



**Government Defence
Integrity Index**



2020



Country Brief:

AUSTRALIA

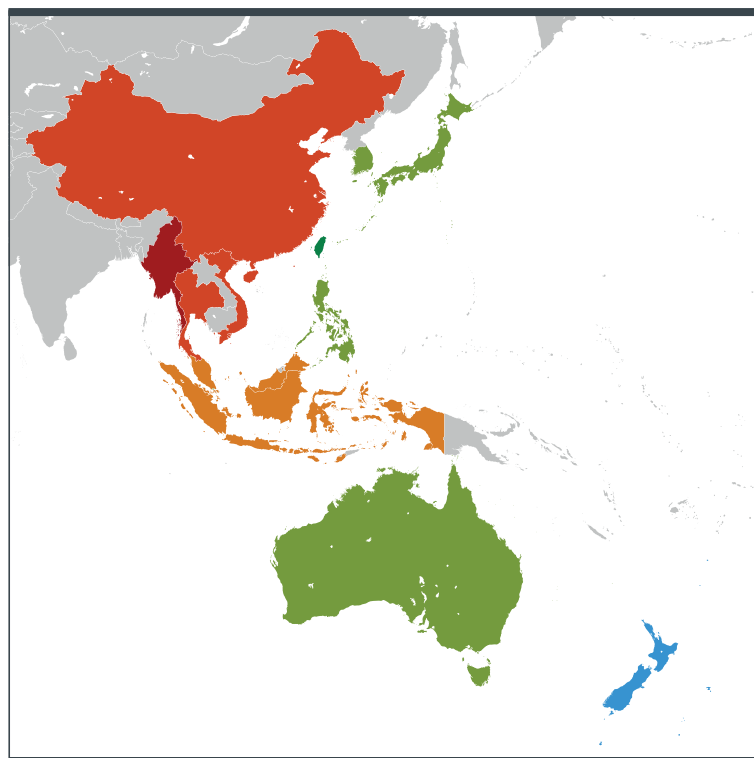


AUSTRALIA

During a period of mounting global instability, Australia has had to contend with a huge variety of environmental, political, economic, and military challenges. The effects of climate change have become increasingly evident in the huge wildfires that have decimated parts of the country.¹ The COVID-19 pandemic has negatively impacted the economy and interrupted trade routes on which nearly half of Australia's GDP relies.² In this context, Australia's foreign engagement is shifting too. While historically, a constructive trade relationship with China has been balanced with a close strategic and military alliance with the United States, the relative decline of US hegemony and engagement in the region has seen Australia pivot increasingly to other Asian states.³

Member of Open Government Partnership	Yes
UN Convention Against Corruption	Ratified in 2005.
Arms Trade Treaty	Ratified in 2014.

The strengthening of ties with Japan and India is one indication of this, and complement Australia's already significant role in promoting regional stability in Southeast Asia and its renewed engagement in the Pacific.⁴ The complex relationship with China is a further driver of this engagement, with relations increasingly strained in recent years after a series of disputes.⁵ Concerns about China's rapid military modernisation and fears of Chinese attempts to influence political processes, led authorities to ban tech giant Huawei from the national 5G network and prohibit foreign political donations.⁶ These dynamics are driving a re-evaluation of international relations in an increasingly fractious post-pandemic world, fuelling a \$190 billion boost to defence spending over the next decade.⁷ While it can be argued Australia has a developed a largely effective defence governance framework, transparency and accountability are being undermined as the defence sector grows increasingly opaque, particularly in relation to procurement and financial management. The absence of a national Anti-Corruption Commission and a culture of secrecy and limited tenders surrounding defence procurement, undermine financial transparency and weaken accountability mechanisms.



Asia-Pacific

The Asia-Pacific region is home to some of the biggest military and economic powers in the world, as well as critical financial and trade hubs, natural resources and around 60 per cent of the world's population, and the region has become a major area of geopolitical rivalry. The continuing deterioration of Sino-American relations is having widespread implications for countries in the region. Security challenges presented by an increasingly assertive China, the continuing threat posed by North Korea and the protracted insurgencies in Thailand, the Philippines, Myanmar, Indonesia and Malaysia will also remain key concerns moving forward, as will emerging security threats related to cyberwarfare and the impact of climate change. However, Asia-Pacific has huge variations in the quality of defence governance mechanisms, which will determine how well defence institutions can respond to these challenges. It is home to both New Zealand, the highest scorer in the index, and Myanmar, one of the lowest. Though challenges are extremely varied across the sample, corruption risks are particularly pronounced in relation to financial management and procurement, where defence exceptionalism remains pervasive and exempts the sector from standard reporting and publishing standards. Operations too are highly vulnerable to corruption, while personnel management and policymaking are considered significantly more robust.

