

Department of Agriculture, Fisheries and Forestry's cultural reform

Department of Agriculture, Fisheries and Forestry

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Canberra ACT

3 April 2023

Dear Mr Speaker
Dear President

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Agriculture, Fisheries and Forestry. The report is titled *Department of Agriculture, Fisheries and Forestry cultural reform*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

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Audit snapshot

Auditor-General Report No.17 2022–23

The Department of Agriculture, Fisheries and Forestry's cultural reform



Why did we do this audit?

- ▶ Culture is essential to an organisation's sustained performance and in bringing about transformational change. Cultural change requires clear and persuasive communication about the change and behaviours required, supported by a clear purpose and vision of the future.
- ▶ This audit provides assurance to Parliament on the effectiveness of the design and implementation of the Department of Agriculture, Water and the Environment's (DAWE) cultural reform, including the use of consultants to support the delivery of the reform program.



Key facts

- ▶ In the 2020–21 Budget, DAWE received approximately \$1.2 billion in new funding over four years to implement key portfolio measures. Departmental reform and business transformation was progressed under the \$1.46 billion allocated to departmental resourcing expenses.
- ▶ The new strategic objective of 'Being future ready' was published in DAWE's 2021–22 Corporate Plan.



What did we find?

- ▶ The design and implementation of DAWE's cultural reform program was partly effective. The Department of Agriculture, Fisheries and Forestry has not made a decision on the applicability of or direction of the reform program.
- ▶ The planning undertaken for the development of the reform program was largely appropriate.
- ▶ Arrangements to support the implementation of the reform program were partially effective.
- ▶ Monitoring and reporting arrangements for the reform program were ineffective.



What did we recommend?

- ▶ The Auditor-General made four recommendations relating to: establishing the direction for reform; monitoring of reform activities; establishing fit-for-purpose performance criteria; and establishing a framework for regular review of reform.
- ▶ The Department of Agriculture, Fisheries and Forestry agreed to all four recommendations.

\$115.61m

committed to advisory services and projects under the strategic and delivery partner model from February 2021 to June 2022.

1

strategic partner appointed under the strategic and delivery partner model.

19

delivery partners appointed under the strategic and delivery partner model.

Summary and recommendations

Background

1. On 1 February 2020, the Australian Government established the Department of Agriculture, Water and the Environment (DAWE) by merging the former Department of Agriculture with the environment functions of the former Department of the Environment and Energy. The Secretary of DAWE commissioned the Future Department Review soon after the formation of DAWE to 'identify how best to maximise the capabilities of the new department and to fully realise the opportunities it presents, consistent with the government's priorities'.¹ After the merge, DAWE consisted of more than 7000 staff.
2. In October 2020, DAWE began developing its strategic and delivery partner model (partner model) to assist with the delivery of the reform program. Under the partner model, the strategic partner would provide strategic advisory services to the Secretary and Executive Leadership Team.² Under the partner model, delivery partners would be engaged on an as-needed basis to support the delivery of reform priorities and projects.
3. DAWE released *Being Future Ready: Our Future Department Blueprint 2021–2025* (the Blueprint) in September 2021. The Blueprint was intended to be a 'roadmap' to coordinate ongoing reform activities and areas of reform focus, such as those identified in the *Future Department Review* report, other departmental and government reviews, and stakeholder consultation processes.³
4. On 1 July 2022, DAWE was renamed the Department of Agriculture, Fisheries and Forestry (DAFF) when the Australian Government executed a Machinery of Government change that moved environment- and water-related functions to create the new Department of Climate Change, Energy, the Environment and Water (DCCEEW).⁴ The Secretary of DAWE continued as the Secretary of DAFF. As of November 2022, DAFF consisted of approximately 5400 staff across Australia and overseas.
5. A taskforce titled 'Designing DAFF' was established in mid-August 2022 to renew DAFF's Purpose, Objectives and Priorities statement in light of the new departmental arrangements. The Secretary of DAFF noted that the taskforce would look to ensure that 'our Future Department Blueprint evolves and that our Purpose, Objectives & Priorities are updated to clearly reflect the focus of the new government'. DAFF has yet to decide whether elements of the Future Department Review and Blueprint will apply to its new operating context, as part of the Designing DAFF project or otherwise.

1 Department of Agriculture, Water and the Environment, *Annual Report 2020–21*, DAWE, Canberra, 2021, p. 97.

2 Executive Leadership Team membership comprises the Secretary and Deputy Secretaries of the department.

3 Department of Agriculture, Water and the Environment, *Being Future Ready: Our Future Department Blueprint 2021–2025*, DAWE, Canberra, 2021, p. 5.

4 Some energy-related functions were moved from the Department of Industry, Science, Energy and Resources to create DCCEEW.

Rationale for undertaking the audit

6. Culture is essential to an organisation's sustained performance and in bringing about transformational change. Cultural change requires clear and persuasive communication about the change and behaviours required, supported by a clear purpose and vision of the future.

7. The Blueprint developed by DAWE set out key actions to be undertaken as part of the reform agenda. Initial estimates aligned the Blueprint to approximately \$1.2 billion in funding over four years.⁵ This included approximately \$328 million for reforms to the export system; \$250 million for waste and recycling industry initiatives; \$270 million for water reform activities; \$233 million for National Parks investment; and \$37 million for environmental protection reform. A significant proportion of the Future Department work planned by DAWE, including development of departmental capability, was delivered or supported to delivery by contracted 'partners' under the partner model.

8. Past external reviews and ANAO performance audits of the department have found weaknesses in the department's governance and culture, including demonstrating value for money in the department's procurement activities.

9. This audit provides assurance to Parliament on the effectiveness of the design and implementation of DAWE's cultural reform, including the use of consultants under the partner model to support the delivery of the reform program.

Audit objective and criteria

10. The objective of this audit is to assess the effectiveness of the design and implementation of DAWE's cultural reform program prior to the July 2022 Machinery of Government changes.

