ...

The evidence gathered by the Committee during this inquiry was wide ranging. The picture of recruitment and retention gleaned from this evidence **depressed** the Committee. Unfortunately, the cold fact is that many of the conclusions from previous reports (as early as the Hamilton Report) remain valid. ...

¹¹² *ibid.*, p. 129.

¹¹³ For the timing of the response, see *Defence Annual Report 2001–02* p. 299 and Senate Question No.964, to the Minister for Defence, placed on the Senate Notice Paper on 26 November 2002.

Everything the Committee discovered during the inquiry was already known to Defence. The evidence had been in front of them for quite some time. The conclusions and recommendations of previous reports have either been ignored or poorly implemented. Given recent national and international events, there is no longer time for procrastination. The Rubicon must be crossed now and not put off again as have decisions on crucial recruitment and retention issues for some 15 years, at great cost in personnel terms and expense to the ADF. The Department of Defence must develop and maintain strategies to recruit and retain qualified and experienced people to ensure our national security today and tomorrow.¹¹⁴

9. The committee made numerous recommendations in its report. The Government has yet to provide the Committee with a response to the report.

10. The Committee commented that Defence's original contractual arrangement with Manpower for trial recruiting services left much to be desired and deserved further scrutiny by ANAO.¹¹⁵ The ANAO has begun a preliminary study for an audit on this issue.

Joint committee review of *Defence Annual Report 2000–01*

11. The Joint Standing Committee on Foreign Affairs, Defence and Trade reviewed the *Defence Annual Report 2000-01* in 2002. In its report, the Committee commented on retention issues as follows:

4.66 The average length of stay in the ADF is about nine years. Approximately, 40 per cent of ADF personnel leave after their initial period of service. Defence explained this departure on the grounds that these people had set specific goals for themselves and 'moved on in a way they are comfortable with and have planned for'.

4.67 The retention of ADF personnel is a critical part of human resource management. ...

4.68 During the hearing, the prospect was raised that transition management can positively influence retention. For example, about 40 per cent of ADF people leave after their initial period of service. It was suggested that one of the reasons people leave after 4 to 8 years is that they have greater control over their employment options than if they waited 12 or maybe 18 years. The view was put that if the transition management schemes were effective then people at the 4 to 8 year period may have more confidence in staying on...

4.72 Transition management is an essential part of Defence's human resource management.

¹¹⁴ Senate Foreign Affairs, Defence and Trade References Committee, op. cit., pp. 80–1.

¹¹⁵ *ibid.*, p. 36.

4.73 One of the most important findings arising from the review is the suggestion that an effective and well designed transition management program can help in the retention of ADF personnel. This is based on the view that part of the reason that people leave after 4 or 8 years is because they lack confidence in transition management programs. Alternatively, if transition management programs were shown to be effective and the results were widely canvassed, then people may have more confidence and be enticed to stay on longer in the service.

4.74 Defence should embrace the view that an effective transition management program can influence retention...

4.75 In order to assess Defence's performance in this area of transition management, the Auditor-General should consider conducting a performance audit in this area. This will give Defence time to implement changes to its systems. If the Auditor-General conducted this review then the Committee could use the audit report as the basis for a further examination of transition management.¹¹⁶

12. The Committee's suggested audit will be considered in the context of the ANAO's annual work program for 2003-04.

Remuneration Reform Project

13. Defence has approved the development of the Remuneration Reform Project (RRP).¹¹⁷ In the past, the Pay Structure Review concept was to develop a banded pay structure for officers, assign various groups to various pay bands, and 'roll in' various allowances. A number of models were developed, but they did not gain tri-Service agreement and were therefore not approved.

14. The RRP approach is a plan to implement a contemporary pay system for the ADF that allows 'core' pay to remain predictable and based on work value differential, but also allows the Service Chiefs to have some flexibility to react to market force pressures using a remuneration lever. Phases 1 and 2 of the RRP have received endorsement from the Chiefs of Service Committee. Details of Phase 3 are to be considered in 2003.

15. Phase 1 involved the assignment of elements of existing environmental allowances (Flying, Submarine, Seagoing, etc) to their respective work value, disability or attraction and retention tasks, and to utilise these elements in various ways to offer flexibility. Five cases, the first being the Submarine Service and Seagoing Allowance, are scheduled to be heard by the Defence Force Remuneration Tribunal in the first half of 2003. Ministerial approval is being sought to make adjustments for other allowances. Phase 3, which is the banded pay structure for officers, is in the early stages of development.

¹¹⁶ Joint Standing Committee on Foreign Affairs, Defence and Trade, op. cit., pp. 66–68.

¹¹⁷ *ADF Remuneration Reform Project—Progress Report, As at 5 Aug 2002, 'Green Light for the RRP'*, [Online], Available: <http://www.defence.gov.au/dpe/dsa/download/PSR_Progress_Report.html>, [Accessed: 4 November 2002], 2002.

16. Defence considers that the RRP will create a system that allows, for the first time, recognition of work value in the officer corps, and the flexibility to deal with market force pressures by using remuneration quickly and flexibly.

Review of Service Allowance

17. The Defence Force Remuneration Tribunal reluctantly agreed to an ADF request to defer the review of the Service Allowance from the listed date in September 2002 until April 2003.¹¹⁸ Notwithstanding this, the Tribunal expressed concern regarding the delay and stands ready to hear the matter.¹¹⁹

18. Defence has stated that the delay in preparing the ADF case is a result of Government directives after the events of 11 September 2001 in the US that required the restructure of special and specialist operations allowances in line with revised security guidelines. The ADF is now reviewing the Service Allowance. The Defence Force Remuneration Tribunal is expected to hear the matter in April 2003.

ADF Workplace Remuneration Arrangement and Star Rank Remuneration Arrangement

19. All ADF members are covered by determinations made under the *Defence Act 1903*. The Government requires pay rises for ADF members to be justified through workplace bargaining. Defence has adopted what it calls a focused approach to the development of new workplace bargaining arrangements. They are expected to complement the existing ADF conditions of service and employment, which are determined separately in recognition of the special characteristics of military service. It is intended to recognise the contribution of ADF members to the Defence mission goals at the *broad organisational level*. The proposed pay rises will maintain the current proportional relationships between the ADF and civilian systems within Defence.

20. ADF members, as part of the wider Defence organisation, are expected to contribute to the achievement of the Defence outcome. In particular, ADF members are expected to contribute to the successful implementation of Defence organisational initiatives such as the 'results through people' approach.

¹¹⁸ Service Allowance at the rate of \$7108 per annum (as at 28 June 2002) is paid to all members (except for certain trainee categories) below the rank of Lieutenant Colonel or equivalent. The allowance compensates a member for factors such as, but not limited to:

- a) the requirement to be on call and the liability to work long and irregular hours including weekends and public holidays and shifts;
- b) the turbulence in postings caused by the liability to be moved frequently, and often at short notice, to meet the needs of the Service and the effects of this on the member and the member's family;
- c) the requirement to submit to discipline and control in personal and employment matters in which a civilian generally has some freedom of choice; and
- d) the requirement at times to live and work in uncomfortable conditions.