¹ Pallab Ghosh, 'Climate Change Boosted Australia Bushfire Risk by at Least 30%', *BBC News*, 4 March 2020.

² Department of Foreign Affairs and Trade, *Trade and Investment at a Glance 2020*, Canberra, 2020.

³ Bruce Vaughn, 'Australia: Background and US Relations', *Congressional Research Service*, RL33010, 13 May 2020, p. 20.

⁴ Bruce Vaughn, 'Australia'.

⁵ Gabriel Crossley & Kirsty Needham, 'China Suspends Economic Dialogue with Australia as Relations Curdle', *Reuters*, 6 May 2021.

⁶ Al-Jazeera, 'China-Australia Tensions Explained in 500 Words', 1 December 2020.

⁷ Rod McGuirk, 'Australia Plans \$190 Billion Defense Boost Over Decade', *The Diplomat*, 2 July 2020.



AUSTRALIA

Overall scores

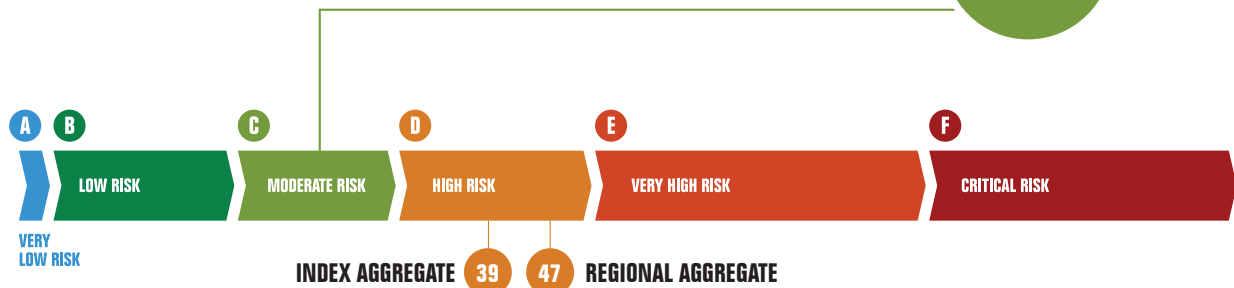
The size of the colour band corresponds to number of countries that fall into that category.