11. To form a conclusion against the audit objective, the following high-level criteria were adopted.

- Did the department undertake appropriate planning to develop its reform program?
- Does the department have effective arrangements to support the implementation of its reform program?
- Has the department established effective arrangements to monitor and report on the implementation of its reform program?

12. The audit scope included the conduct of the Future Department Review; planning for and implementation of the Blueprint, including monitoring and reporting arrangements; and arrangements to align the partner model with the reform program. This audit also considers the early stages of the reform program continuing into DAFF.

13. The scope did not examine individual initiatives or projects within the Blueprint; procurement of the strategic and delivery partners; or reform activities considered by DCCEEW following its establishment on 1 July 2022.

⁵ This estimate was outlined in DAWE documentation in October 2020 and include initiatives related to environmental functions that were transferred to DCCEEW in the 1 July 2022 Machinery of Government changes.

Conclusion

14. The design and implementation of DAWE's cultural reform program was partly effective. DAWE planned and commenced implementation of a four-year reform program. DAFF has not yet made decisions relating to the ongoing direction of its reform program. As such, DAFF is unable to effectively build on the activities commenced prior to July 2022. DAFF is unable to provide assurance that activities commenced have delivered the desired outcomes.

15. The planning undertaken for the development of DAWE's reform program was largely appropriate. The reform program was informed by an evidence base, including consultation with internal and external stakeholders. While the strategic and delivery partner model has provided additional capacity, it is not clear whether the partner model was designed to effectively support capability uplift and the 'Being future ready' objective. DAWE did not assess the effectiveness of communication strategies and plans used to promote the release of the Blueprint. DAWE did not implement the planned approach to provide detailed progress updates to staff on the Blueprint after it was released. Communications after September 2021 were less detailed and were integrated into other, broader information products.

16. Arrangements to support the implementation of the reform program were partially effective. While governance arrangements were established, not all risk assessment activities were completed, and some identified risks were not actively managed. Roles and responsibilities for the implementation of reform initiatives under eight streams were assigned to senior staff leads across the department. The strategic and delivery partner model was intended to deliver increased capacity as well as capability uplift. Arrangements to consistently drive the capability uplift objective through the use of the strategic and delivery partner model were not established. DAFF has not yet made decisions relating to the ongoing direction of its reform program.

17. Monitoring and reporting arrangements for the reform program were ineffective. Progress reporting for specific initiatives did not provide accurate and complete information. Performance measures primarily focussed on staff sentiment. Due to limitations with the completeness of the data, the performance measures were largely ineffective for measuring impact. DAWE did not undertake a planned evaluation of its reform program and did not establish appropriate assurance over capability transfer and uplift. DAWE did not complete cost mapping activities prior to commencing its reform program and subsequent funding gaps for implementation of the forward program emerged. These issues were not resolved.

Supporting findings

Planning

18. Development of the reform program was informed by previous reviews and recommendations, consultation with internal and external stakeholders, and input from an external reference panel. DAWE did not undertake an assessment of departmental expertise to inform the capability uplift expectations of the strategic and delivery partner model. The Future Department Blueprint was intended to be the roadmap for activities to meet the reform goals established by the Future Department Review. (See paragraphs 2.3 to 2.35)

19. The Blueprint was largely comprised of existing initiatives. DAWE established a new strategic objective of 'Being future ready', the achievement of which was aligned to completion

of Blueprint initiatives and the introduction of new ways of working. It is unclear how the Blueprint was to increase the trajectory of reform, particularly in preparing DAWE to be 'future ready'. DAWE did not review the effectiveness of its communications relating to the Blueprint, and tailored communications have largely ceased. (See paragraphs 2.36 to 2.66)

Implementation

20. DAWE established governance arrangements to oversee the reform program. DAWE did not finalise risk assessment activities for either the reform program or the strategic and delivery partner model. (See paragraphs 3.4 to 3.27)

21. Roles and responsibilities relating to the implementation of reform activities were assigned however it is not clear that tensions between contingent initiatives were appropriately managed. DAFF has not yet embedded arrangements to ensure the implementation of new ways of working appropriately support achievement of outcomes and transparency principles. (See paragraphs 3.28 to 3.46)

22. Capability uplift and the development of long-term skills, techniques and tools were identified as key objectives of the strategic and delivery partner model. In delivering the reform program, DAWE did not establish arrangements to ensure these objectives were consistently pursued. (See paragraphs 3.47 to 3.67)

23. DAWE utilised existing contract management procedures and arrangements to engage and manage partners under the partner model. For the strategic advisory services delivered under the strategic partner contract, DAWE did not have a dedicated contract manager until 13 months after the contract commenced. Existing contract management arrangements for monitoring and measuring deliverables were not sufficient to manage the scale and complexity of strategic advisory services. DAWE did not optimise the use of the partner model for capability uplift. The partner model emphasised addressing capacity concerns rather than capability uplift. (See paragraphs 3.68 to 3.107)

Monitoring and reporting

24. The framework for monitoring and measuring reform progress did not provide sufficient information over the entire reform program. Progress reporting did not provide appropriate assurance over the status of projects. Performance measures primarily focussed on staff sentiment which provided some indication of the impact of the reform program. However, these indicators did not provide a complete measure of the impact of the reform program, clearly align to intended outcomes, or enable identification of significant trends in impact. (See paragraphs 4.2 to 4.32)

25. A planned review of the Blueprint has not yet occurred. Program level performance measures are not integrated with initiative level reporting and do not currently enable the department to fully evaluate the achievement of desired outcomes. DAWE did not establish appropriate assurance over the achievement of the capability transfer and uplift under the strategic and delivery partner model. (See paragraphs 4.35 to 4.60)

26. DAWE did not establish arrangements to effectively review and manage costs and benefits across the reform program. (See paragraphs 4.61 to 4.76)

Recommendations

Recommendation no. 1 The Department of Agriculture, Fisheries and Forestry establish the direction of its reform program by 30 June 2023.
Paragraph 3.32

Department of Agriculture, Fisheries and Forestry: Agreed.

