# PROJECT GOVERNANCE AND CONTROLS SYMPOSIUM 2016

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# AN AUSTRALIAN PERSPECTIVE ON IMPROVING THE PERFORMANCE OF MAJOR PROJECTS

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## INTRODUCTION

Thank you very much for the invitation to speak again at the symposium. I had the pleasure of doing so in 2014.

I have been asked to provide a summary of the ANAO's role and structure. I will then outline our general perspective on policy, program and project implementation, including lessons learned from our performance audits and the annual Defence Major Projects Report. We document lessons learned in our published reports and in our Better Practice Guides, which I will also discuss. Finally, I will note some points of intersection between our audit findings and the recent report by Professor Peter Shergold on *Learning from Failure* in the Commonwealth public sector.

## ROLE OF THE ANAO

I noted in 2014 that the office of Auditor-General is one of the oldest in the Commonwealth jurisdiction. The fourth Act passed by the first Federal Parliament was the *Audit Act 1901*, which created the office of the Auditor-General.

The current *Auditor-General Act 1997*, which replaced the original Audit Act, establishes the Auditor-General as an Independent Officer of the Parliament—a title that symbolises the position's unique relationship with the Parliament, and underlines its independence.

The ANAO supports the statutory office of Auditor-General, and is itself established by the *Auditor-General Act 1997* (the Act). The ANAO is a specialist public sector practice providing a full range of audit and assurance services to the Parliament, and to Commonwealth public sector agencies and statutory bodies.

Our Corporate Plan states that the purpose of the ANAO is 'to improve public sector performance and support accountability and transparency in the Australian Government sector through independent reporting to Parliament, the Executive and the public.'

The Act provides a legislative framework for the work of the Auditor-General and ANAO. Under the Act the Auditor-General is responsible for auditing the financial statements of Australian Government entities under the *Public Governance and Performance Act 2013*. The Act also authorises the Auditor-General to:

- conduct a performance audit, which can include an audit of a Commonwealth partner.[1] These are also known as 'follow-the-money audits', which may examine the performance of state or territory bodies, or contractors of Commonwealth entities, that receive money for a Commonwealth purpose;
- conduct an assurance review: since 2007–08, the ANAO has conducted an annual assurance review of the Defence Materiel Organisation's [now Defence's Capability and Sustainment Group] annual report on the major equipment acquisition projects of the Department of Defence.[2] In the past, the ANAO has also undertaken assurance reviews of government advertising campaigns;

[1] Audits of Commonwealth partners that involve state or territory governments must be requested by the JCPAA or the responsible minister. The ANAO's first follow-the-money audit, relating to the agreements for the administration of the Mersey Community Hospital in Tasmania, was tabled in August 2013.

[2] This arrangement was initiated and supported by committees of the Parliament as part of a cooperative effort to improve transparency and public accountability for major Defence acquisitions.

- audit the performance indicators and performance statements of an Australian Government public sector entity, other than a government business enterprise; and
- report directly to Parliament or to a minister on any important matter.

In addition to its auditing and assurance activity, the ANAO plays a role in improving public administration and public sector audit capability in Australia and overseas, through:

- publishing relevant and topical information such as better practice guides;
- participating in forums and seminars;
- providing development opportunities, including secondments, for audit professionals; and
- deploying experienced staff to audit institutions in Indonesia and Papua New Guinea, which we have now done for some years.

## STRUCTURE OF THE ANAO

The ANAO currently has around 358 FTE staff, and a budget of around $74 million. We are organised into two service groups, located in Canberra.

The Assurance Audit Services Group provides independent assurance on the financial statements and financial administration of all Australian Government entities. It produces over 250 financial statement audit reports each year. This Group has around 164 FTE staff and also contracts-out part of the audit book.

The Performance Audit Services Group prepares around 48 performance audit reports each year, plus better practice guides, and the annual Defence major projects report. There is also a steady workload related to appearances before parliamentary committees to discuss our work, submissions to such committees, and responding to correspondence. Our group comprises around 133 FTE staff.