¹¹⁹ Directorate of Salary and Allowances, *Review of Service Allowance*, [Online], Available at: <http://www.defence.gov.au/dpe/dsa/download/SARReview_page2.htm>, [Accessed: 6 September 2002], 2002.

21. The *ADF Enterprise Productivity Arrangement* (1999–2002) covers all permanent ADF and reserve forces up to and including Colonels and equivalents.¹²⁰ The *Star Rank Remuneration Arrangement*, covered by section 58KD of the Defence Act, covers salary and allowances and other specific non-salary related conditions of service for Brigadiers and Major Generals and equivalents of the permanent and reserve forces. This arrangement replicates many civilian Senior Executive Service conditions of service but senior members of the ADF do not sign individual Australian Workplace Agreements (AWA) with the CDF. In the development of the new arrangements, the ADF does not propose to introduce AWAs or their equivalents for ADF members.

22. The new ADF Workplace Remuneration Arrangement does not propose any conditions of service trade-offs. The focused approach means that across-the-board pay rises are provided in return for the overall contribution of ADF members to the achievement of Defence capability and reform goals. The ADF's unique conditions of service system will continue to complement the special characteristics of military service.

23. The ADF has stated that it remains committed to an ongoing program of communication and consultation with its members on conditions of service matters, such as the ADF Workplace Remuneration Arrangement and Star Rank Remuneration Arrangement.

Strategic Workforce Planning Review

24. The Secretary and CDF established the Strategic Workforce Planning Review in December 2001. The review was commissioned to develop long-term structural solutions to the workforce issues identified in the Defence White Paper. In examining the workforce required to deliver capability over the next 20 years, strategies which have been identified to deal with workforce issues include:

- changing the workforce mix between the permanent force, reserve force, public servants and industry;
- changing the way capability is delivered; and
- reducing separation rates.

25. Regular progress reports have been made to the Defence Committee. An interim report was presented to the Secretary and CDF in September 2002. The final report is to be delivered in early 2003.

¹²⁰ To be replaced in November 2002 by the *ADF Workplace Remuneration Arrangement* (2002–2004).

Appendix 2

Statistics on ADF personnel separations

1. This appendix sets out figures of personnel separations statistics and updates information in Appendix 3 of the original report. The information was supplied by the Directorate of Workforce Planning and Establishment, in the Defence Personnel Executive. Specifically, the figures present information on:

- separation rates for the trained force, training force,¹²¹ officers and other ranks;
- a comparison of the separation rates for the trained force and training force for each Service and the whole ADF;
- separation rates by gender for each Service and the whole ADF; and
- a comparison of the separation rates for officers and other ranks for each Service and the whole ADF.

2. Table A1 indicates the size of the ADF and Service populations according to force, gender and rank.

Table A1

Summary of ADF Population, 30 June 2002.

	Navy	Army	Air Force	ADF
ADF Population by Force				
Trained Force	10 562	22 513	11 849	44 924
(%)	83.8	89.4	87.2	87.5
Training Force	2 043	2 657	1 741	6 441
(%)	16.2	10.6	12.8	12.5
ADF Population by Gender				
Male	10 537	22 659	11 585	44 781
(%)	83.6	90.0	85.2	87.2
Female	2 068	2 511	2 005	6 584
(%)	16.4	10.0	14.8	12.8
ADF Population by Rank				
Officers	2 721	4 976	3 987	11 684
(%)	21.6	19.8	29.3	22.7
Other Ranks	9 884	20 194	9 603	39 681
(%)	78.4	80.2	70.7	77.3

Source: Table 5.7: ADF Permanent Forces by Gender and Employment Category in *Defence Annual Report 2001-02*.

Note: Members of the Reserve Forces are excluded from this table.

¹²¹ The training force are those members of the ADF undertaking recruit and initial training prior to joining a unit or formation.

Separation rates—Figures A1(a)-(d)

3. Figures A1(a)-(d) show separation rates (separations in a particular category expressed as a percentage of the personnel in that category) classified according to the variables: trained force; training force; officers; and other ranks. The figures indicate that separation rates are higher for females than males, and other ranks than officers, as was noted in the original audit. However, in the trained and training forces, the separation rates for officers, but not for other ranks, are now converging.

Trained and training force—Figures A2(a)-(d)

4. Table A2, derived from Figures A2(a)-(c), displays separation rates for the trained force and training force for each of the three Services. In particular, it shows that separation rates for the Army training force are significantly higher than for the Army trained force. This trend is not apparent in the other Services.

Table A2

Separation rates for trained and training forces, 2001–02.

	Trained force separation rate (%)	Training force separation rate (%)
Navy	12.40	12.19
Army	10.53	20.85
Air Force	10.27	11.12

Source: Directorate of Workforce Planning and Establishment, in the Defence Personnel Executive.

5. Figures A2(a)-(d) indicate that the separation rate for the training force is higher than for the trained force for the ADF as a whole. For each Service the separation rate for the training force has increased since the original audit.

Gender—Figures A3(a)-(d)

6. Figures A3(a)-(d) show the difference between male and female separation rates for each Service, and the whole ADF, over the last 14 years. They indicate that female separation rates are generally higher than male separation rates. As can be seen from Table A3, this situation has not changed over the period.

Table A3

Separation rates by gender, 2001–2002 and 1988–2002.

	2001–2002		1988–2002	
	Males (%)	Females (%)	Males (%)	Females (%)
Air Force	9.79	13.69	9.97	13.18
Army	11.36	14.11	11.90	14.24
Navy	11.76	16.16	11.24	12.95
ADF	11.05	14.00	11.17	13.51

Source: Directorate of Workforce Planning and Establishment, in the Defence Personnel Executive.

7. The original audit report stated that a review of available figures for British and US military forces showed that, in general, the difference between male and female separation rates is similar to that for the ADF.¹²² In some cases the British and US rates were greater than for the ADF.¹²³ Interviews with military personnel conducted for the original audit did not generate any reasons why women should separate at a greater rate than men. Very few of the women interviewed mentioned sexual discrimination or harassment.

Rank—Figures A4(a)-(d)

8. For all three Services the separation rate for 2001–02 for other ranks was higher than for officers. In the case of Army, this gap has been steadily reducing. The 2001–02 figures have almost reached parity: 11.67 per cent for other ranks and 11.50 per cent for officers.

9. These figures also reveal similar trends in separations for other ranks across the three Services. The separation rate for Army officers is noticeably different from the rates for Navy and Air Force officers.

¹²² ANAO, op. cit., 2000, p. 97.

¹²³ For example, in the United Kingdom in 1998–1999 the separation rate was 18.4 per cent for females and 12.7 per cent for males.