Recommendation no. 2 The Department of Agriculture, Fisheries and Forestry ensure that monitoring of activities under its reform program or any future reform program continue until activities are fully implemented.
Paragraph 4.18

Department of Agriculture, Fisheries and Forestry: Agreed.

Recommendation no. 3 The Department of Agriculture, Fisheries and Forestry establish fit-for-purpose performance criteria to support evaluation and provide a basis for assessing the performance of its current or any future reform program.
Paragraph 4.33

Department of Agriculture, Fisheries and Forestry: Agreed.

Recommendation no. 4 The Department of Agriculture, Fisheries and Forestry put in place a framework for regular review to ensure its reform program or any future reform program remains relevant over time. Reviews should include a comprehensive cost and benefit assessment and active monitoring.
Paragraph 4.67

Department of Agriculture, Fisheries and Forestry: Agreed.

Summary of entity response

The Department of Agriculture, Fisheries and Forestry (the department) is committed to appropriate and timely implementation of all recommendations.

The audit commenced as one of the Department of Agriculture, Water and the Environment's capability building reforms. These reforms were designed to improve DAWE's ability to deliver an extensive work programme, rather than reform culture. The audit was complicated by significant machinery of government changes implemented on 1 July 2022, with the creation of two new departments. One consequence is the capability building reforms originally envisaged for a larger and more complex organisation are no longer necessarily fit for purpose. That said, the department will leverage the capability building program of DAWE, albeit tailored to its own operating model and policy, regulatory and operational functions. In this context, the Designing DAFF Taskforce will draw from the ANAO's findings and recommendations, including more rigorous monitoring, evaluation, and review processes.

The department acknowledges the ANAO's recommendations will strengthen our efforts to achieve ambitious and lasting capability uplift. The Designing DAFF Taskforce is committed to creating a modern, responsive and world class organisation, and to supporting our staff who work every day to create a sustainable and prosperous Australia through biosecurity, production and trade.

Key messages from this audit for all Australian Government entities

27. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Policy/program implementation

- Large-scale cultural change programs that are intended to be implemented over several years need ongoing and active oversight. This includes clearly articulated objectives, ongoing governance including active risk management as things change, and monitoring and reporting on the achievement of outcomes. Effective planning for cultural change programs includes identifying evidence and undertaking analysis to inform the objectives of the program. Program objectives should clearly define the intended outcomes of the program, in other words what the change will look like. Progress of outcomes should be measured using relevant performance measures and established baselines, and plans adjusted to reflect progress.
- Roles, responsibilities, and governance arrangements should be defined and implemented at the commencement of the cultural change program. It is worth reviewing them at points in the long-term change program to assess if they remain appropriate as change unfolds, including where new risks emerge. Changes in senior positions within organisations during long-term change programs reinforce the need for good records to ensure continuity of intent.

Audit findings

1. Background

1.1 On 1 February 2020, the Australian Government established the Department of Agriculture, Water and the Environment (DAWE) by merging the former Department of Agriculture with the environment functions of the former Department of the Environment and Energy.

1.2 DAWE was responsible for supporting the delivery of the Australian Government's policy agenda across agriculture, the environment, heritage, and water resources. Significant investments from multiple Budget processes were allocated to DAWE throughout its existence for reform relating to agricultural exports, the biosecurity system, waste and recycling, and the environment.

1.3 On 1 July 2022, DAWE was renamed the Department of Agriculture, Fisheries and Forestry (DAFF) when the Australian Government executed a Machinery of Government change that moved environment- and water-related functions to create the new Department of Climate Change, Energy, the Environment and Water (DCCEEW).⁶

1.4 DAFF deals with matters relating to:

- agricultural, pastoral, fishing, food, and forest industries;
- soils and other natural resources;
- rural adjustment and drought issues;
- rural industries inspection and quarantine;
- primary industries research, including economic research;
- commodity marketing, including export promotion and agribusiness;
- commodity-specific international organisations and activities;
- administration of international commodity agreements;
- administration of export controls on agricultural, fisheries, and forestry industries products;
- food security policy and programmes; and
- biosecurity in relation to animals and plants.⁷

1.5 DAWE's Annual Report 2021–22 notes that consultants were engaged 'where the department lacked specialist expertise or required independent research, review or assessment.' In reference to reform, the Annual Report 2021–22 notes that DAWE 'aimed to identify opportunities for joint project delivery (between department and services firm staff) to support knowledge transfer. This built the capability of our staff while delivering the agreed outcomes for each engagement'.

1.6 DAWE's expenditure on employee benefits and contractors and consultants is set out in Table 1.1.

6 Some energy-related functions were moved from the Department of Industry, Science, Energy and Resources to create DCCEEW.

7 Commonwealth of Australia, *Administrative Arrangements Order*, 14 October 2022.

Table 1.1: Expenditure on employee benefits and contractors and consultants from 2020–21 to 2021–22

Financial year	Staffing	Employee benefits (net)	Contractors and consultants
2020–21	7107	\$732,851,000	\$203,197,000
2021–22	7783	\$802,757,000	\$417,127,000
Difference	+676	+ \$69,906,000	+ \$213,930,000

Source: Department of Agriculture, Water and the Environment Annual Reports 2020–21 and 2021–22.

1.7 As of November 2022, DAFF consisted of approximately 5400 staff across Australia and overseas.

Australian Public Service reform agenda

1.8 The 2019 *Independent Review of the Australian Public Service* (2019 APS Review) and the Government response *Delivering for Australians – A world class Australian Public Service: The Government's APS reform agenda* establish a reform agenda for ensuring the Australian Public Service is fit for purpose for the coming decades.⁸

1.9 The 2019 APS Review noted that successful transformational change requires several elements, including:

- Effective leadership and coordination. Transformation needs to be effectively coordinated and planned in order to align leaders and change initiatives and ensure that the transformation effort remains on track.
- Building capability and measuring progress. High-performing organisations build capability at the same time as delivering results... It will require disciplined and regular measurement of indicators of the organisation's capability and performance.
- Cultural change. To achieve and sustain transformation, it will be essential to build a high-performing culture — a culture of openness, innovation, collaboration, and partnership.