## PERFORMANCE AUDITS

A performance audit is a review or examination of the operations of an entity. The objectives of a performance audit are twofold. The first is to provide Parliament with assurance relating to the administration of Australian Government entities and their programs and projects, including those that involve Commonwealth partners. The second objective is to assist public sector managers by identifying and promoting better administrative and management practices.

The ANAO does not have a role in commenting on the merits of government policy but focuses on assessing the efficient, effective, economical and ethical implementation of government programs and projects, including the achievement of their intended benefits. We also review legislative and policy compliance. In summary:

- Economy relates to minimising cost.
- Efficiency relates to maximising the ratio of outputs to inputs.
- Effectiveness relates to the extent to which intended outcomes are achieved.
- Ethics relates to issues such as probity in procurement.

The ANAO develops and publishes an annual audit work program, which provides a portfolio-level view of the ANAO's audit strategies and audits in progress at July, as well as a rolling program of potential audit topics. While not all the audits listed will be commenced,

the publication assists the Parliament and entities by providing a clear indication of the Auditor-General's areas of interest.

When the ANAO prepares its work program it takes into account risks, financial materiality, program significance, audit impact, program visibility and the extent of recent audit and evaluation coverage.

Our Act also requires the Auditor-General to consider the audit priorities of Parliament, as determined by the Joint Committee of Public Accounts and Audit (JCPAA). This is our oversight committee. However, the Act also provides the Auditor-General with sole discretion in deciding audit topics and the way in which audits will be conducted.

The Auditor-General regularly receives requests to undertake audits, and the ANAO will often seek additional information where necessary to inform the Auditor-General's consideration of those requests. In recent times, we have undertaken limited scope assurance reviews in response to a number of these requests. Assurance reviews are not a full performance audit, but provide the Parliament with a level of assurance on key issues.

Performance audits may be cross-agency (examining particular themes or common aspects of administration across several entities) or entity specific.

The ANAO seeks to establish a relationship with entities and other parties, so that there are 'no surprises' in the final audit report. This approach provides opportunities for entities and other parties to discuss the audit findings during the course of the audit. The benefit of this approach is to ensure that reports are accurate, evidence-based, balanced and fair.

The ANAO treats all audit-related information as 'in-confidence', and the recipients of a proposed report must not disclose any of the information in the report, or extract, except with the consent of the Auditor-General.

Each entity is required to provide the ANAO with full and free access at all reasonable times to any premises, documents or other property that it may wish to examine, and we can make copies of or take extracts from any document (in accordance with section 33 of the Act). The conduct of an audit is facilitated when the entity or body provides all reasonable facilities and assistance to aid the conduct of an audit.

Sensitive information that in the Auditor-General's opinion is not in the public interest will not be included in public reports (in accordance with section 37 of the Act).

Our audit reports are presented for tabling, and ANAO staff may be called upon to brief Parliamentary Committees, Ministers, individual Parliamentarians, or respond to media inquiries on the findings of the audit. The JCPAA reviews all performance audit reports and conducts an inquiry on selected reports. Other committees of the Parliament may also choose to conduct inquiries using ANAO reports as information sources.

## BETTER PRACTICE GUIDES (BPGs)

As discussed, the ANAO has prepared a number of better practice guides over the years. These aim to improve public administration by sharing better practice and providing practical guidance.

- They may be developed in response to an identified need for guidance in a particular area of public administration.
- They may also be prepared as a result of the conduct of an ANAO performance audit which indicates a new and/or challenging area of public administration in which guidance would be useful.

There are a number of well known better practice guides, including those relating to grants administration, audit committees, administering regulation and governance.

One important guide which was updated in October 2014 is our better practice guide on *Successful Implementation of Policy Initiatives*. It was prepared jointly with the Department of the Prime Minister and Cabinet, reflecting its whole-of-government messaging. I will use that guide as a starting point for some observations on the ANAO's general perspective on effective policy and project implementation.