AUSTRALIA SCORE

**MODERATE
RISK**

C

62



A > 83-100 VERY LOW

B > 67-82 LOW

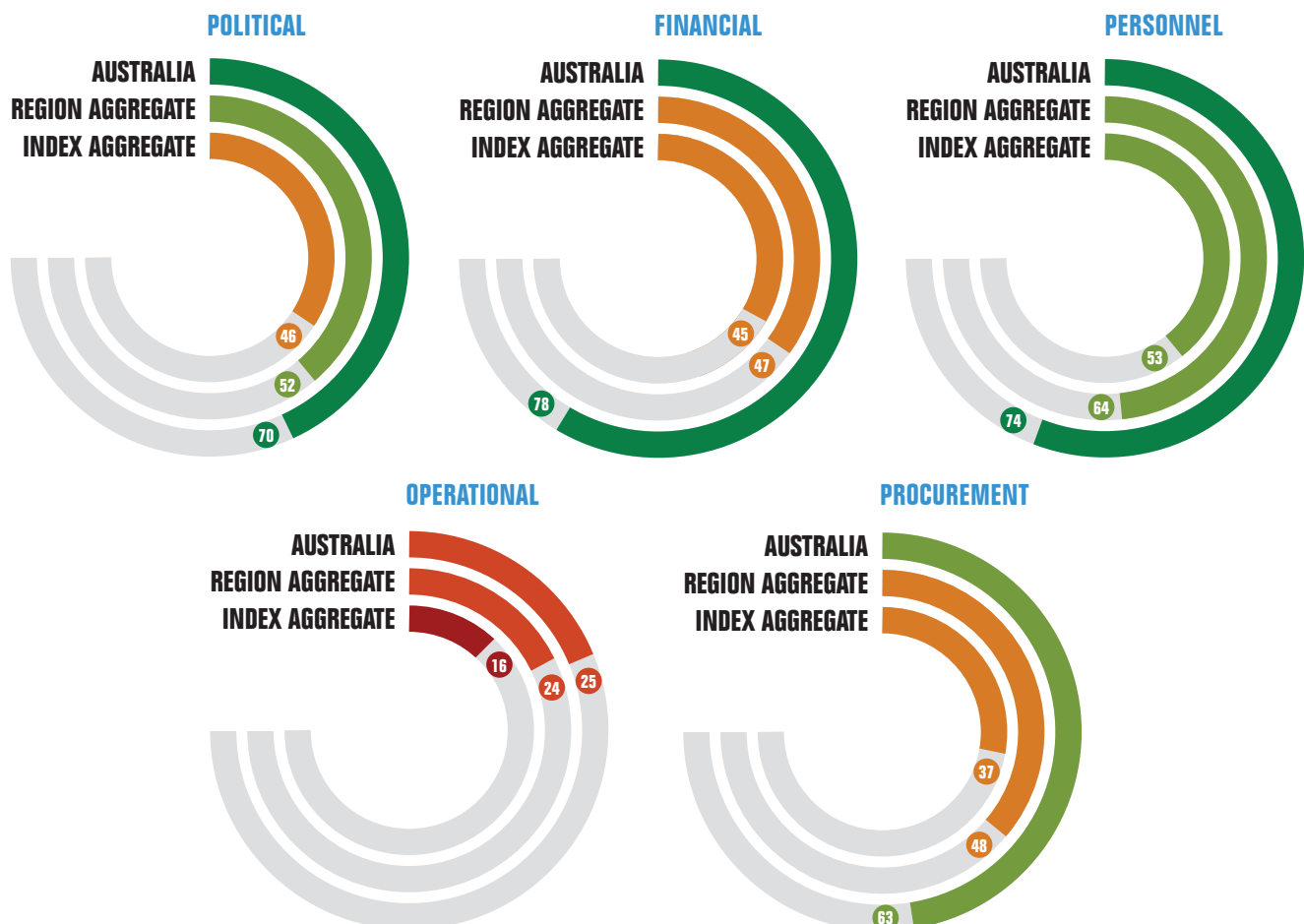
C > 50-66 MODERATE

D > 33-49 HIGH

E > 17-32 VERY HIGH

F > 0-16 CRITICAL

Risk Comparison





AUSTRALIA

Parliamentary Oversight

Legislative oversight of budget (Open Budget Survey, 2019)	76/100
Military expenditure as a share of government spending (SIPRI, 2020)	4.6%
Committee members with defence expertise (%)	28% (9 out of 32)*
# of meetings/year	Data is not publicly available.
Last review of defence policy/strategy	2020 (Defence Strategic Update)

* Figure combines members from the three committees that deal with defence.

Australia's bicameral parliament is well-resourced and endowed with strong powers that require the executive to provide parliament with information and compel ministers to appear before it.⁸ In the defence sector, the Committee on Foreign Affairs, Defence and Trade (JSCFADT) and the Senate Committee on Foreign Affairs, Defence and Trade are responsible for oversight and have extensive formal rights to scrutinise defence policy. Both committees have the power to summon witnesses, conduct enquiries, review legislation, propose bills, and scrutinise budgets. The JSCFADT is also obliged to oversee external audits and annual reports, ensuring that it has broad access to defence-related information. Independent scrutiny is also guaranteed through the bipartisan nature of the committees. However, the committees' ability to review procurement is limited. Unlike the Parliamentary Joint Committee on Intelligence and Security (PJICIS), defence-related committees do not have foundational Acts of Parliament giving them continuity, and they do not have powers to review classified information.⁹ Additionally, as defence is only one of the three areas these committee scrutinise, resources are restricted and do not allow for sustained scrutiny of individual procurement projects, resulting in very few procurement-related inquiries being carried out.¹⁰ The oversight function of Parliament, however, is supported by internal and external audit mechanisms. The Audit and Fraud Control Division's Audit Branch is responsible for internal audits, but its lack of transparency render an assessment of its capabilities complicated. Though it appears to deliver multiple audits per year,¹¹ there is little information available on its staffing, expertise, or the audit process itself. Though findings are reflected in the Defence Annual Report that is presented to Parliament, the information is highly aggregated and the committees' lack of access to classified information means the information they receive is limited.¹² The Australian National Audit Office (ANAO) is responsible for external auditing, however its capacity is limited given the scale of the body's task and its resource constraints. In spite of this, the Office has remained active in defence, carrying out on average eight audits in a given year and remains the main accountability mechanism for the sector.¹³