1.10 The 2019 APS Review was identified as a key driver for and input to DAWE's reform program.

The Future Department cultural reform program

1.11 DAWE commenced a reform program in 2020 intended to identify future capability requirements and produce improved outcomes for the Government and Australians. The reform program was intended to strengthen the capability of the department's workforce, improve performance, and drive organisational change.⁹

⁸ Commonwealth of Australia, *Our Public Service, Our Future. Independent Review of the Australian Public Service*, Department of the Prime Minister and Cabinet, Canberra, 2019, p. 13.

Commonwealth of Australia, *Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda*, Department of the Prime Minister and Cabinet, Canberra, 2019, p. 5.

⁹ Department of Agriculture, Water and the Environment, *Future Department Review: revitalising the organisation to deliver for the government and Australians*, DAWE, Canberra, 2020, p. 1.

1.12 The Secretary of DAWE commissioned the Future Department Review in February 2020 to 'identify how best to maximise the capabilities of the new department and to fully realise the opportunities it presents, consistent with the government's priorities'.¹⁰

1.13 The *Future Department Review* report was finalised in September 2020 and made seven recommendations across eight key improvement areas considered to be the highest priority to build the future capability and culture of DAWE.¹¹

1.14 In August 2021, DAWE introduced the new strategic objective of 'Being future ready' in its 2021–22 Corporate Plan. The objective was part of DAWE's updated Purpose, Objectives, Priorities and Values statement.

1.15 DAWE released *Being Future Ready: Our Future Department Blueprint 2021–2025* (the Blueprint) in September 2021. The Blueprint was a 'roadmap' to coordinate ongoing reform activities and areas of reform focus, such as those identified in the *Future Department Review* report, other departmental and government reviews, and stakeholder consultation processes.¹²

1.16 The Secretary of DAWE stated that the Blueprint and updated Purpose, Objectives, Priorities and Values statement including the strategic objective of 'Being future ready' would 'guide [DAWE] on our journey as an organisation... [and] provide a clear path of action'.

Strategic and delivery partner model

1.17 In October 2020, DAWE began developing its strategic and delivery partner model (partner model) to assist with the delivery of the reform program. Under the partner model, one strategic partner was to provide strategic advisory services to the Secretary and Executive Leadership Team (ELT).¹³ Delivery partners were engaged on an as-needed basis to support the delivery of reform priorities and projects.

1.18 PricewaterhouseCoopers Australia (PwC) was selected as the strategic partner in February 2021. As the strategic partner, PwC also undertook strategic project services across the department, commissioned by the Secretary and ELT. PwC was also selected as one of 19 delivery partners under the partner model.¹⁴

1.19 In the financial years 2020–21 and 2021–22, DAWE signed contracts totalling \$115.61 million and made payments totalling \$90.38 million under the partner model. The \$90.38 million in payments on strategic and delivery partner work comprised approximately:

- \$22.82 million to PwC as the strategic partner, comprising:
 - \$11.08 for the provision of strategic advisory services;
 - \$11.74 million for strategic projects; and

10 Department of Agriculture, Water and the Environment, *Annual Report 2020-21*, DAWE, Canberra, 2021, p. 97.

11 Department of Agriculture, Water and the Environment, *Future Department Review*, DAWE, Canberra, 2020, p. 11.

12 Department of Agriculture, Water and the Environment, *Being Future Ready: Our Future Department Blueprint 2021–2025*, DAWE, Canberra, 2021, p. 5.

13 Executive Leadership Team membership comprised the Secretary and Deputy Secretaries of the department.

14 The panel of delivery partners was established through the same tender process as the strategic partner, with arrangements being finalised after the strategic partner was announced. Delivery partners are set out in Appendix 3.

- \$67.56 million on delivery partner projects, of which \$17.41 million was to PwC as a delivery partner.

1.20 The strategic advisory services element of the strategic partner arrangement was put on hold in late March 2022, ahead of the commencement of the caretaker period for the 2022 federal election. DAWE continued to contract work to PwC for strategic projects and delivery partner work from March 2022 onwards. A formal decision to end the strategic partner arrangement ahead of the planned end date of February 2023 was proposed. DAFF informed the ANAO that no formal decision was made, and both the strategic and delivery partner arrangement with PwC lapsed on 3 February 2023 as originally set out in the Complex Work Order.

1.21 After the Machinery of Government change was executed on 1 July 2022 and continuing to the end of October 2022, DAFF and DCCEEW signed new contracts totalling more than \$7.74 million and made payments totalling more than \$24.02 million under the partner model.¹⁵ Of this \$24.02 million, \$0.58 million was for strategic project work and \$4.16 million was for delivery partner work from PwC. The remaining \$19.29 million in payments was for delivery partner work from other delivery partners.

Designing DAFF

1.22 The Secretary of DAFF announced a 'Designing DAFF' taskforce that commenced mid-August 2022, with the stated purpose 'to ensure we optimise our overall arrangements given our broad range of responsibilities, that our Future Department Blueprint evolves and that our Purpose, Objectives & Priorities are updated to clearly reflect the focus of the new government'.

1.23 As at mid-November 2022, the Designing DAFF work remains underway with a focus on finalising DAFF's new Purpose, Objectives and Priorities. DAFF has yet to decide whether elements of the Future Department Review and Blueprint will apply to its new operating context, as part of the Designing DAFF project or otherwise.

Rationale for undertaking the audit

1.24 In recent years, there has been a growing focus on reform of the Australian Public Service to deliver improved outcomes for the Australian Government, Parliament, and the public into the future.¹⁶

1.25 Culture is essential to an organisation's sustained performance and in bringing about transformational change. Cultural change requires clear and persuasive communication about the change and behaviours required, supported by a clear purpose and vision of the future.¹⁷

15 Partner model expenditure continues to be reported in aggregate as DAFF and DCCEEW finalise the process of separating contract and financial arrangements. Both DAFF and DCCEEW are required to use the mandatory Department of Finance Management Advisory Services Panel for consultancy procurements. The Department of Finance granted an extension to the transition period to allow DAFF and DCCEEW to continue to engage partners under the partner model within the initial term of signed Complex Work Orders. The initial terms for all partners are set to expire between February and April 2023, and all new activity orders executed after February 2023 must be completed by 30 June 2023. See paragraphs 3.101 to 3.107.