Figure A1(a)

Separation Rates—Trained Force, 30 June 1989 to 30 June 2002.

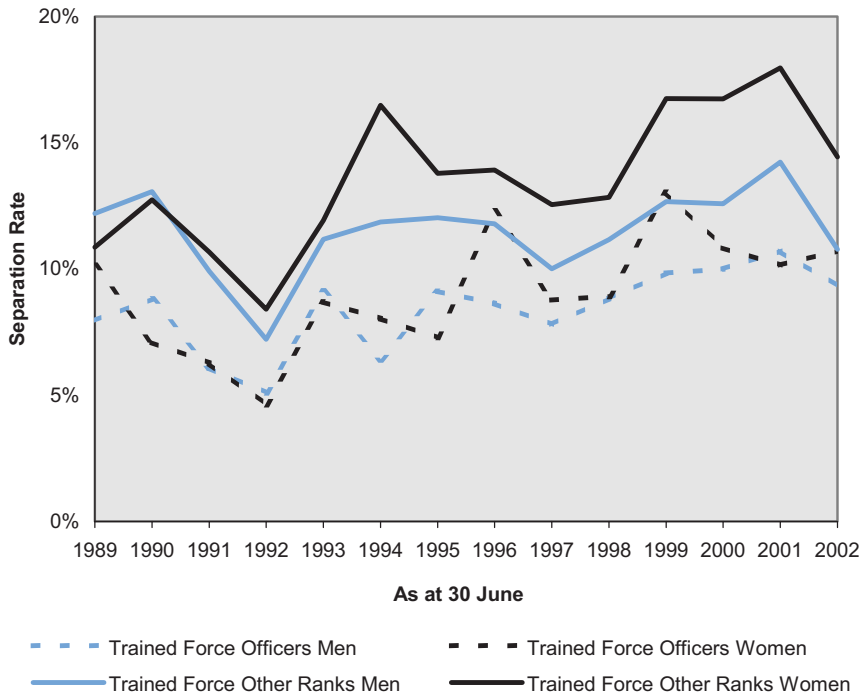


Figure A1(b)

Separation Rates—Training Force, 30 June 1989 to 30 June 2002.

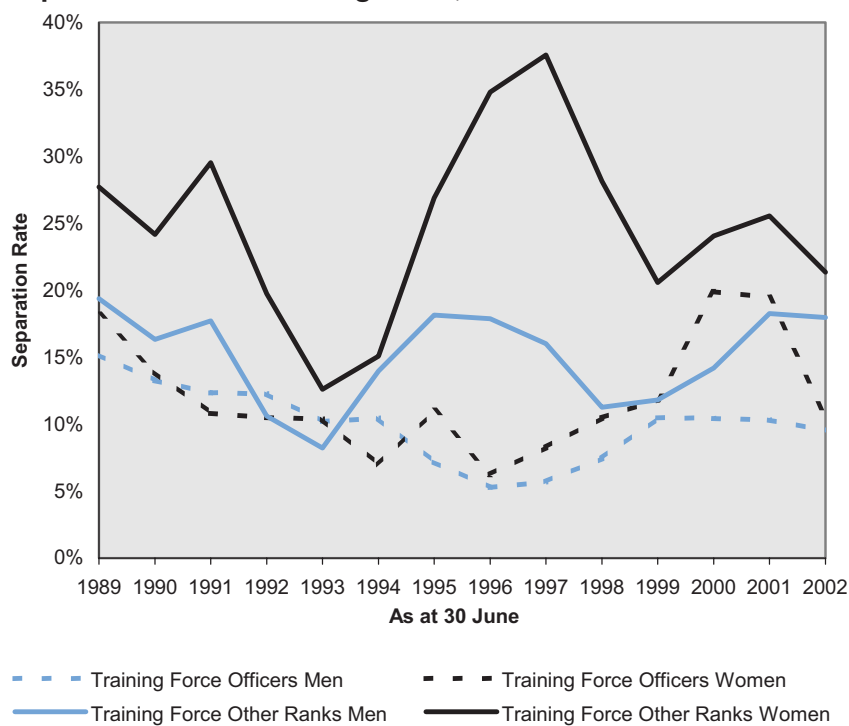


Figure A1(c)

Separation Rates—Officers, 30 June 1989 to 30 June 2002.

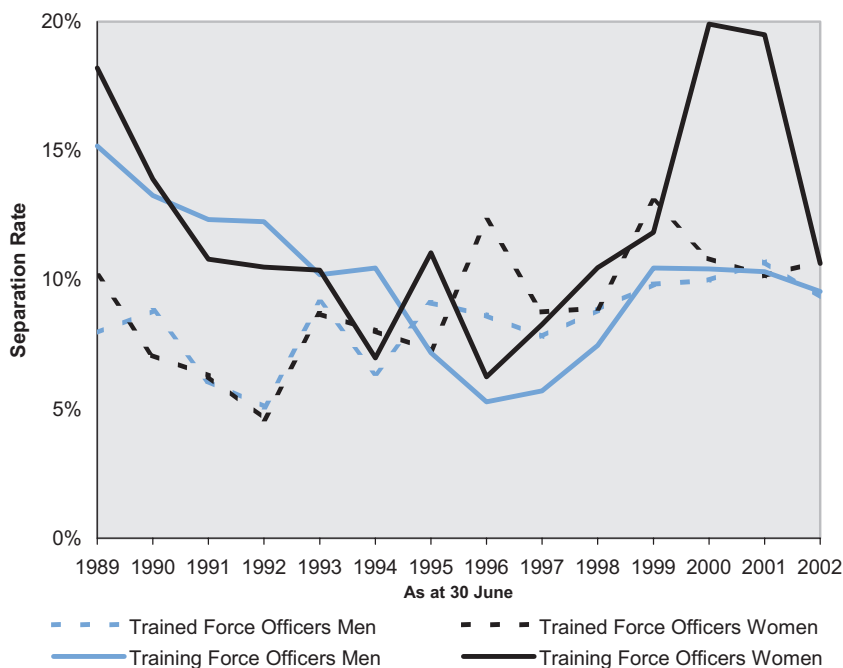


Figure A1(d)

Separation Rates—Other Ranks, 30 June 1989 to 30 June 2002.