In common with the August 2015 report on *Learning from Failure* prepared by Professor Peter Shergold, our Guide was heavily informed by recent shortcomings in administration identified in our performance audit work and other external reviews of programs such as the Home Insulation Program, or HIP.[3] HIP was also the subject of a Royal Commission.[4]

In summary, HIP was developed in a very short period of time as a stimulus measure to respond to the global financial crisis. Our performance audit concluded that in large measure, the focus by the responsible department (DEWHA) on the stimulus objective overrode risk management practices that should have been expected given the inherent program risks. Rather, the department intended to rely heavily on its compliance and audit program to address some of the risks identified, but the significant delay in implementing this element of the program meant that these risks were not adequately addressed.

As time passed, the department realised that greater emphasis should have been given to program risk mitigation strategies, particularly those concerning installer registration requirements and compliance with quality and safety standards. By November 2009, the volume of claims and increasing number of installations identified with quality, safety and potential fraud issues, overwhelmed the department and it was unable to recover the situation. There were insufficient measures to deliver quality installations and, when the volume of issues requiring attention by the department increased, the department had neither the systems nor capacity to deal with this effectively. The lack of experience within DEWHA in project management and in implementing a program of this kind were contributing factors.

The audit further observed that the fallout from the program caused serious inconvenience to many householders, reputational damage to the insulation industry, and financial difficulties for many Australian manufacturers and installers. It also harmed the reputation of the Australian Public Service for effective service delivery.

This experience underlined very starkly just how critical sound program design and implementation practices are to achieving policy outcomes. The Auditor-General emphasised that there were important lessons for entities with policy implementation responsibilities but also those responsible for policy development. Chapter nine of the audit summarised key lessons learned from the program, to assist agencies when implementing similar programs, and those lessons have been incorporated in our better practice guides.

[3] ANAO Audit Report No.12 2010–11 *Home Insulation Program.*

[4] Ian Hanger, *Report of the Royal Commission into the Home Insulation Program*, Commonwealth of Australia, Canberra, 2014.

Other performance audit reports have continued to highlight the challenges involved in successful project implementation. I will discuss the findings of six of our Defence audits today, and some observations from our annual Defence Major Projects Report.

- First, the Air Warfare Destroyer[5] – which concluded that while Defence did seek to adopt prudent risk mitigation strategies in the design and build phases of the program, drawing heavily on industry input and experience to inform its advice to government, the risks of developing a modified design, exporting the design for construction in distributed Australian shipyards, and re-establishing Australia's shipbuilding capability were underestimated;

- Second, the Multi-Role Helicopter Program (MRH 90)[6] – which concluded that Defence's helicopter capability requirements definition was inadequate, did not properly inform the source selection process, and led to gaps in contract requirements. Defence also did not effectively assess the maturity of the aircraft design;

- Third, Army Trucks and Trailers (Land 121)[7] – which found that Defence originally considered that the medium and heavy vehicle acquisition was a relatively low risk

[5] ANAO Audit Report No.22 2013–14 *Air Warfare Destroyer*. The audit concluded that while Defence did seek to adopt prudent risk mitigation strategies in the design and build phases of the program, drawing heavily on industry input and experience to inform its advice to government, the risks of developing a modified design, exporting the design for construction in distributed Australian shipyards, and re-establishing Australia's shipbuilding capability were underestimated. Further, despite the contractual arrangements put in place to manage the project, the AWD Program has experienced a range of delivery issues, including significant immaturity in detailed design documentation, major block construction problems and substantially lower than anticipated construction productivity. The design and construction issues have led to extensive, time-consuming and costly rework.