⁸ Bertelsmann Stiftung, *Sustainable Governance Indicators 2020: Australia Report*, Gutersloh, Bertelsmann Stiftung, 2020, p. 50.

⁹ Parliament of Australia, 'Role of the Committee'.

¹⁰ Parliament of Australia, 'Completed Inquiries and Reports'.

¹¹ See for instance, Department of Defence, *Defence Annual Report 18-19*, October 2019, p. 71.

¹² Michael Shoebridge, 'Balancing secrecy and openness: getting it right and getting it wrong', *ASPI Strategist*, 6 August 2019.

¹³ See Department of Defence, *Defence Annual Report 18-19*, October 2019, p. 71; Department of Defence, *Defence Annual Report 2017-18*, 2018, p. 59.

Financial Transparency

Defence-related access to information response rates	(1) % granted full or partial access: 95% (28 in full, 35 partial, 3 refused). (2) # subject to backlog: Data is not available.
Defence-related complaints to ombudsman/commissioner (2020) #	4
Does the commissioner have authority over the MoD?	Yes.
Audit reports on defence (2016-2021) #	8 in 2016/17; 8 in 2017/18; 6 in 2018/19; 6 in 2019/20; 6 in 2020/21.
Open Budget Index (IBP, 2019)	79/100
World Press Freedom Index (RSF, 2021)	25th out of 180.

Despite a relatively strong culture of institutional transparency and established access to information frameworks, government transparency has declined recently.¹⁴ Increasingly stringent secrecy laws are encroaching on press freedoms,¹⁵ and refusals to comply with freedom of information legislation are shrouding decision-making processes in secrecy.¹⁶ Such backsliding is clearly visible in the defence sector. The current Freedom of Information Act (1982),¹⁷ is widely viewed as outdated, with a planned review in 2013 yet to be actioned.¹⁸ The result is that defence institutions have significant leeway in rejecting claims and have used an array of tactics to delay and obfuscate until the information requested is almost irrelevant, including extending waiting periods, slowing down requests by subjecting them to appeals, and imposing excessive costs.¹⁹ This weakness of access to information mechanisms increases the reliance on government-published data. The defence budget is published and fairly extensive, although the level of detail is limited and the manner in which the figures are presented render fiscal implications obscure even to experts.²⁰ Secret expenditure does not appear form a large proportion of the overall budget, but external oversight over these funds is weak. The ANAO rarely monitors these due to capacity constraints, whilst parliamentary committees do not have access to such information. Despite some flaws in the budgeting process, the budget remains a valuable instrument to gain a holistic view of defence spending and income. Defence income is fully reported in the Defence Annual Report and all income generated by defence institutions flows into the overall budget. This income is disaggregated by category and broken down by its destined programme and outcome.²¹ In parallel, off-budget spending is strictly prohibited and all expenditure must be included in annual financial statements. In practice, there is no evidence of off-budget spending occurring, partly due to strict reporting and accounting procedures.²²

¹⁴ Lenore Taylor, 'What's Behind the Increasing Secrecy Surrounding the Morrison Government?', *The Guardian – Full Story Podcast*, 20 May 2021.

¹⁵ Jamie Tarabay, 'Australian Media Redact Their Front Pages to Protest Secrecy Laws', *The New York Times*, 21 October 2019.

¹⁶ Christopher Knaus and Jessica Bassano, 'How a Flawed Freedom-of-Information Regime Keeps Australians in the Dark', *The Guardian Australia*, 1 January 2019.

¹⁷ Australian Government, *Freedom of Information Act 1982*, 1982.

¹⁸ Knaus and Bassano, 'How a Flawed.'

¹⁹ Christopher Knaus, 'Defence ordered to hand over documents on \$50bn submarine deal with French', *The Guardian Australia*, 19 July 2019.