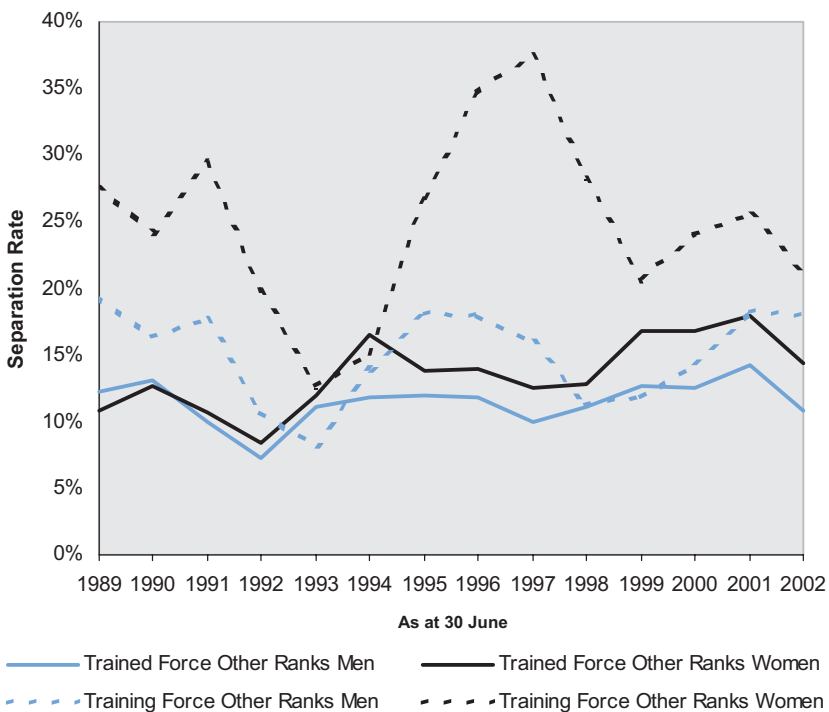


Figure A2(a)

Separation Rates—Trained vs Training—Air Force, 30 June 1989 to 30 June 2002.

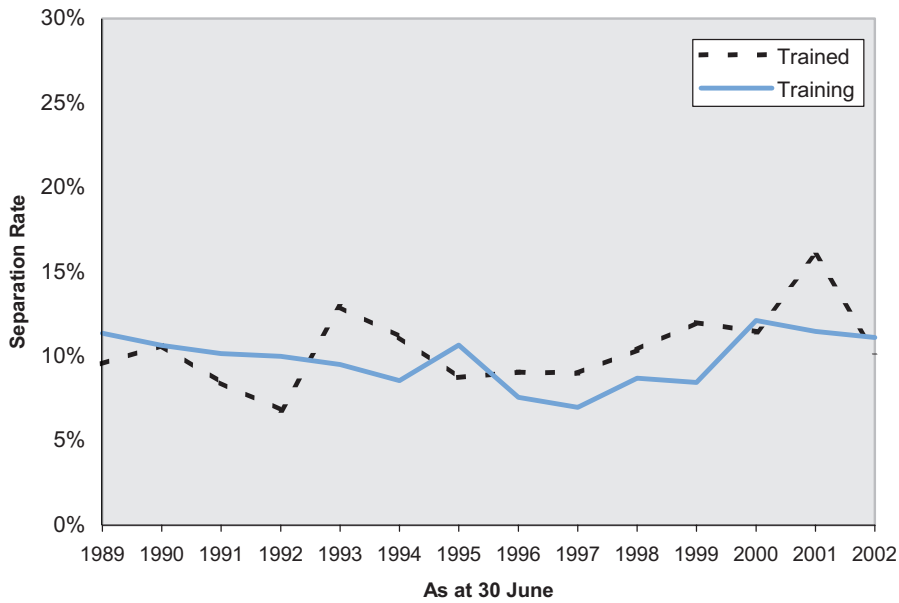


Figure A2(b)

Separation Rates—Trained vs Training—Army, 30 June 1989 to 30 June 2002.

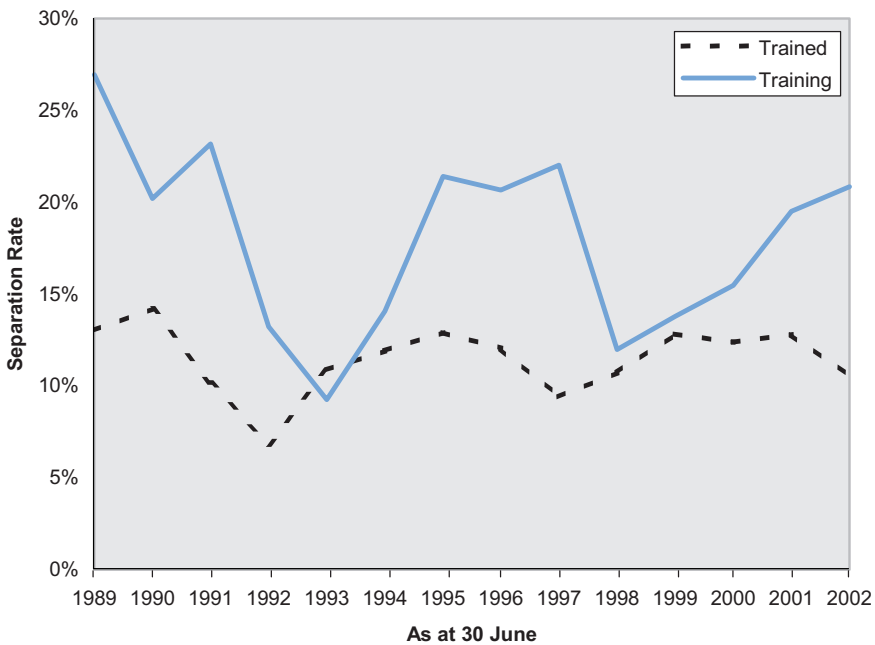


Figure A2(c)

Separation Rates—Trained vs Training—Navy, 30 June 1989 to 30 June 2002.

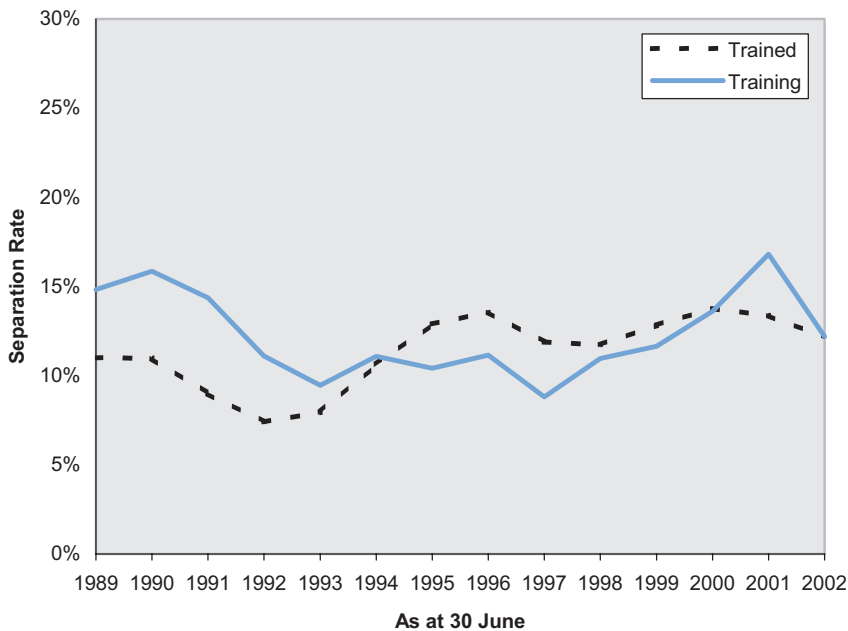


Figure A2(d)

Separation Rates—Trained vs Training—ADF, 30 June 1989 to 30 June 2002.