[6] ANAO Audit Report No.52 2013-14, *Multi-Role Helicopter Program*. By March 2014, over $2.4 billion had been spent acquiring and sustaining the MRH90 aircraft, with 27 delivered. However, the MRH90 Program was running some four years behind schedule, with the first Operational Capability milestones for both the Army and the Navy yet to be achieved. Considerable work remained to implement and verify some design changes, and to adjust operational tactics, techniques and procedures, in order to develop an adequate multi-role helicopter capability for Army and Navy operations. The difficulties experienced by the MRH90 Program are primarily a consequence of program development deficiencies and acquisition decisions during the period 2002 to 2006. That period included requirements definition, the source selection process and the establishment of acquisition and sustainment contracts. The history of the MRH90 Program shows that when these crucial stages of program development are not appropriately performed, then there are likely to be serious and potentially long-term consequences for capability delivery and Commonwealth expenditure. Defence's helicopter capability requirements definition was inadequate, did not properly inform the source selection process, and led to gaps in contract requirements. Defence also did not effectively assess the maturity of the MRH90 and S-70M Black Hawk aircraft designs, and the potential implications of immaturity, during the source selection process and to inform the development of contracts. Further, the acquisition and sustainment contracts established by Defence did not contain adequate protections for the Commonwealth. The decision by the then Australian Government in 2004 to approve the acquisition of the MRH90 aircraft, instead of the initial Defence recommendation that the S-70M Black Hawk aircraft be acquired for Phases 2 and 4, has had significant implications as a consequence of: unforseen immaturity in the MRH90 system design and the support system; the continuing need to modify some design elements to meet multi-role capability requirements; and the high cost of sustaining the aircraft.

[7] ANAO Audit Report No.52 2014-15 *Australian Defence Force's Medium and Heavy Vehicle Fleet Replacement (Land 121 Phase 3B)*. The project was to acquire 2536 medium and heavy trucks, 2999 modules and 1582 trailers for the ADF, at a cost of some $3.4 billion. Defence conducted an initial tender process in 2005–07 and a tender resubmission process in 2008–11. Defence's initial tender process was flawed, resulting in a failed tender and a second approach to market, which contributed to long delays in the acquisition of a modern capability for the ADF. Defence conducted a more effective tender resubmission process from 2008, but the process was protracted and Defence did not enter into contracts to supply the replacement fleet until July 2013. The aborted initial tender process and the time taken to finalise the tender resubmission process delayed the scheduled achievement of Final Operational Capability by seven years to 2023. In the intervening period, Defence will continue to rely on an aged fleet of medium and heavy vehicles that is increasingly costly to operate, maintain and repair. Defence originally considered that the medium and heavy vehicle acquisition was a relatively low risk military off-the-shelf procurement. The difficulties subsequently experienced by Defence in acquiring a new medium and heavy vehicle fleet can mostly be attributed to shortcomings in its initial tender process between 2005 and 2007. Defence did not conduct any preliminary test and evaluation of vehicles before recommending a single supplier to the then Government. In selecting a preferred supplier, Defence also did not have sufficient regard to all relevant costs and benefits identified in its tender evaluation process, so as to adhere to the Government's core principle of value for money. Defence's 2007 Source Evaluation Report initially ranked a proposal from Stewart and Stevenson last of five tenders on the basis of value-for-money, but elevated the proposal to the

military off-the-shelf procurement. The difficulties subsequently experienced by Defence in acquiring a new fleet can mostly be attributed to shortcomings in its initial tender process between 2005 and 2007. Further, Defence did not conduct any preliminary test and evaluation of vehicles before recommending a single supplier to the then Government.

- Fourth, Defence's Management of the Mulwala Propellant Facility[8] – which commented on Defence's misunderstanding of the technical risk in the project;

- Fifth, the Disposal of Specialist Military Equipment[9] – which observed that in order to achieve an effective overall outcome, officials performing the disposals function need to have regard to the full picture, weighing up potential revenue against the cost of disposal action and the range of potential risks to Defence and the Australian Government—including the potential for reputational damage; and

- Sixth, Defence Capability Development Reform[10] – which observed that the internal mechanisms adopted by Defence, including many of its committees, have a propensity to focus on processes rather than substantive results. In particular, there is a risk that once a process has been put in place, the issue is considered to have been addressed, with insufficient attention given to following up on whether the desired outcome is actually and satisfactorily being achieved.

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position of preferred tender because it was the most affordable—notwithstanding Defence's assessment of significant vehicle deficiencies against its specific requirements, and the identification of many acquisition risks in the course of the tender process. Further, Defence did not advise Ministers of the significant capability and technical risks it had identified, before recommending a single supplier. Defence confirmed the previously identified shortcomings through test and evaluation after the acquisition entered an Offer Definition and Refinement Process, and the preferred supplier's vehicles were tested. Defence subsequently cancelled contract negotiations with the preferred supplier. In December 2008, Defence again approached the market and implemented a more robust tender process, drawing on key lessons learned from the initial tender process.