²⁰ Marcus Hellyer, *The Cost of Defence: ASPI Defence Budget Brief 2019-2020*, June 2019.

²¹ Defence Finance Group, *Portfolio Budget Statements 2019-20: Budget Related Paper No. 1.4A Defence Portfolio*, 2019, p. 60.

²² Australian Accounting Standards Board, *AASB Research Report No 6: Financial Reporting Requirements Applicable to Australian Public Sector Entities*, May 2018.



AUSTRALIA

Personnel Ethics Framework

Whistleblowing legislation	Public Interest Disclosure Act (2013)
# defence-sector whistleblower cases	Data is not publicly available.
# Code of conduct violations	Military: 773
	Civilian: Data is not publicly available.
Financial disclosure system	# submitted: Data is not publicly available.
	# of violations: Data is not publicly available.

The Australian Defence Force (ADF) is widely held to be a capable and professional force. Formal personnel management processes are strong, and enforcement of existing regulations and anti-bribery rules appears consistent. Both military and civilian personnel are subject to detailed codes of conduct, although the military code falls short by failing to include specific guidance on addressing corruption-related incidents, such as bribery.²³ The enforcement of the codes and military justice also seems strong, with regular prosecutions.²⁴ However, revelations that Australian Special Forces were involved in extra-judicial killings of Afghan civilians that were subsequently covered up by the ADF²⁵, raises questions about the culture and ethics frameworks in the military.²⁶ One such integrity-building tool is the Public Interest Disclosure Act, which guarantees the rights and protections of whistleblowers in the defence sector.²⁷

The Department of Defence (DoD) has implemented its own policy that lays out specific processes for defence personnel and grants them anonymity and protection from reprisals.²⁸ Defence institutions have also implemented a number of training and awareness raising campaigns to help personnel understand how the legislation operates in the sector. However, public trust remains limited and many public servants who report wrongdoing have still experienced reprisals and institutional hostility.²⁹ According to TI-Australia, public sector whistleblower protections continue to lag behind those in the private sector.³⁰ A further obstacle to strengthening ethics frameworks is the lack of clarity surrounding anti-corruption training. Figures relating to attendance of relevant training have been omitted from Annual Reports since 2013 without explanation. As a result, there is significant uncertainty as to how complete these training programmes are and how extensive their reach is.

Operations

Total armed forces personnel (World Bank, 2018)	58,100
Troops deployed on operations #	600 in South Pacific (Resolute), 400 in the Middle East Region (Accordion), 20 in South Sudan (Aslan), 80 in Afghanistan (Highroad), 27 in Egypt (Mazurka), 110 in Iraq (Okra), 14 in Israel (Paladin), 1 in Mali (Orenda).

With multiple and long-standing deployments overseas,³¹ a strong tradition of peacekeeping, and increased deployments within Australia in response to climate disasters and in the response to COVID-19 pandemic, the ADF are highly operationally-focussed. Yet, the weak integration of anti-corruption mechanisms in operations risks critically undermining such missions. There is no evidence that corruption is considered a strategic issue for operations, despite general policy documents pointing to issues of corruption. Such issues are also irregularly included in forward planning, with corruption mostly relegated to an ethics issue rather than a strategic one. This lack of emphasis on corruption risk is replicated at the training level where there is little evidence that commanders receive adequate corruption risk training ahead of deployments. The Peace Operations Training Institute has an "Ethics" module but it is unclear to what extent corruption issues are addressed in the course, as training programmes are opaque.³² Monitoring and evaluation functions also appear to exclude corruption risk from their programmes of work, with corruption not mentioned at all in the DoD's Operation Evaluation policy document.³³

²³ Department of Defence, *Defence Instruction PER 25-7: Gifts, Hospitality and Sponsorship*, May 2015, p. 2.

²⁴ Department of Defence, *Defence Annual Report 2019-20*, 2021, p. 87.

²⁵ Christopher Knaus, 'Key Findings of the Brereton Report Into Allegations of Australian War Crimes in Afghanistan', *The Guardian UK*, 19 November 2020.

²⁶ Inspector General of the Australian Defence Force, *Afghanistan Inquiry Report*, 2020.

²⁷ Australian Government, *'Public Interest Disclosure Act*, 2013.

²⁸ Department of Defence, *'Public Interest Disclosure Scheme'*.