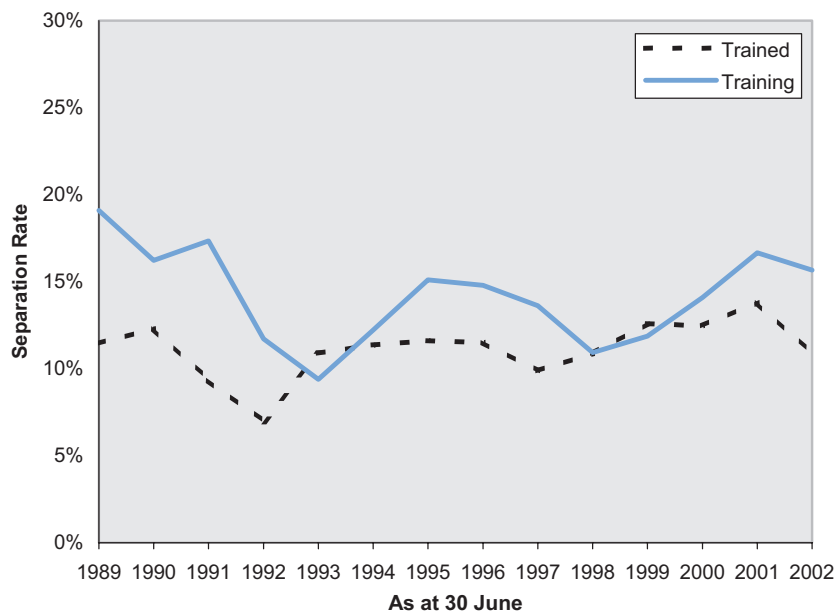


Figure A3(a)

Separation Rates by Gender—Air Force, 30 June 1989 to 30 June 2002.

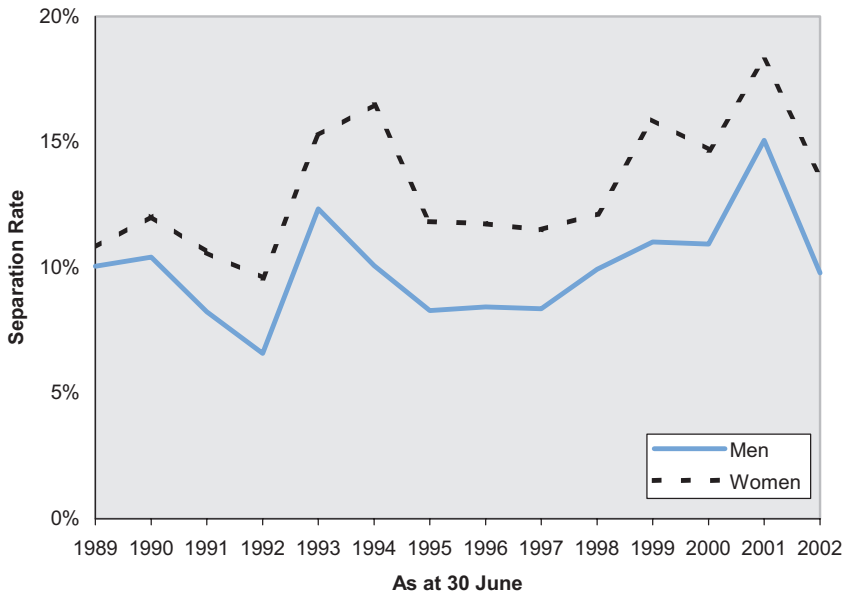


Figure A3(b)

Separation Rates by Gender—Army, 30 June 1989 to 30 June 2002.

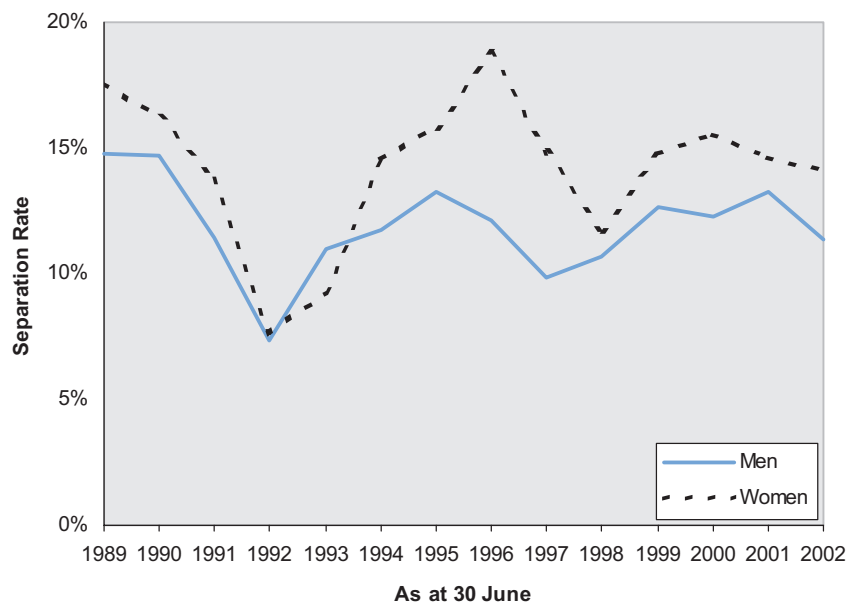


Figure A3(c)

Separation Rates by Gender—Navy, 30 June 1989 to 30 June 2002.

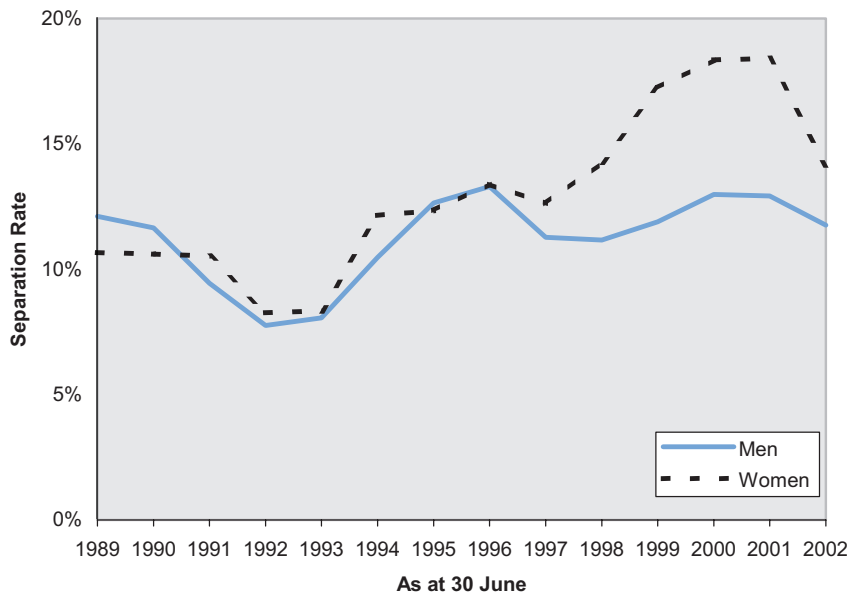


Figure A3(d)

Separation Rates by Gender—ADF, 30 June 1989 to 30 June 2002.