16 Department of the Prime Minister and Cabinet, *Our Public Service, Our Future. Independent Review of the Australian Public Service*, PM&C, Canberra, 2019, p. 16.

17 Department of the Prime Minister and Cabinet, *Our Public Service, Our Future. Independent Review of the Australian Public Service*, PM&C, Canberra, 2019, p. 61.

1.26 The Blueprint developed by DAWE set out key actions to be undertaken as part of the reform agenda. Initial estimates aligned the Blueprint to approximately \$1.2 billion in funding over four years.¹⁸ This included approximately \$328 million for reforms to the export system; \$250 million for waste and recycling industry initiatives; \$270 million for water reform activities; \$233 million for National Parks investment; and \$37 million for environmental protection reform. A significant proportion of the Future Department work planned by DAWE, including development of departmental capability, was delivered or supported to delivery by contracted ‘partners’.

1.27 Past external reviews and ANAO performance audits of the department have found weaknesses in the department’s governance and culture, including demonstrating value for money in the department’s procurement activities.¹⁹

1.28 This audit provides assurance to Parliament on the effectiveness of the design and implementation of DAWE’s cultural reform, including the use of consultants under the partner model to support the delivery of the reform program.

Audit approach

Audit objective, criteria and scope

1.29 The objective of this audit is to assess the effectiveness of the design and implementation of DAWE’s cultural reform program prior to the July 2022 Machinery of Government changes.

1.30 To form a conclusion against the audit objective, the following high-level criteria were adopted.

- Did the department undertake appropriate planning to develop its reform program?
- Does the department have effective arrangements to support the implementation of its reform program?
- Has the department established effective arrangements to monitor and report on the implementation of its reform program?

1.31 The audit scope included the conduct of the Future Department Review, planning for and implementation of the Blueprint including monitoring and reporting arrangements, and arrangements to align the partner model with the reform program. This audit also considers the early stages of the reform program continuing into DAFF.

18 This estimate was outlined in DAWE documentation in October 2020 and includes initiatives related to environmental and water functions transferred to DCCEEW in the July 2022 Machinery of Government changes.

19 These include the independent *Review of the Regulatory Capability and Culture of the Department of Agriculture and Water Resources in the Regulation of Live Animal Exports in 2018*; Auditor-General Report No.49 2018–19 *Management of Commonwealth National Parks*; Auditor-General Report No.47 2019–2020 *Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999*; Auditor-General Report No.2 2020–21 *Procurement of Strategic Water Entitlements*; Auditor-General Report No.42 of 2020–21 *Responding to Non-Compliance with Biosecurity Requirements*; Auditor-General Report No.19 of 2021–22 *Management of Threatened Species and Ecological Communities under the Environment Protection and Biodiversity Conservation Act 1999*; and Auditor-General Report No.9 2021–22 *Regional Land Partnerships*.

1.32 The scope did not examine individual initiatives or projects within the Blueprint; procurement of the strategic and delivery partners; or consideration of reform activities by DCCEEW following its establishment on 1 July 2022.

Audit methodology

1.33 The audit methodology included:

- examination of departmental documentation, with a focus on planning, implementation and coordination of reform activities; and monitoring and reporting of progress against the reform program;
- examination of planning and engagement arrangements related to the partner model;
- review of information published on AusTender; and
- meetings with relevant departmental staff.

1.34 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$442,200.

1.35 The team members for this audit were Jacqueline Hedditch, Sam Khaw, Jordan Hallam and Corinne Horton.

2. Planning

Areas examined

This chapter examines whether the Department of Agriculture, Water and the Environment (DAWE) undertook appropriate planning to develop its reform program.

Conclusion

The planning undertaken for the development of DAWE's reform program was largely appropriate. The reform program was informed by an evidence base, including consultation with internal and external stakeholders. While the strategic and delivery partner model has provided additional capacity, it is not clear whether the partner model was designed to effectively support capability uplift and the 'Being future ready' objective. DAWE did not assess the effectiveness of communication strategies and plans used to promote the release of the Blueprint. DAWE did not implement the planned approach to provide detailed progress updates to staff on the Blueprint after it was released. Communications after September 2021 were less detailed and were integrated into other, broader information products.

Areas for improvement

The ANAO identified an opportunity for improvement for the Department of Agriculture, Fisheries and Forestry (DAFF) to maintain regular and ongoing communication activities over the remainder of the reform program or any future reform program.

2.1 Effective and efficient public sector management is characterised by an evidence-informed approach to design and implementation of policies and programs.²⁰ Effective planning positions an entity to better communicate how processes and activities contribute to intended reform outcomes, and how they will be measured.²¹

2.2 Appropriate planning arrangements include identifying evidence and undertaking analysis to identify priorities and manage risk, as well as aligning reform activities to strategic goals and objectives.

Was the department's reform program supported by sound evidence and analysis?

Development of the reform program was informed by previous reviews and recommendations, consultation with internal and external stakeholders, and input from an external reference panel. DAWE did not undertake an assessment of departmental expertise to inform the capability uplift expectations of the strategic and delivery partner model. The Future Department Blueprint was intended to be the roadmap for activities to meet the reform goals established by the Future Department Review.