²⁹ Philip Moss, *Review of the Public Interest Disclosure Act 2013*, July 2016, p. 17.

³⁰ Transparency International Australia, *'Public Interest – Whistleblowing'*.

³¹ Department of Defence, *'Operations'*.

³² Peace Operations Training Institute, *ELPAP Poster* (no date).

³³ Australian Defence Force, *Executive Series ADDP 00.4: Operational Evaluation*, August 2007, 1A-1 to 1A-3.



AUSTRALIA

Defence Procurement

Military expenditure (US\$ mil) (SIPRI, 2020)	27,618
Open competition in defence procurement (%)	Data is not publicly available.
Main defence exports (to – SIPRI, 2016-20)	Chile, United States, Canada, Indonesia, Oman
Main defence imports (from – SIPRI, 2016-20)	United States, Spain, Switzerland, France, Italy

As the government aims to contend with what it considers a deteriorating regional environment marked by belligerent Chinese foreign policy, defence spending is forecast to rise sharply in coming years.³⁴ A key component of this spending package will be arms acquisitions, as Australia seeks to enhance its self-reliance and ability to project military power.³⁵ In parallel however, a gradual rolling back of transparency and disclosure practices is rendering defence procurement increasingly opaque, with a focus on value for money and a lack of emphasis on corruption risk, as underlined by the complete lack of reference to bribery and corruption risks in the Defence Procurement Manual.³⁶ At the planning stage, the identification of requirements is done through a number of processes. Major acquisitions are conducted through the Integrated Investment Program (IIP) which follows directly from the defence strategy.³⁷ For all other purchases, the Capability Acquisition Sustainment Group (CASG) is required to justify procurements

in relation to the strategy.³⁸ Though robust in theory, in practice a lack of transparency undermines effectiveness. Business cases from the CASG are not made publicly available, and beyond the capabilities outlined in the IIP it is difficult to find specific justifications, timelines, and outcomes of individual projects. Even for major programmes in the IIP, there is little information available to track projects once they are signed off, leading to strong criticism of IIP transparency.³⁹ In relation to oversight, the sheer volume of programmes and limited capacity of oversight bodies means that scrutiny is superficial. The ANAO has the authority to scrutinise any procurement project, with its annual Major Project report (MPR) the most extensive audit of defence procurement. However, the strict adherence to selective criteria means that key projects are often excluded from the MPR.⁴⁰ The MPR has also been criticised for its opacity and limited reach given it can only cover roughly thirty projects per year. The publicly available information included in the MPR is limited by strict classification rules and the fact that the NAO is required to redact anything that the DoD deems it is not required to release by law.⁴¹ On the supplier side, Australia has been criticised for not having a formal debarment regime to exclude companies accused of corruption,⁴² with debarment instead at the discretion of public procurement agencies, significantly increasing the risk of companies avoiding punishment. Despite the Senate Economics Committee strongly recommending that the government introduce a consistent debarment policy, it is yet to respond.⁴³ There is little or no evidence to suggest that any robust due diligence is undertaken in Australia's defence procurement framework to assess the character, track record, and integrity of defence suppliers, including any history of paying bribes and collusion.

³⁴ Nigel Pittaway, 'Australia Releases Weapons Wish List Amid Defense Spending Boost', *Defense News*, 2 July 2020.

³⁵ James Goldrick, 'Defense Strategic Update 2020: A First Assessment', *The Interpreter*, 2 July 2020.

³⁶ Department of Defence, *Defence Procurement Policy Manual*, Capability Acquisition and Sustainment Group, Version 1.9, 26 February 2021.

³⁷ Department of Defence, *2016 Integrated Investment Program*, 2016.

³⁸ Department of Defence, *The CASG Business Framework*, 2017.

³⁹ Mark Thomson, 'The (kinda sort of) Integrated Investment Program', 9 March 2016.

⁴⁰ Marcus Hellyer, 'If not now, when? The ANAO's reporting on defence megaprojects', 27 June 2018.

⁴¹ Shoebridge, 'Balancing Secrecy and Openness.'

⁴² Transparency International Australia, *Submission to Senate Economics Committee Inquiry into Foreign Bribery*, September 2015.

⁴³ Senate Economics References Committee, *Foreign Bribery*, March 2018, p. 175.

