

Audit Reports Summaries

Audit Report No. 8 1995-96

Summary

Department of Defence

EXPLOSIVE ORDNANCE

Performance Follow-Up Audit

Background

Audit Report No.5 1993-94, *Explosive Ordnance, Department of Defence*, was tabled in the Parliament in September 1993. The report was structured in three parts. The first part covered explosive ordnance (EO) issues common to all three Services; the second part focused on the management of explosive ordnance by the Navy; and the third part was a follow-up of the 1987 audit report on Air Force explosive ordnance. The report made 39 recommendations. Defence agreed to implement most of them.

A glossary of terms is at page ix of the follow-up audit report.

Findings of previous audit

The key findings in the 1993 audit report were as follows:

- explosive ordnance stockholding policy had not been articulated;
- inadequate methods of determining Navy practice allowance resulted in excessive holdings of EO;
- new explosive ordnance information systems were required for Army and Air Force based on the Navy system;
- a new east coast armament depot should replace depots at Kingswood and Newington in Sydney;
- the need for standardised safety licensing, random safety audits and annual reporting on explosive safety issues to the Chief of the Defence Force (CDF);
- the three Services should be responsible for the procurement of their own EO operating stocks to ensure EO inventory is matched to required usage; and
- the amount of Hazard Division (HD) 1.1, the most explosive kind of ordnance, stored at Air Force Orchard Hills (Kingswood) Depot in Sydney was thirteen times the licensed capacity.

Follow-up audit

It was considered timely to undertake a follow-up audit into key issues of the recommendations contained in the audit report, given the elapsed time since the report was tabled and the issues associated with public safety.

The ANAO is also aware that Defence explosive ordnance has been of particular interest to parliamentary committees. The Joint Committee of Public Accounts raised concerns about the safety of explosive ordnance in its Report 303 in 1989. The Joint Committee of Foreign Affairs, Defence and Trade commented on explosives management issues in its report, *Stockholding and Sustainability in the Australian Defence Force*, in December 1992.

Findings of follow-up audit

The follow-up audit found that progress in implementing the ANAO recommendations has been generally satisfactory. Some important recommendations are yet to be fully implemented, although action in that respect is ongoing.

Summarised below is the outcome of the follow-up audit in respect of the 1993 key findings set out above.

- The 1993 audit found a need for a central EO stockholding policy. Although the Department of Defence has promulgated a reserve stockholding policy and has provided guidelines for implementation of the policy to the three Services, the policy is yet to be fully implemented in terms of endorsed and coordinated EO activity levels and usage rates. The Services have undertaken work based on their own set of assumptions in order to determine their reserve stockholding requirements. Work has commenced on developing an ADF Operating Stockholding Policy.
- Methods to determine Navy practice allowance are still inadequate. Work is progressing to further refine the methodology.
- Air Force introduced the computerised information system, COMSARM, at its No.1 Central Ammunition Depot, Orchard Hills, in June this year. Navy has further enhanced its own version of COMSARM and the Army is yet to approve the introduction of COMSARM.
- Defence has decided that the proposed East Coast Armaments Complex (ECAC) will be located at Point Wilson in Victoria. The proposal is subject to a formal environmental assessment to be made later this year. If the site is found to be unsuitable, lead times involved in finding an alternative site will be further increased.
- Defence introduced OPSMAN 3 in November 1994. This manual has provision for standardised safety licensing, random audits by Explosives Safety Audit Group and an annual report on EO safety issues to the Chief of the Defence Force.
- Army and Air Force are responsible for procurement of operating (replenishment) stocks of guided and unguided ordnance. The initial purchase of both guided and unguided weapons for Army and Air Force is centrally provided by Headquarters Australian Defence Force (HQ ADF). In the case of the Navy, the initial purchase of guided and unguided weapons and the replenishment of guided weapons are arranged centrally. Defence believes that guided weapons are high-cost items that only specialist staff should procure.

- The excess HD 1.1 explosive ordnance has now been transferred from the Air Force's No.1 Central Ammunition Depot, Orchard Hills, to Bogan Gate near Parkes in NSW. Air Force currently has no Departmental Risk Waivers (DRW) in place for the Orchard Hills depot. Waivers were used on previous occasions as long-term measures to authorise the storage of EO in excess of the licensed capacity of the buildings.

The follow-up audit concluded that the adoption of ANAO recommendations by HQ ADF and the Services has resulted in improved administration in the management of Explosive Ordnance. It has also led to a dramatic reduction in the number of risk waivers required for storage of explosive ordnance in excess of the licence capacity.

Department of Defence response

The Department of Defence has agreed with the findings and conclusions of the follow-up audit. The Department said that much work has been done and will continue to be done in addressing the issues raised in the 1993 audit. The follow-up audit, has provided the opportunity to assess this direction and re-appraise priorities.

Conclusion

Out of 39 audit recommendations, Defence has implemented 24 recommendations and progress is ongoing for the remainder. Overall, the ANAO considers that Defence has made satisfactory progress since the tabling of the audit report in September 1993. It is also encouraging to note that the Department is attempting to improve the overall administration of EO management through various means, such as: Single Service Logistic Management (SSLM) of EO wholesale storage, and guided weapons maintenance and wholesale storage; the eventual Commercial Support Program (CSP) testing of EO wholesale storage and distribution and guided weapons maintenance and wholesale storage; the implementation of the tri-Service COMSARM inventory management system; and the proposed implementation of Air Force's EO Quality Management Plan.

The ANAO is of the view that HQ ADF should provide guidance to the Services on Australia's defence capability and its requirements for reserve and operational stocks without further delay. Otherwise, current levels of stockholding by the three Services may not reflect an endorsed Concept of Operations for the whole of the Defence Force. Of the outstanding recommendations, the ANAO considers that the full implementation of ADF EO stockholding policies should remain a priority.