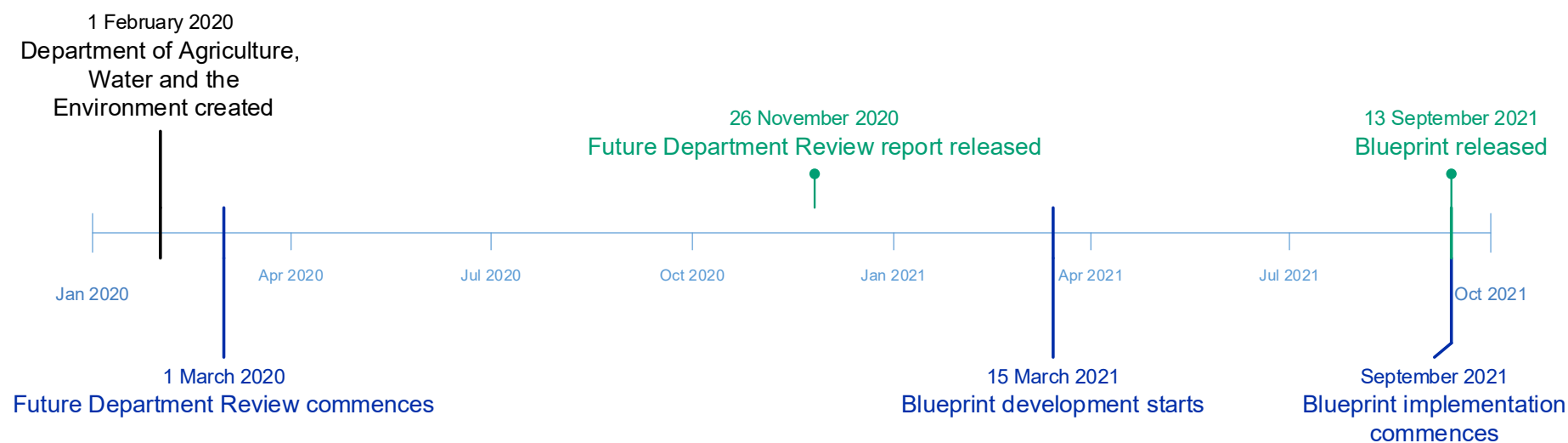
20 Australia & New Zealand School of Government, *Evaluation and learning from failure and success. An ANZSOG research paper for the Australian Public Service Review Panel*, Melbourne, March 2019, p. 8.

21 Cabinet Implementation Unit, *Cabinet Implementation Unit Toolkit: Monitoring, review and evaluation* [Internet], Department of the Prime Minister & Cabinet, Canberra, June 2013, available from <https://www.atap.gov.au/sites/default/files/implementation-toolkit-5-monitoring.pdf> [accessed 24 March 2023], p. 2.

2.3 DAWE commenced its Future Department program of work in February 2020.²² Figure 2.1 below shows the key events in the Future Department program of work prior to the implementation of Blueprint activities.

22 Work to implement Machinery of Government changes enacted on 1 February 2020, such as establishing departmental structure and functions and developing the combined department's purpose and objectives, was implemented concurrently to the Future Department Review.

Figure 2.1: Timeline of the Future Department program of work development



Source: ANAO visualisation of DAWE documentation.

2.4 The first component of the Future Department program of work was the Future Department Review (the Review²³), which formally commenced in March 2020 and was intended to identify both short- and long-term opportunities to maximise capability. The Secretary of DAWE commissioned the Review to assess departmental performance and capability, and to identify ongoing and future work and organisational priorities.

2.5 Following the release of the *Future Department Review* report in November 2020, DAWE established its strategic and delivery partner model (partner model) (see paragraphs 2.21 to 2.29). This included development of the *Future Department Blueprint* (the Blueprint) and the establishment of the Collaboration Hub concept intended to design, deliver and support reform activities and government programs, and support capability uplift.²⁴

2.6 From September 2021, DAWE moved to an implementation and monitoring phase, which included continuing use of the Collaboration Hub (see paragraphs 3.34 to 3.44) and progression of other reform activities to meet the strategic objective of 'Being future ready'.

The Future Department Review

2.7 The aim of the Review was to 'identify how best to maximise the capability of the new department and to fully realise the opportunities it presents, consistent with the government's priorities'.²⁵

2.8 The Review was led by a Senior Executive Service (SES) Band 3 officer (Review Lead) supported by five departmental staff.²⁶ An external Reference Panel (the Panel) provided oversight and expert advice for the Review. The Panel consisted of three former Secretaries of Australian Government departments.²⁷ Two panel members were former Secretaries of either the federal Agriculture or Environment departments, one of whom was involved in two previous machinery of government changes.²⁸

2.9 Panel members were appointed by the Review Lead through a Terms of Engagement approach, with an agreed daily rate in keeping with the Australian Government's maximum remuneration for ad hoc panel members. The cost of the Review excluding departmental staffing costs was \$32,536.70.²⁹

23 This audit refers to the Future Department Review as the overarching process and uses 'the Review' or 'the Review team' as relevant. The published report is styled and referred to as the '*Future Department Review* report'.

24 Capability uplift involves development of competencies to address identified capability gaps.

25 Department of Agriculture, Water and the Environment, *Future Department Review: revitalising the organisation to deliver for the government and Australians*, DAWE, Canberra, 2020, p. 50.

26 The team comprised two SES Band 1 officers, two Executive Level (EL) officers, and one Australian Public Service (APS) officer.

27 These were Ms Helen Williams AC, Mr David Borthwick AO PSM, and Ms Joanna Hewitt AO.

28 These machinery of government changes involved the Department of the Environment and Heritage in 2004 changing to the Department of the Environment and Water Resources in 2007 and then to the Department of the Environment, Water, Heritage and the Arts until 2009.

29 This figure includes remuneration for panel members, costs for travel undertaken by panel members, and costs for some travel undertaken by Review team members prior to COVID-19 border closures and lockdowns in 2020.

Consultation and development

2.10 Consultation with internal and external stakeholders informed the development of the Review process and the *Future Department Review* report. A communication strategy and implementation plan, developed in February 2020, supported the consultation process.

2.11 The implementation plan proposed that the Review team would consult with portfolio Ministers to seek their views on opportunities and challenges facing DAWE. Ministers were informed of the commencement and finalisation of the Review.

2.12 External consultation included government agencies, industry bodies, research organisations, private sector consultancies, and conservation groups. There is no record of what input was gathered from external stakeholders, and whether this input was considered by the Review team to inform the Review.