[8] ANAO Audit Report No.26 2015-16, *Defence's Management of the Mulwala Propellant Facility*. Defence's management of the project, particularly in its early stages, was not effective. The redevelopment is expected to be completed more than five years late, due to Defence's misunderstanding of the technical risk in the project. The project was announced without detailed requirements. The scope of the project was adjusted to match the cost envelope announced in July 2001. This approach excluded some key requirements of the redevelopment, such as decontamination and demolition of redundant buildings. Further, extensive scope changes occurred until contract signature in 2007, and continued to be made until the end of the project. Reflecting the delay in completion arising from the unexpected complexity of the redevelopment, the costs are estimated at some $415 million by 2017, against an approved project budget of $371 million (inflation-adjusted). This estimate includes further work, at a cost of some $44 million, that is still required to bring the facility up to an industrial level of production, as originally intended. Significant expenditure is yet to be budgeted for decontamination and demolition.

[9] ANAO Audit Report No.19 2014-15, *Management of the Disposal of Specialist Military Equipment*. Defence's management of SME disposals was not to the standard expected as insufficient attention was devoted to: achieving the best outcome for the Australian Government; reputational and other risks that arise in disposing of SME; managing hazardous substances; and adhering to Commonwealth legislation and policy for gifting public assets. The key message from the ANAO's audit of Defence SME disposals was that decision-making should be based on a broader understanding of the benefits, risks and costs of each disposal. To achieve an effective overall outcome, officials performing the disposals function need to have regard to the full picture, weighing up potential revenue against the cost of disposal action and the range of potential risks to Defence and the Australian Government—including the potential for reputational damage. The effective assessment and treatment of risks often requires experience and must be afforded higher priority within the Defence Organisation, including through senior leadership attention at key points in the disposal process for more sensitive items. Those who are assigned management responsibility for an SME disposal should be expected to develop the necessary breadth of understanding and be well placed to complete the disposal efficiently, effectively and properly.

[10] ANAO Audit Report No. 6 2013–14 *Capability Development Reform*. Overall, the audit showed that, notwithstanding government expectations, the work required to progress the reform of capability development in Defence has often taken much longer than might be expected, and has delivered mixed results. As a number of reviews have highlighted, the internal mechanisms adopted by Defence, including many of its committees, have a propensity to focus on processes rather than substantive results. In particular, there is a risk that once a process has been put in place, the issue is considered to have been addressed, with insufficient attention given to following up on whether the desired outcome is actually and satisfactorily being achieved. While examining progress with reform, the audit also identified instances of Defence not reporting to government on significant difficulties affecting individual major projects until long after those difficulties have been apparent within Defence. This is obviously an issue that requires attention by Defence management.

- Finally, our most recent Major Projects Report (2014-15) observed that the reasons for project schedule slippage vary, but primarily reflect the underestimation of both the scope and complexity of work, particularly for Australianised MOTS and developmental projects (paragraph 38). The Report further observed that the selection of MOTS projects significantly reduces risk during project acquisition, and the DMO's focus on MOTS acquisitions in recent years has seen reduced slippage across projects – while noting that MOTS may not provide acceptable solutions in all cases (paragraphs 2.13-2.14).[11]

However, it is the Commonwealth's flawed administration of the Home Insulation Program which has prompted particularly intense reflection from 2010 to the present day.

**BPG on *Successful Implementation of Policy Initiatives***

The 2014 better practice guide on *Successful Implementation of Policy Initiatives* is informed by our audit findings. It identifies better practice considerations when implementing a policy initiative—the act of translating policy into reality—so that intended benefits are realised. Consequently, there is a particular focus on the planning and development phases which precede the delivery phase.

The guide does not address the ongoing management and delivery of a program, other than to emphasise the need for 'active' management to fully realise program objectives.

