



MINISTRY OF
DEFENCE

Manatū Kaupapa Waonga

EVALUATION
DIVISION

Update Review of Previous Audits:

Management of heritage properties

HQ NZDF business continuity management

Management of the Tactical Mobile Communications System

Report No. 12/2011

5 July 2011

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The Minister of Defence

The Evaluation Division of the Ministry of Defence has undertaken a review for the Minister of Defence, pursuant to section 24(2)(e) of the Defence Act 1990, of a selection of previous audits undertaken by the Division. The purpose of undertaking this work was to see what had occurred in the areas concerned following issue of the audit reports.

I submit the accompanying report for your information. The Secretary of Defence and the Chief of Defence Force have been provided with copies.



Merus Cochrane
Deputy Secretary (Evaluation)

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Executive summary

Introduction

- 1 This review selected three previous audits undertaken by the Evaluation Division to see what had occurred in the areas concerned since the completion of the audits. The audits reviewed were:
 - a *Management of NZDF heritage properties* – Evaluation Report 5/2008 dated 10 September 2008;
 - b *HQ NZDF business continuity management* – Evaluation Report 9/2008 dated 15 October 2008; and
 - c *Introduction and management of the Army's tactical mobile communication system* – Evaluation Report 17/2007 dated 21 November 2007.
- 2 This present audit focussed on establishing a general picture of changes in business practices and behaviour made to improve effectiveness, or address identified weaknesses, since we completed the original audits. We took a broader perspective than just whether recommendations had been implemented. The report presents the position as we found it in early 2011.

What we found

- 3 There has been significant progress with the development of heritage policies and procedures, and completion of heritage management plans.
- 4 Maintenance and upkeep of heritage sites, particularly those that are not in use, continues to receive no priority for funding. There has been little change in the condition of such sites since our last review.
- 5 The NZDF has not promulgated policy for business continuity planning, although a draft policy has been prepared. The continued absence of any business continuity organisation or structure in HQ NZDF puts at risk the ability of the Headquarters to continue to support the Government in the event of a major business disruption.
- 6 The Army has embedded its Tactical Mobile Communications System equipment into its operations. However, while the Army integrates training into career and trade courses, a shortage of some radios means that skill levels may be less than desirable when personnel deploy overseas.

- 7 We did not find evidence that the Army has developed comprehensive tactical doctrine for the use of the Tactical Mobile Communications System in the full range of land combat scenarios.
- 8 Inconsistencies between inventory accounting and communications security accounting records have yet to be resolved, and the processes for tracking the equipment and its classified components continue to be challenging.

Recommendations

- 9 It is recommended that the NZDF:
 - a issues without unnecessary delay, policy and guidance on business continuity management in the NZDF;
 - b develops and promulgates as a matter of priority business continuity plans for HQ NZDF;
 - c takes positive action to complete the reconciliation between communications security and inventory accounts in respect of classified items contained in Tactical Mobile Communications System equipment; and
 - d implements improvements to accounting systems to dispense with the inefficient need to account for the same item in two incompatible systems.

Chief of Defence Force response

Chief of Defence Force response

- 1 The contents of this report and its recommendations are noted.
- 2 The development of the NZDF Business Continuity Policy has been completed and promulgated as Defence Force Order 07/2011, and is available for viewing on the NZDF Intranet site.
- 3 The NZDF is unable to complete the action recommended in paragraphs 9.c and 9.d. The conditions of accounting for TMCS COMSEC equipment is governed by the US National Security Agency (NSA). Additionally the NZ GCSB and NZDF policy, which is based on the US NSA requirements, directs that TMCS COMSEC item accountability and inventory accounts must remain separate for security reasons.

Section 1

Management of heritage properties

Introduction

- 1.1 Evaluation Report 5/2008 *Management of heritage properties* dated 10 September 2008 examined the NZDF's policy for the management of its heritage properties and the consistency of that policy with Government policies. The need to conserve heritage buildings and sites is recognised in law and various heritage management obligations are imposed on government departments.