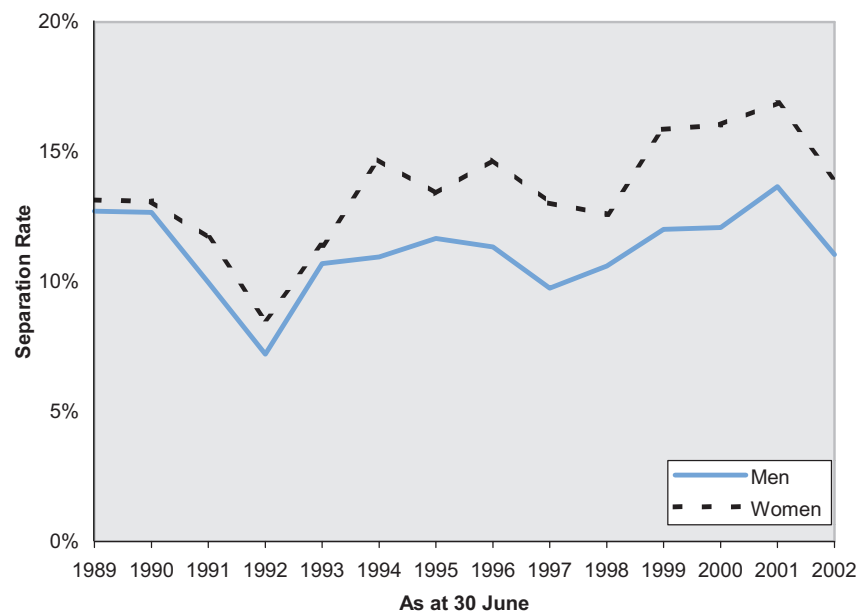


Figure A4(a)

Separation Rates—Officers vs Other Ranks—Air Force, 30 June 1989 to 30 June 2002.

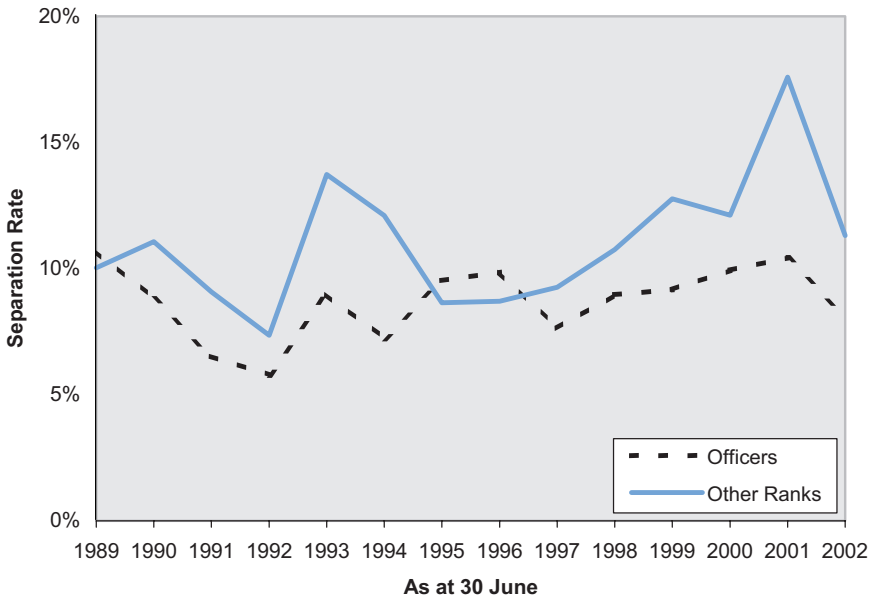


Figure A4(b)

Separation Rates—Officers vs Other Ranks—Army, 30 June 1989 to 30 June 2002.

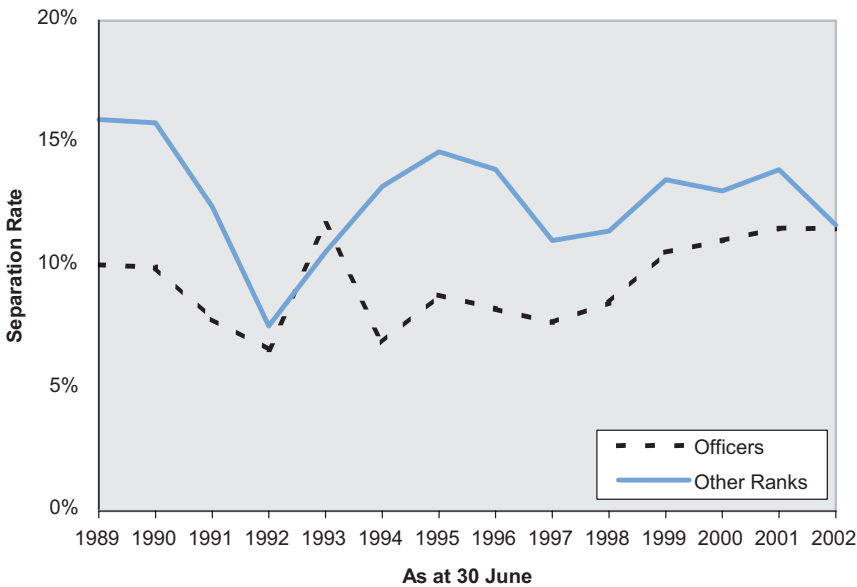


Figure A4(c)

Separation Rates—Officers vs Other Ranks—Navy, 30 June 1989 to 30 June 2002.