Version 1.0, October 2021

GDI data collection for **Australia** was conducted July 2019 to June 2020. The narrative discussion in this GDI brief was produced at a later time with the most recent information available for the country, which may not be reflected in the GDI country assessments or scores.



AUSTRALIA 2020 GDI Scorecard

		Grade	Score
Political Risk		B	70
Q1	Legislative Scrutiny	A	83
Q2	Defence Committee	B	71
Q3	Defence Policy Debate	B	81
Q4	CSO Engagement	C	50
Q5	Conventions: UNCAC / OECD	A	88
Q6	Public Debate	A	100
Q7	Anticorruption Policy	E	25
Q8	Compliance and Ethics Units	A	83
Q9	Public Trust in Institutions	NS	
Q10	Risk Assessments	D	42
Q11	Acquisition Planning	B	67
Q12	Budget Transparency & Detail	B	75
Q13	Budget Scrutiny	B	75
Q14	Budget Availability	C	50
Q15	Defence Income	A	83
Q16	Internal Audit	C	50
Q17	External Audit	B	69
Q18	Natural Resources	B	67
Q19	Organised Crime Links	A	88
Q20	Organised Crime Policing	B	75
Q21	Intelligence Services Oversight	A	100
Q22	Intelligence Services Recruitment	A	100
Q23	Export Controls (ATT)	B	75
Q76	Lobbying	E	25

Financial Risk		B	78
Q24	Asset Disposal Controls	C	50
Q25	Asset Disposal Scrutiny	C	58
Q26	Secret Spending	C	50
Q27	Legislative Access to Information	B	75
Q28	Secret Program Auditing	A	88
Q29	Off-budget Spending	A	100
Q30	Access to Information	C	63
Q31	Beneficial Ownership	A	100
Q32	Military-Owned Business Scrutiny	A	100
Q33	Unauthorised Private Enterprise	A	100
Q77	Defence Spending	B	75

Personnel Risk		B	74
Q34	Public Commitment to Integrity	C	58
Q35	Disciplinary Measures for Personnel	A	100
Q36	Whistleblowing	B	67
Q37	High-risk Positions	D	33
Q38	Numbers of Personnel	A	83
Q39	Pay Rates and Allowances	A	88
Q40	Payment System	A	92
Q41	Objective Appointments	C	58
Q42	Objective Promotions	C	58
Q43	Bribery to Avoid Conscription	NA	
Q44	Bribery for Preferred Postings	A	92
Q45	Chains of Command and Payment	A	100
Q46	Military Code of Conduct	A	88

OVERALL COUNTRY SCORE

MODERATE RISK
C
62

RISK GRADE

A • 83-100 **VERY LOW**
B • 67-82 **LOW**
C • 50-66 **MODERATE**
D • 33-49 **HIGH**
E • 17-32 **VERY HIGH**
F • 0-16 **CRITICAL**



Personnel Risk		Grade	Score
Q47	Civilian Code of Conduct	A	100
Q48	Anticorruption Training	C	50
Q49	Corruption Prosecutions	A	100
Q50	Facilitation Payments	E	25

Operational Risk		E	25
Q51	Military Doctrine	E	25
Q52	Operational Training	E	25
Q53	Forward Planning	E	25
Q54	Corruption Monitoring in Operations	F	0
Q55	Controls in Contracting	C	50
Q56	Private Military Contractors	NS	

Procurement Risk		C	63
Q57	Procurement Legislation	C	63
Q58	Procurement Cycle	B	75
Q59	Procurement Oversight Mechanisms	B	75
Q60	Potential Purchases Disclosed	C	50
Q61	Actual Purchases Disclosed	A	88
Q62	Business Compliance Standards	C	63
Q63	Procurement Requirements	A	83
Q64	Competition in Procurement	E	25
Q65	Tender Board Controls	C	63
Q66	Anti-Collusion Controls	C	56
Q67	Contract Award / Delivery	B	81
Q68	Complaint Mechanisms	A	92
Q69	Supplier Sanctions	C	50
Q70	Offset Contracts	A	100
Q71	Offset Contract Monitoring	NA	
Q72	Offset Competition	NA	
Q73	Agents and Intermediaries	NEI	
Q74	Financing Packages	F	0
Q75	Political Pressure in Acquisitions	NS	

KEY

NEI Not enough information to score indicator
NS Indicator is not scored for any country
NA Not applicable



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