2.13 Internal consultation included DAWE staff from all divisions and of all levels, including SES officers, and consisted of surveys, in-person and virtual workshop sessions, and targeted meetings. General themes arising in the consultation were developed by the Review team. A summary of the internal survey results developed by the Review team was published on DAWE's intranet.

2.14 In April 2020, the Review team provided early observations from internal consultation to the Secretary of DAWE. This advice included a summary of consultation undertaken to date and a set of suggested questions that could be used as part of the divisional review process scheduled for April 2020.³⁰ This advice noted that key emerging themes from consultation related to multiple aspects of DAWE. These key themes are set out below.

- Culture, people and leadership — staff wanted opportunities relating to skills transfer, knowledge transfer, and learning about the business of the department. Staff also wanted to see their leaders collaborate, advance ideas, and acknowledge staff successes.
- Identity — staff wanted to be able to clearly communicate who they were, and what the department does to key stakeholders and the Australian community. Staff in biosecurity operational and regional roles perceived a lack of appropriate 'branding'.
- Perceived lack of strategy and strategic focus — staff perceived a disconnect across the department, where some parts were working to a strategy while others were reacting to crises.
- 'Boots on the ground' — the department does not systematically collect, collate, and analyse intelligence from networks on the ground to inform policy work or advice to the government.
- Creation and use of data — the department does not collect, analyse, and deploy data in a meaningful way despite staff willingness and enthusiasm to learn.
- Use of technology — the department has systems that are not fit for purpose and are not transformative to process. Staff perceived a lack of digital awareness in the SES, including to see opportunities and lead change.

30 These divisional reviews formed part of the February 2020 Machinery of Government change process.

- Regulatory posture — the department’s posture is unclear, and staff lack awareness of the legislative framework for decision-making. Staff perceived a lack of legal support to assist in timely decision-making.

2.15 These themes broadly align to six of the key areas for improvement that were published in the final *Future Department Review* report.³¹ The *Future Department Review* report added a seventh key area relating to science, and an eighth key area relating to financial discipline. These two key areas were not specifically identified as themes in the early observations from internal consultation noted above.

2.16 The Review team noted among its main observations that:

- a. There seems to be a lot of admiring problems, but not a culture of action. This is compounded by a culture of not escalating risk to the Secretary and Deputy Secretaries – even when the risk has significant implications for the department.
- b. [There is] A lack of discipline and highly devolved decision making.

2.17 The Review team and the Panel met six times from March to June 2020. The Secretary of DAWE participated in the first, fifth, and sixth meetings. Meeting minutes reflect that the Review team and Panel generally discussed DAWE’s structure, role, purpose, and challenges throughout the Panel’s engagement.

2.18 These meetings included updates on work of the Review team; emerging themes of consultation; DAWE’s role as regulator; and involvement in and management of key events such as the COVID-19 pandemic and the statutory review of the *Environment Protection and Biodiversity Conservation Act 1999*. The Panel also met with other departmental stakeholders.³²

Reporting

2.19 The *Future Department Review* report was finalised in September 2020 and released within DAWE and published on DAWE’s public-facing website in November 2020.³³ Each chapter of the *Future Department Review* report includes a summary of ‘common consultation views’. The *Future Department Review* report identified eight areas of improvement relating to culture and leadership; strategic direction; regulation; technology; data and analytics; science; communication and stakeholder engagement; and financial discipline. The *Future Department Review* report made seven overarching recommendations with 41 sub-recommendations.

2.20 In the minute to the Secretary of DAWE seeking approval to finalise and release the *Future Department Review* report, the Review team proposed that implementation of recommendations occur over four years. The Review team created a timeline assigning the 41 sub-recommendations to commencement dates in December 2020, April 2021, October 2021, and April 2022.

31 These were culture and leadership; communication and stakeholder engagement; strategic direction; data and analytics; technology; and regulation. The eight key areas for improvement are set out in paragraph 2.19.

32 The Panel met with some stakeholders separately to the consultation process conducted by the Review team. For example, in the April meeting, several First Assistant Secretaries from DAWE provided an overview of the role of their divisions for more in-depth discussion with the Panel.

33 The *Future Department Review* was initially scheduled for completion no later than 30 June 2020. In May 2020, the Review was extended to 31 August 2020. Extension approval letters indicated this was due to COVID-19 impacts and as Review team staff moved to other roles in the closing stages of the Review.

Design and development of the strategic partner model

2.21 The partner model was a new ‘partnership arrangement’³⁴ introduced as part of DAWE’s reform program. The partner model consisted of one strategic partner and multiple delivery partners intended to support capability development, and to supplement capacity to help deliver the Future Department program of work.

2.22 The strategic partner was to work primarily with the Secretary and the Executive Leadership Team (ELT)³⁵ ‘to advise and support [DAWE’s] overall posture and readiness’, providing ‘innovative delivery approaches and flexible models for ways of working’. Strategic advisory services included the delivery of three programs of work. The strategic partner also undertook priority projects across the department, separate to the strategic advisory services. Delivery partners were to ‘assist [DAWE] to implement key projects that contribute to the reform program’.

2.23 The *Future Department Review* report noted that ‘a range of external partners — as part of a wider ecosystem — should be identified to lift overall capability as an organisation.’ Examples included regional universities and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The *Future Department Review* report recommended that DAWE ‘Identify both existing and potentially new crucial partnerships for the department, including long-term external partners such as regional universities, to help the department’s capability as an organisation’.

2.24 In an Executive Board meeting in mid-September 2020, the Secretary noted the finalisation of the Review and that ‘some areas may need to be supplemented by holistic strategic partnering with other organisations to build departmental capability, enhance knowledge transfer, and facilitate implementation activities.’

2.25 In an ELT meeting in September 2020, the Secretary of DAWE discussed ‘the broad concept of the strategic partners procurement and what he hoped to achieve by creating an efficient mechanism to access services from several firms’. The Secretary requested that a panel of partners be established that ‘could be drawn on as the department embarks on the reforms attached to the \$1.2 billion... [in] funding coming through Budget.’ The Secretary noted that ‘currently \$30 million is spent on such arrangements in the department and this model should provide economies of scale and efficiencies in contracting arrangements.’