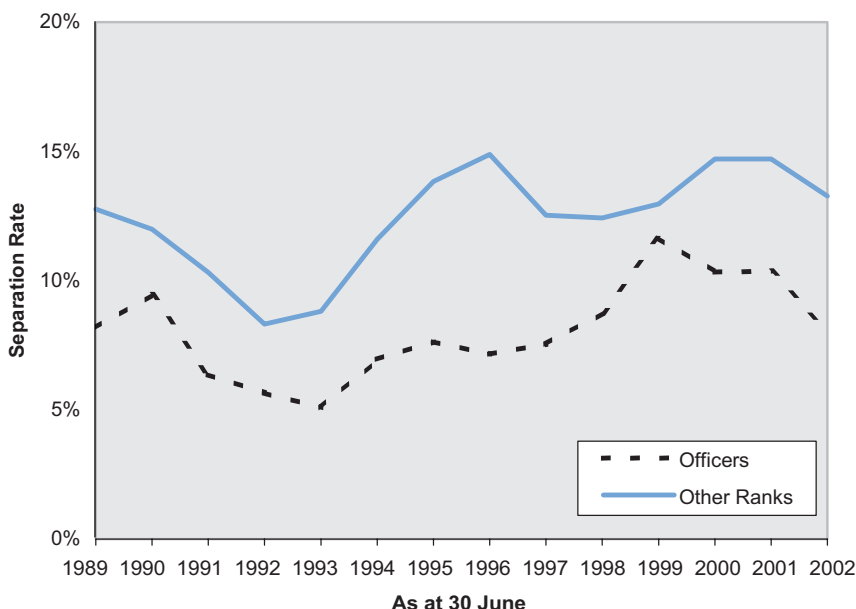
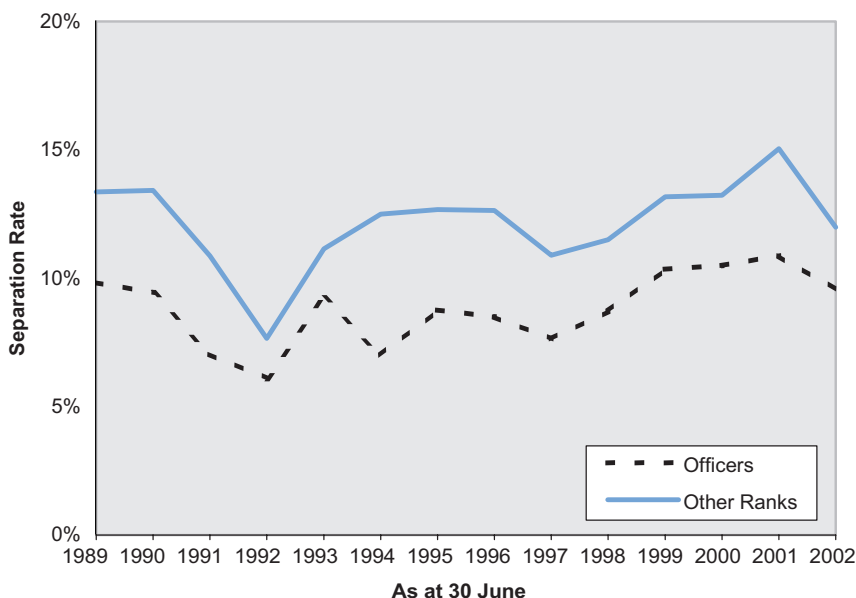


Figure A4(d)

Separation Rates—Officers vs Other Ranks—ADF, 30 June 1989 to 30 June 2002.



Appendix 3

Under-strength strategically-significant positions

The tables below show what Defence regards as under-strength strategically-significant positions in the three Services, together with each Service’s explanation for the under-strength situation. For the purposes of these tables an ‘under-strength strategically-significant position’ is defined as an employment group whose strength is 10 percent, or more, under establishment and whose role is integral to the sustainment and support of operations.

AIR FORCE POSITIONS

Officers and Airmen as at 1 August 2002				
Position	Establishment	Strength	Difference (%)	Reason for Difference
Medical (Doctor)	58	39	-33	Difficulties with retention.
Pharmacist	15	6	-60	Difficulties with recruitment and retention.
Air Defence Officer	127	134	6	Although currently surplus, Air Defence will be significantly short in five years time due to increases in establishment and training capacity constraints.
Air Traffic Control Officer	329	258	-22	Shortfalls are expected to remain for several years due to training throughput problems with high separations forecast due to industry demand.
Nursing Officer	100	87	-13	Recent recruiting under achievement due to global shortages of nurses is affecting the health of this specialisation.
Communications Electronics Technician	563	475	-16	High separation rates, long period of Initial Employment Training.

Position	Establishment	Strength	Difference (%)	Reason for Difference
Electrician	28	19	-32	Recruitment and employment (respite) issues.
Medical Assistant	147	113	-23	High separation rates and retention issues.
Security Police	346	283	-18	High separation rates, shortfalls in Military Dog Handler stream.
Signals Operator	220	158	-28	Difficulties with recruitment and retention.

NAVY POSITIONS

Officers Primary Qualification as at 1 October 2002				
Position	Establishment	Strength	Difference (%)	Reason for Difference
Pilot	145	87	-40	High training failure rate, training pipeline constrictions.
Observer	122	81	-34	Poor recruiting rate, initial training pipeline constrictions.
Seaman Officer	1 081	776	-28	Quality/motivation of applicants. High training failure rate.
Weapons Electrical Engineering Officer	150	83	-45	Poor recruiting rate, high separation rate, career progression constriction points.
Doctor	47	31	-30	High separation rates on completion of Return of Service Obligation.

Sailors Categories as at 1 October 2002				
Position	Establishment	Strength	Difference (%)	Reason for Difference
Marine Technician	2 186	1 778	-19	High separation rates after initial period of service.
Electronics Technician	1 295	1 015	-22	Low recruiting rate, high separation rate.
Communication and Information Systems	727	595	-18	High separation rate, nil recruiting in 1997 due to category rationalisation. Situation improving.
Combat Systems Operator	816	704	-14	High separation rate especially at Leading Seaman rank. Previous low recruiting. Situation improving.
Electronic Warfare Linguist	202	116	-43	High separation rate, poor recruiting over past 5 years.
Electronic Warfare Technical	91	78	-14	High separation rates especially at Leading Seaman level, training constrictions. Situation improving.
Writer	233	220	-5	Existing shortfalls, high separation rates. Situation improving.
Stores Naval	340	286	-16	Existing shortfalls, high separation rates. Situation improving.
Electronics Technician (Submarine)	134	78	-42	High separation and poor recruitment.
Communication and Information Systems (Submarines)	55	37	-33	Nil recruiting of Communication and Information Systems in 1997 had a flow on effect to this category at Able Seaman rank.

ARMY POSITIONS

Officers Critical Categories ^a as at 12 Aug 2002				
Category	Establishment	Strength	Difference (%)	Reason for difference
Pilots				
Lieutenant	98	76	-22	High training failure rate. Low SSO Recruiting. Lack of quality applicants.
Captain	161	143	-11	
Major	57	76	33	
Lieutenant Colonel	17	19	12	
Royal Australian Army Medical Corps				
Lieutenant	0	3	Nil Estab Posn	High separation.
Captain	33	40	21	
Major	17	12	-29	
Lieutenant Colonel	8	11	38	
Royal Australian Army Dental Corps				
Captain	15	11	-27	High separation.
Major	13	14	8	
Lieutenant Colonel	2	5	150	

Category	Establishment	Strength	Difference (%)	Reason for difference
Royal Australian Army Nursing Corps				
Lieutenant	58	32	-45	High separation.
Captain	29	39	34	
Major	5	12	140	
Lieutenant Colonel	4	3	-25	
Captain	1 808	1 551	-14	A combination of high separation rates and high demand for officers in this rank has seen a persistent shortage. Continued poor recruiting achievements through ADFA and RMC are a concern for the future GSO strengths.
Major	1 518	1 342	-12	A combination of high separation rates and high demand for officers in this rank has seen a persistent shortage. Continued poor recruiting achievements through ADFA and RMC are a concern for the future GSO strengths.