Report's main points

- 1.2 The Historic Places Act 1993 imposes specific statutory obligations for the management of archaeological sites. Government policy for the management of heritage properties was set out in the *Policy for Government Departments' Management of Historic Heritage 2004*.
- 1.3 The NZDF heritage policy, which was issued in 2002, prior to the publication of the Government policy, sets out various requirements relating to the management of heritage properties and provides practical guidance for their management. The NZDF has a two-tier structure for its heritage properties: Category A is of national importance; Category B is of local or regional heritage significance. A key policy requirement is for Heritage Management Plans to be completed for all Category A properties.
- 1.4 The report found the NZDF heritage policy was largely consistent with the Government policy but there were areas that could be strengthened. The NZDF was revising its register of historic places at the time of the audit.
- 1.5 The NZDF had completed heritage management plans for only eight of the then 29 Category A properties. Some of the heritage management plans lacked required information. It appeared that the NZDF had not followed some recommendations in heritage management plans regarding maintenance of properties.
- 1.6 There were significant variations in the maintenance of some Category A properties. A lack of funding for maintenance work had prevented the Defence Shared Services Property Group prioritising maintenance of heritage properties. Only property directly contributing to output production and property in current use was being actively maintained.

- 1.7 The report recommended that the NZDF:
- a revise its heritage policy,
 - b improve the use and application of heritage management plans,
 - c apply appropriate and necessary maintenance resources to heritage property,
 - d consider amending Output 15.4 *Service Museums* to include funding of heritage properties not in current use; and
 - e improve the general availability of information on heritage properties.

Subsequent actions

- 1.8 Since 2008 there has been significant policy development. DFO 32 *Defence Force Orders for Facilities and Property Management*, Chapter 15 *Estate Heritage Management* was revised and updated in 2010. Its purpose is to ensure heritage management policy and practice is consistent with Government policy and follows best practice.
- 1.9 Defence Shared Services Property Group has also developed a *Defence Estate Management Manual* that provides guidance for operational procedures and the services necessary for management of the Defence estate portfolio.
- 1.10 The NZDF continues to maintain a Heritage Register, with buildings being identified as category 'A' or 'B' sites. Category A sites are further identified as functional (in use), non-functional (not in use) or subject to disposal action.
- 1.11 The NZDF has registered its Category A Heritage sites with the Historic Places Trust and the NZ Archaeological Register.

Heritage management plans

- 1.12 Heritage management plans have been developed for 30 of the now 39 Category A sites. There is general understanding that any work on a Category A heritage site should be done in accordance with the relevant heritage management plan. The plan indicates whether consultation is necessary with the Historic Places Trust or any other agencies. The local Defence Shared Services Facilities Management team must follow the guidance of the heritage management plan when making decisions on maintenance.

Management of heritage properties

- 1.13 Since our report the NZDF has continued to improve the availability of information about its heritage properties on the Integrated Land and Facilities Management System.
- 1.14 A need to strengthen the relationship between the Defence Shared Services Property Group and the Directorate of Housing Policy has been identified. In 2009 formal monthly relationship liaison meetings were introduced. Establishment of a formal *Memorandum of Understanding* between the NZDF and the Historic Places Trust is being considered.
- 1.15 Maintenance of heritage properties continues to be limited to essential work on those still in use. Preservation maintenance work needed on Clark House (Hobsonville) was costed but no funding has yet been allocated. Work is on hold as there are plans for the building to be vacated by the end of 2011. The building will then become 'non functional' and not a priority for funding.
- 1.16 Since 2008, exterior paint work and concrete repairs have been completed on the two hangers at Whenuapai. A new fire exit has been installed in Hangar One and internal paint work is scheduled for the end of 2011. No significant maintenance work has been carried out on the Officers Mess in the last 2 years.
- 1.17 During 2009 the NZDF placed signs on the gates and structure at Fort Balance (Wellington), warning the public that the site is unsafe and unauthorised access is prohibited. No maintenance funding has been allocated due to uncertainty as to the future of Fort Balance.

Funding of heritage preservation

- 1.18 There has not been an increase in heritage maintenance funding since 2008. There continues to be general concern about the shortage of funding needed to maintain NZDF heritage properties.
- 1.19 The Pacific Road Group's 2010 Value for Money Review of the NZDF suggested that funds should be directed to operational outputs. There is unlikely to be any change to the current situation where only heritage buildings currently in use will meet the criteria for funding, unless the Minister directs the NZDF to prioritise heritage buildings.

Information on heritage properties

- 1.20 We were told that general awareness and knowledge within the NZDF has increased since the report. Heritage policy and procedures are promulgated on the NZDF's Intranet. Heritage management plan information is being communicated effectively to camp and base facility management and contract service providers.