The guide targets public sector chief executives (CEOs) and senior officers advising on policy proposals, and those responsible for implementing policy initiatives. However, it is also highly relevant for anyone supporting the executive group either directly or indirectly. It suggests the types of issues and questions which the executive and senior management are likely to focus on.

The first key observation made in the guide is to focus on implementation issues well 'upstream' – that is, at the policy development stage.

- A policy initiative is more likely to achieve its intended outcomes when the question of how the policy is to be implemented has been an integral part of policy design.

- Further, it is essential to inform the Government of any significant risks to implementation and proposed responses; particularly when rapid policy development and implementation is required.

- Addressing implementation issues as an afterthought or partly through the policy development process introduces substantial risk and can compromise successful policy implementation.

The second key observation made in the guide relates to the importance of putting in place what we consider to be the key building blocks for successful implementation. These are:

- governance;
- managing risk;
- engaging stakeholders;
- planning;

[11] ANAO Report No.16 2015-16, *2014-15 Major Projects Report*. The MPR covered 25 Defence major projects.

- resources; and
- monitoring, review and evaluation activity – as a basis for active management

Sound governance arrangements are critical to successful implementation. Further, a committed executive, supported by a senior responsible officer, provides the foundations for successful implementation.

Successful implementation also relies on the identification and management of risk. A robust risk management framework will promote accurate, well-informed judgements and mitigation strategies. The analysis of risks should commence as the policy is being developed and should continue through the implementation process.

Effective stakeholder engagement starts with a clear objective for consultation, followed by the identification of people and organisations with a clear interest in the initiative.

Planning provides a 'map' of how an initiative will be implemented, addressing matters such as timeframe, dependencies with other policies or activities, program logic, phases of implementation, roles and responsibilities, resourcing, and compliance with legal and policy requirements. Further, a level of leadership, experience and skills commensurate with the sensitivity, significance and impact of initiatives should be applied to implementation planning.

Misalignment between resources and needs creates a significant risk that the implementation team will be unable to deliver the required outcomes in the required time period. Potential constraints, such as the capability of ICT systems and staff expertise, should be identified and dealt with at the earliest possible opportunity.

Finally, active monitoring, review and evaluation processes provide a basis for the active management of the implementation activity. Establishing effective feedback lops enables the timely adjustment of the other building blocks to facilitate successful implementation. If major issues emerge, which cannot be addressed by adjusting delivery arrangements, there may be a need to revisit the baseline policy settings and program design.

At every stage of the implementation process, it is essential to keep in mind the importance of upwards accountability and to promote a culture of providing timely advice to ministers on implementation pressures, as well as successes. This lesson was underlined in our performance audit on Capability Development Reform in Defence, where you will find, in Table 12.1, a long list of projects where the Defence Minister had not been informed of important changes in a timely way. In a number of cases, years had passed before advice was provided to the Minister.

**SHERGOLD REPORT**

In many ways the policy advising function is the stepping-off point for the 2015 report by Professor Peter Shergold. The report's full title is instructive: *Learning from Failure*. *Why large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved. An independent review of government processes for implementing large programs and projects*.

In summary, Professor Shergold, a former Secretary of the Prime Minister's Department, argues in favour of:

- providing robust advice
- supporting decision making
- creating a positive risk culture, and
- enhancing program and project management.

Significantly, Dr Shergold observes, in respect to program and project management, that:

> Program and project management are too often seen as control activities based on templates and Gantt charts. They are actually creative processes. In practice, they require a collaborative approach to aligning multiple delivery tasks to achieve agreed objectives in the most effective way, within time and budget constraints. They require discipline in maintaining single point accountability while being open and flexible to the opportunities of networked governance structures. That calls for professional expertise. The APS needs to build a stronger cohort of skilled and experienced program and project managers rather than relying on the 'accidental' practitioners who are often selected when no-one with greater ability is available. Some experts already work in the APS, but their experience and qualifications are still not sufficiently recognised and their professional status and career development rarely receive the attention they deserve.