Soldiers Critical Categories ^b as at 12 Aug 2002				
Trade	Establishment	Strength	Difference (%)	Reason for Difference
420 Tech Elec Telecom (Royal Australian Electrical and Mechanical Engineers)				
Private	45	55	22	Recruiting & Retention. SMEWG to be conducted.
Lance Corporal	5	2	-60	
Corporal	35	32	-9	
Sergeant	20	20	0	
Warrant Officer Class 2	0	0	Nil Estab Posn	
405 Tech Electronics (Royal Australian Signals)				
Private	115	104	-10	Retention—loss to civilian market forces.
Lance Corporal	13	5	-62	
Corporal	112	77	-31	
Sergeant	69	52	-25	
Staff Sergeant	0	2	Nil Estab Posn	
Warrant Officer Class 2	38	35	-8	
Warrant Officer Class 1	11	11	0	

Trade	Establishment	Strength	Difference (%)	Reason for Difference
256 Op Comd Spt Sys (Royal Australian Signals)				
Private	93	127	37	Retention—loss to civilian market forces.
Lance Corporal	13	7	-46	
Corporal	88	50	-43	
Sergeant	48	23	-52	
Warrant Officer Class 2	23	24	4	
Warrant Officer Class 1	5	4	-20	
031 Assistant Medical (Royal Australian Army Medical Corps)				
Private	125	161	29	Pay Group Inequities. Retention.
Lance Corporal	21	11	-48	
Corporal	187	127	-32	
Sergeant	103	78	-24	
Staff Sergeant	0	3	Nil Estab Posn	
Warrant Officer Class 2	35	41	17	
Warrant Officer Class 1	0	6	Nil Estab Posn	

Trade	Establishment	Strength	Difference (%)	Reason for Difference
294 Op Supply (Royal Australian Army Ordnance Corps) / 296 / 297 / 298				
Private	479	322	-33	Recruiting. Retention.
Lance Corporal	72	16	-78	
Corporal	395	323	-18	
Sergeant	302	238	-21	
Staff Sergeant	0	49	Nil Estab Posn	
Warrant Officer Class 2	224	183	-18	
Warrant Officer Class 1	59	55	-7	
419 Tech Elec Radar (Royal Australian Electrical and Mechanical Engineers)				
Private	11	5	-55	Issues with ECN 420 as the feeder trade for this trade.
Corporal	11	7	-36	
Sergeant	7	12	71	
Warrant Officer Class 2	0	0	Nil Estab Posn	

Trade	Establishment	Strength	Difference (%)	Reason for Difference
345 Rigger Parachutist (Royal Australian Army Ordnance Corps)				
Private	48	31	-35	A/L Gap at Private Rank. Retention.
Lance Corporal	4	6	50	
Corporal	15	15	0	
Sergeant	12	16	33	
Warrant Officer Class 2	5	6	20	
Warrant Officer Class 1	2	2	0	
002 Int Analyst Spec (Linguist) (Australian Army Intelligence Corps)				
Private	0	5	Nil Estab Posn	Recruiting. Training Requirements. Civilian Market Forces.
Lance Corporal	0	1	Nil Estab Posn	
Corporal	21	11	-48	
Sergeant	23	9	-61	
Warrant Officer Class 2	8	12	50	
Warrant Officer Class 1	1	1	0	

Source: Directorate of Workforce Planning and Establishment, Defence Personnel Executive.

(a) Risk to operational effectiveness - The risk to operational effectiveness of failure to achieve recruiting targets for the categories below is regarded as high.

Although PMKeyS identifies the strength indicated here as being 'trained', the strength appears to include a number of personnel in training.

(b) Risk to operational effectiveness - There is a risk to operational effectiveness due to a failure to achieve recruiting targets for these trades. Australian Headquarters has an Action Plan to improve recruiting and retention that complements DPE action and includes managing critical and serious trades.

Appendix 4

Previous performance audits in Defence

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

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 Australian Defence Force*

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.45 1999–2000 *Commonwealth Foreign Exchange Risk Management Practices*

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*

Audit Report No.41 2000–01 *Causes and Consequences of Personnel Postings in the ADF*

Audit Report No.51 2000–01 *Australian Defence Force Health Services—follow-up*

Audit Report No.16 2001–02 *Defence Reform Program—Management and Outcomes*

Audit Report No.24 2001–02 *Status Reporting of Major Defence Equipment Projects*

Audit Report No.30 2001–02 *Test and Evaluation of Major Defence Equipment Acquisitions*

Audit Report No.38 2001–02 *Management of ADF Deployments to East Timor*

Audit Report No.44 2001–02 *Australian Defence Force Fuel Management*

Audit Report No.58 2001–02 *Defence Property Management*

Audit Report No.3 2002–2003 *Facilities Management at HMAS Cerberus*

Audit Report No.30 2002–2003 *Defence Ordnance Safety and Suitability for Service*

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Audit Report No.2 Performance Audit
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Audit Report No.3 Performance Audit
Facilities Management at HMAS Cerberus
Department of Defence

Audit Report No.4 Audit Activity Report
Audit Activity Report: January to June 2002
Summary of Outcomes

Audit Report No.5 Performance Audit
The Strategic Partnership Agreement between the Department of Health and Ageing and the Health Insurance Commission
Department of Health and Ageing and the Health Insurance Commission

Audit Report No.6 Performance Audit
Fraud Control Arrangements in the Department of Veterans' Affairs

Audit Report No.7 Performance Audit
Client Service in the Child Support Agency Follow-up Audit
Department of Family and Community Services

Audit Report No.8 Business Support Process Audit
The Senate Order for Department and Agency Contracts (September 2002)

Audit Report No.9 Performance Audit
Centrelink's Balanced Scorecard

Audit Report No.10 Performance Audit
Management of International Financial Commitments
Department of the Treasury

Audit Report No.11 Performance Audit
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Health Insurance Commission

Audit Report No.12 Performance Audit
Management of the Innovation Investment Fund Program
Department of Industry, Tourism and Resources
Industry Research and Development Board

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Audit Report No.27 Performance Audit
Management of Commonwealth Guarantees, Warranties, Indemnities and Letters of Comfort

Audit Report No.28 Performance Audit
Northern Territory Land Councils and the Aboriginals Benefit Account

Audit Report No.29 Audit Activity Report
Audit Activity Report: July to December 2002
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Audit Report No.30 Performance Audit
Defence Ordnance Safety and Suitability for Service
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