Summary

- 1.21 The NZDF has made significant progress with the development of heritage policies and procedures and completion of heritage management plans.
- 1.22 The NZDF continues to give less priority to the ongoing maintenance of category 'A' heritage sites, as it prioritises property contributing to output production and property in use.

Section 2

HQ NZDF business continuity management

Introduction

- 2.1 Evaluation Report 9/2008 *HQ NZDF Business Continuity Management* dated 15 October 2008 reported on our attempt to examine business continuity management within HQ NZDF.
- 2.2 The audit had intended to report on the organisational robustness and the availability of plans to enable the Headquarters to continue operating in the event of a disruption to services.

Report's main points

- 2.3 We had expected that HQ NZDF would have plans to enable it to continue functioning during and after a major civil emergency, such as an earthquake. We also expected that the Headquarters and its branches would have plans to enable it to continue essential tasks in lesser emergencies such as localised fire, power failure, or non-availability of staff through pandemic.
- 2.4 We instead found that:
 - a there was no overarching NZDF business continuity policy or methodology on which organisational business continuity plans should be based;
 - b no senior manager had responsibility for NZDF business continuity policy and oversight;
 - c no senior manager had responsibility for business continuity management within HQ NZDF and there was no process or organisation within the Headquarters for managing its business continuity;
 - d only Communications and Information Systems (CIS) Branch had developed business continuity plans, and those related to its data facilities in Porirua and Devonport.

- 2.5 Our principal recommendations were that the NZDF:
- a adopt a business continuity philosophy and issue business continuity policy for the whole NZDF;
 - b assign responsibility for the direction of business continuity management within HQ NZDF to a senior manager;
 - c indentify key business processes for each Headquarters business area, conduct impact analysis on each to determine the acceptable outage, and develop appropriate continuity treatments.

Subsequent actions

- 2.6 In early 2009 Strategic Commitments and Intelligence (SCI) Branch was directed to develop business continuity policy. Later that year the General Manager Organisational Support took over development of policy and an NZDF business continuity plan.¹
- 2.7 There was little action until mid 2010, when KPMG was engaged to assist. In September 2010, a draft NZDF Business Continuity Management Policy was completed and circulated for consideration and comment. A Defence Force Order setting NZDF policy for business continuity management is expected to be issued by mid-2011.
- 2.8 The DFO, once issued, will provide corporate policy on business continuity management. It is designed to be scalable, and will include a template to enable Services, organisations and units across the NZDF to develop their own plans in a consistent manner.
- 2.9 There has not been action on developing business continuity plans for the Headquarters. This is being delayed until the policy has been promulgated.
- 2.10 Defence Shared Services has implemented its own business continuity plan. That plan was tested as part of its development but there has not yet been a full scale test. Defence Shared Services is developing a technical business continuity plan for Defence House.
- 2.11 CIS Branch has continued to develop and enhance its plans for its computer centres, and implemented a plan for the Branch in February 2010. That plan needs to be aligned with the recently revised CIS organisation structure.

¹ Since we completed our field work for this audit, the lead has been handed back to Assistant Chief Strategic Commitments and Intelligence.

- 2.12 We were told that CIS Branch has made assumptions on acceptable outages for NZDF areas that do not yet have a formal business continuity plan. More work is needed to identify business owners. The CIS plan still requires some fine tuning of the details of delivery of agreed business operational requirements.

Summary

- 2.13 Preparation of a business continuity management policy for the NZDF has been progressed since our last report. However, the time taken to have this approved and issued is delaying the preparation of plans for the management of business continuity in HQ NZDF. We think that it will still take some time to develop working level plans for the Headquarters and its components. In the interim, the absence of any business continuity organisation or structure in HQ NZDF puts at risk the ability of the Headquarters to continue to effectively support the Government and manage the NZDF in the event of a major business disruption.
- 2.14 Recent events in Christchurch demonstrate the disruption to business that could be experienced in the event of a major earthquake in Wellington.

Recommendation

- 2.15 It is recommended that the NZDF:
- a issues without unnecessary delay, policy and guidance on business continuity management in the NZDF; and
 - b develops and promulgates as a matter of priority business continuity plans for HQ NZDF.