That is a positive message and a timely recognition of the skills required to effectively deliver complex programs and projects. It reinforces Professor Shergold's long-standing view that the APS has long placed policy skills ahead of project and program management skills. In 2005, for example, he observed that:

> If there were a single cultural predilection in the APS that I would change, it would be the unspoken belief of many that contributing to the development of government policy is a higher order function – more prestigious, more influential, more exciting – than delivering results.

Professor Shergold also dedicates a chapter of his report on 'enhancing program management', which makes many valuable observations on the APS' project management capability. In his introduction to that chapter, he states that:

> The APS's professional capacity and technical capability in program management was roundly criticised in the HIP Royal Commission. Hanger found that DEWHA had next to no project management capability. Nor did it have the capability necessary to deliver a program of such size and complexity. Despite being aware of this deficiency, the department failed to recruit staff with the necessary skills. Hanger was struck by the numbers of departmental staff, often in senior positions, who had no program management experience or qualifications.
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> Perhaps we should not be surprised. Of the twenty Capability Reviews conducted by the APSC and released to date, eleven have noted that departments struggle with project management skills and program management practices. Successive ANAO reports[12] have confirmed these findings, finding evidence of poor program and

[12] ANAO audit reports reviewed by Shergold included: Department of Defence, *Capability development Reform* (30 October 2013); Department of Defence, *Recruitment and Retention of Specialist Skills for Navy* (18 December 2014); Department of Defence, *Multi-Role Helicopter Program* (25 June 2014); Department of Industry, *Commercialisation Australia Program* (17 June 2014); departments of the Prime Minister & Cabinet and Human Services, *The Improving School Enrolment and Attendance through Welfare Reform Measure* (25 June 2014); Department of Agriculture and Australian Customs and Border protection Service, *Screening of*

> project management capability, particularly on more complex initiatives. Risk management, governance controls, financial and stakeholder management and benefits realisation have been identified as major areas of weakness in a number of programs. The HIP was unusual in the scale and seriousness of its consequences, but the problem of not having in place people with the professional skills and experience to do the job is all too familiar.
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> Poor program management capability in DEWHA was compounded by inadequate governance structures, including a lack of clarity about who was accountable for what aspect of implementation. No Deputy Secretary was given the exclusive responsibility for oversighting the program. Hanger found evidence of officials' inability or unwillingness to make decisions, exercise judgement, or express contrary opinions … This led to poorly informed decisions … External experts were brought in to take responsibility for critical aspects of the program, such as risk assessment, business planning, project management and evaluation, but some of these consultants considered that they had a relatively limited role. They may have taken care but they did not accept responsibility (Shergold, p.45).

At a practical level, Professor Shergold highlights the value of appropriate qualifications and professional development.

- He observes that one of the best levers to mitigate risks associated with program delivery is to have properly trained project and program managers, noting that professions with long-standing educational requirements can provide a degree of assurance to employers of the competency of the practitioner.
- He goes on to observe that the availability of ongoing professional development helps practitioners to continually improve their understanding of their field of expertise. Having opportunities to network with professional colleagues is a useful way to build collective expertise, and communities of practice should be supported.

**CONCLUSION**

The implementation of Australian Government policy initiatives is one of the key responsibilities of government entities. In recent years there has been an increasing focus on sound policy implementation and the seamless delivery of government policies.

There is both a government and community expectation that government projects and programs will be delivered on time, within budget and to an acceptable level of quality.

The APS is continuing to assess the implications, for its program and project implementation, following high-profile failures such as the Home Insulation Program.

ANAO audits and better practice guides, and recent reviews such as the Shergold report, continue to highlight the importance of addressing the fundamentals of good planning, program design and implementation.

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*International Mail* (18 June 2014); department of Education, Employment and Workplace Relations and Department of human Services, *Cross-Agency Coordination of Employment Programs* (17 June 2013); AusAID, *AusAID's Management of Infrastructure Aid to Indonesia* (28 May 2013); Department of Employment, *Administration of the Fair Entitlements Guarantee* (23 April 2015); Department of Education and Training, *Administration of the Australian Apprenticeships Incentives program* (23 April 2015).

The importance of a systematic focus on implementation has also been highlighted by the work of the Cabinet Implementation Unit (CIU) within the Department of the Prime Minister and Cabinet, Gateway Reviews sponsored by the Department of Finance, and Capability Reviews sponsored by the Australian Public Service Commission.

Further, the passage of the *Public Governance and Performance Act 2013* (PGPA Act) has put good governance, risk management and performance measurement centre-stage for Commonwealth entities. There are now positive duties on Accountable Authorities (Departmental Secretaries, Chief Executive Officers and boards) to effectively govern, manage risk and implement internal controls.[13]

The Australian Government has also released a Risk Management Policy which is part of the finance law and which contains mandatory requirements.[14] The Commonwealth Risk Management Policy sets out nine elements which non-corporate Commonwealth entities (entities) must comply with in order to establish an appropriate system of risk oversight and management under the PGPA Act.[15]

With the appointment of a new Auditor-General in mid-2015, the ANAO is increasingly focussed on the importance of strategy development and good program design as a factor in improved public sector performance. This focus complements our traditional work on administrative effectiveness, which focused on whether a strategy is well implemented.[16]

A number of our recent audit reports have not only highlighted issues with entites' management of specific programs, which could be addressed administratively through incremental adjustments reflecting the current program design. We have also suggested looking more fundamentally at underlying program design issues for schemes which in some instances had not been fully reviewed or evaluated since their introduction.[17]

Thank you.

[13] PGPA Act, sections 15–19.
[14] Department of Finance, Commonwealth Risk Management Policy, 1 July 2014.
[15] The nine elements of the Policy are: establishing a risk management policy; establishing a risk management framework; defining responsibility for managing risk; embedding systematic risk management into business processes; developing a positive risk culture; communicating and consulting about risk; understanding and managing shared risk; maintaining risk management capability; and reviewing and continuously improving the management of risk.
[16] See Grant Hehir, Auditor-General for Australia, 'A reflection on how far performance auditing has come from its roots in the 1970s to where we are today and where we are heading', presentation at IMPACT Conference, Brisbane, 15 March 2016, p.2 and pp.9-10.
[17] Report No.35 of 2015-16, *Administration of the Radiation Oncology Health Program Grants Scheme*, highlighted a number of issues with the department's management of the Scheme which could be addressed administratively—through incremental adjustments reflecting the current program design—or by looking more fundamentally at the Scheme's underlying program design some three decades after its introduction. ANAO Report No.12 of 2015-16 *Administration of the Child Dental Benefits Schedule* observed that while the policy design of the program had addressed some of the shortcomings of its predecessor, in common with the previous program, the CDBS continued to attract relatively low customer uptake and required review.

**ANAO BPG on *Planning and Approving Projects* (2010)**

Our 2010 better practice guide, on *Planning and Approving Projects*, has an operational focus, looking at time-limited activities with a specific goal. These can include: projects intended to improve internal operations and capability; trials and research projects.

The guide describes important steps in the planning and approval of individual projects that should be undertaken to improve the prospects of project success, and to meet accountability requirements.

In particular, the guide considers better practices relating to three key issues: entity arrangements; project proposals; and project implementation.

- In respect to **entity arrangements**, the guide highlights the importance of:
    - promoting strategic alignment with corporate goals, the entity's ICT strategy, and government-wide policies;
    - involving the right people, including executive skills for project oversight, skills for project planning, and support for independent assurance;
    - engaging effectively with risk and uncertainty;
    - establishing effective internal governance arrangements, including for: approval roles and processes, financial management, data stewardship, monitoring and reporting; and
    - addressing common APS requirements such as those relating to procurement, ethics, probity and record-keeping.
- In respect to individual **project proposals**, the guide highlights the importance of:
    - clarifying the concept for the project;
    - considering feasibility through a business case;
    - informed decision-making when approving a project; and
    - project controls.
- In respect to **project implementation**, the guide highlights the importance of:
    - the project sponsor's roles during implementation, which include the outward-looking role of liaison and stakeholder engagement, and the inward-looking role of project oversight; and
    - effectively managing the typical project implementation phases, including: project initiation and appointments, detailed planning, acquiring resources, development, project roll-out, and project closure and handover.