Section 3

Introduction and management of the Tactical Mobile Communications System

Introduction

- 3.1 Evaluation Report 17/2007 *Introduction and Management of the Army's Tactile Mobile Communication System* dated 21 November 2007 examined how the Army managed the introduction into service of the Tactical Mobile Communication System (TMCS) and its management of the capability in service.
- 3.2 The TMCS radio equipment supports secure voice and data communications in a tactical environment. When used as a system the radios enable land force units and elements to communicate with each other, and with formation and unit headquarters, as well as aircraft and naval vessels.
- 3.3 In 2000 Cabinet approved the acquisition of 1,853 radios, associated spares and ancillary equipment through the United States Foreign Military Sales organisation. The bulk of the radios were delivered in December 2001, with the balance being received in June 2002.

Report's main points

- 3.4 The TMCS was a major new capability for the Army. Its acquisition brought a number of management and technological challenges.
- 3.5 The Army did not manage the introduction into service of the TMCS well. It utilised long-standing and well-developed processes for introducing individual items of equipment that were less suited to introduction of a capability system. Significant weakness included a lack of doctrine and standard operating procedures, inappropriate training methods, and insufficient understanding of the implications of the embedded cryptographic nature of much of the equipment.

Subsequent actions

- 3.6 At the time of the previous report, the TMCS had been in service for around 5 years. We have not considered introduction into service issues in this follow-up review as they are no longer relevant. Our focus has been on in-service management of the radios.

- 3.7 TMCS equipment is now well embedded into the Army's training and operational activities. Training methods have adapted to meet the operational environment in which the Army now finds itself. The tactical multi-band AN/PRC 117 radio has become of particular significance for remote patrols in Afghanistan. Additional quantities of the AN/PRC 117 have been acquired to meet operational demand.
- 3.8 There remains a shortage of some TMCS equipment in New Zealand because of equipment being deployed. This continues to challenge routine training and leads to more intense operator training only being available during pre-deployment training. As a result, skill levels are lower than desirable when personnel arrive in theatre.
- 3.9 Standard operating procedures for TMCS equipment have been developed and enhanced as experience has been gained with its use. We found no evidence that comprehensive tactical doctrine has yet been developed for the use of TMCS as a system. Nor could we confirm that comprehensive doctrine and instructions for the use of the frequency hopping capability of the equipment had been developed.
- 3.10 Management of Controlled Cryptographic Items is adequate. We understand there has been no issue with the performance of COMSEC accounting requirements. However, there has been no progress in resolving the difficulties inherent in accounting for equipment in both the inventory and cryptographic accounting systems. Reconciliation of records between the two systems remains problematic.
- 3.11 Repair of defective TMCS equipment continues to be a concern to the NZDF. Much of the equipment has to be returned to the United States for repair, which can result in turn-around times of up to 12 months. The NZDF has established, in concert with the Ministry of Foreign Affairs and the Government Communications Security Bureau, new procedures for improving the transportation of controlled cryptographic items between New Zealand and the United States.
- 3.12 Very recently an RNZAF Avionics Technician has been deployed to the Provincial Reconstruction Team in Afghanistan to undertake limited in-theatre maintenance and repair of communications equipment.
- 3.13 We were informed that the Army continues to hold defective equipment in theatre and return it to New Zealand in periodic batches. Replacements are supplied as needed, not as a direct one-for-one replacement of defective equipment. This increases the total equipment holding needed and impacts on the availability of equipment for training.

Summary

- 3.14 The Army has fully embedded TMCS equipment into its operations. It is an essential tool for forces in Afghanistan. Training is integrated into all trade and career courses but shortages of some radios means that skill levels may be less than desirable when personnel arrive in theatre.
- 3.15 Accounting for TMCS equipment remains cumbersome because of a need to record transactions in both communications security (COMSEC) and inventory accounts. Reconciliation between COMSEC and inventory accounts remains outstanding.
- 3.16 We did not find evidence that comprehensive tactical doctrine has been developed for the use of TMCS as a system in the full range of land combat scenarios.
- 3.17 Improvements have been made to aspects of the repair cycle for TMCS equipment, although the need to send much of it to the United States continues to impact on the quantity of equipment the NZDF needs. The recent deployment of an RNZAF Avionics Technician to Afghanistan is expected to improve serviceability levels.

Recommendations

- 3.18 It is recommended that the NZDF:
- a takes positive action to complete the reconciliation between COMSEC and inventory accounts in respect of TMCS COMSEC items; and
 - b implements improvements to accounting systems to dispense with the inefficient need to account for the same item in two incompatible systems.



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