2.26 Between 2020 and 2022, DAWE signed formal partnership agreements or a Memorandum of Understanding with CSIRO, Charles Sturt University, the University of Canberra, and Geoscience Australia. These organisations are referred to as strategic partners, however they are managed by different business areas and under different arrangements than the strategic partner under the partner model.

34 Prior to the formation of DAWE, both departments had formal and informal partnership arrangements with various organisations. For the Department of Agriculture, this included other federal agencies; state and territory governments; industry and service providers; and domestic and international trading partners. For the Department of the Environment and Energy, a partnerships statement published in 2019 identified researchers and academia; business; governments; not-for-profit organisations; philanthropy; and Indigenous organisations and communities as key sectors of partnering interest to the department.

35 The ELT is the advisory body responsible for the oversight of the transformation agenda including goals, priorities, major initiatives, funding allocation and outcomes. Key decisions and actions from the ELT are reported to and endorsed by the Executive Board as the decision-making body. Governance arrangements are discussed in more detail in Chapter 3, paragraph 3.7 onwards.

2.27 In February 2021, the Secretary of DAWE announced that PricewaterhouseCoopers Australia (PwC) had been appointed as DAWE's strategic consulting services partner (strategic partner), and that access to a pool of identified delivery partners was forthcoming. In the announcement, the Secretary noted DAWE's other partnerships with CSIRO and Charles Sturt University as 'examples of how we can readily access a wide range of skills, perspectives, and tools to help us deliver for our stakeholders'. The Secretary also noted that 'All of our partnerships, including the strategic partner and delivery partners, will give us additional surge capacity and expertise to tackle key priorities — building a smarter, more flexible organisation'.

2.28 DAWE documentation dated March 2021 states that the partner model 'facilitates our selective use of external expertise to supplement our core permanent workforce... the intention is to provide us with economy of scale in overall cost... rapid access to a range of multi-disciplinary skills... surge capacity and draw-down advice for internal project delivery teams'.

2.29 There is no evidence that DAWE assessed departmental expertise to identify gaps and inform the capability uplift expectations that were subsequently highlighted as a key element of the partner model, including the strategic advisory services provided by the strategic partner directly to DAWE's senior executive team (see paragraphs 3.55 to 3.62).

The *Future Department Blueprint*

2.30 In March 2021, DAWE commenced development of the Blueprint with support from its strategic partner.³⁶ DAWE introduced the 'new ways of working' model — which includes 'Agile' approaches³⁷ — for developing the Blueprint with support from the strategic partner. The development approach agreed was for DAWE staff to work with strategic partner staff in teams to co-design and draft chapters in staggered 'sprints'³⁸ for the Blueprint.³⁹

2.31 Eight such 'sprint teams' focussed on an individual theme, broadly the same as the key improvement areas from the *Future Department Review* report. From March to September 2021, these sprint teams drafted chapters for the Blueprint, working in the Collaboration Hub. The Collaboration Hub concept is discussed in more detail in paragraphs 3.34 to 3.44.

2.32 A ninth team was responsible for the central consolidation and refinement of the chapters, as well as supporting the sprint teams in new ways of working.

2.33 Each team was assigned a 'sponsor' from ELT and a First Assistant Secretary (FAS) lead. The themes are set out in Table 2.1.

36 This program of work was delivered by the strategic partner as part of a strategic advisory services activity order.

37 Agile is a project management approach that originated in software development for product design and is now used across multiple industries including the Australian Public Service. Agile is focussed on concepts rather than detail and is based on the principles of continuous incremental improvement. Agile is intended to increase collaboration and consultation and relies on setting goals and outcomes to focus and prioritise work. The department's use of Agile methodologies in the development and implementation of their reform program is discussed further in paragraphs 3.34 to 3.42.

38 A sprint is a short period of time where a team of people from across the organisation with varying skills work to complete specific tasks, milestones, or deliverables. It is often a repeatable process.

39 Although the final Blueprint did not contain discrete chapters written by the sprint teams, the thematic concept was retained and published in the Blueprint as 'streams of focus'. See Chapter 4 for further explanation of how the department continued to use 'streams' in Blueprint monitoring and reporting.

Table 2.1: Future Department key improvement areas, and Blueprint themes and streams^a

Future Department Review Key improvement areas	Blueprint Sprint Teams Themes	Blueprint Streams of focus
–	Strategy, Ways of Working ^b	–
Culture and leadership	Culture, leadership and people	People, leadership and change
Strategic direction	Cross-cutting policy	Policy
Regulation	Regulation	Regulation
Technology	Digitisation, tech and tools	Digital, tools and technology
Data and analytics	Data, analytics and science	Data and analytics
Science		Science
Communication and stakeholder engagement	Communications and change management	Partnering and stakeholder engagement
	Partnerships and stakeholder engagement	
Financial discipline	Financial discipline and sustainability	Financial discipline and sustainability

Note a: This table demonstrates the slight changes in terminology from the Future Department Review; to the sprint teams for Blueprint development; to the final published Blueprint.

Note b: As discussed in paragraph 2.32, the Strategic Alignment and Ways of Working team was the ninth team. This team did not produce a chapter in the Blueprint.

Source: DAWE documentation.

2.34 Concurrent to the sprint process, the ninth team consolidated the drafted chapters produced by the eight other teams and worked with the Executive to agree and confirm the content for the final Blueprint.

2.35 This finalisation process included the Executive agreeing to the identification, prioritisation, and ownership of initiatives. The ninth team continued after the sprint process as the central team for Blueprint finalisation, communication, and implementation in DAWE.

Are reform activities aligned to the department's strategic goals and objectives?

The Blueprint was largely comprised of existing initiatives. DAWE established a new strategic objective of 'Being future ready', the achievement of which was aligned to completion of Blueprint initiatives and the introduction of new ways of working. It is unclear how the Blueprint was to increase the trajectory of reform, particularly in preparing DAWE to be 'future ready'. DAWE did not review the effectiveness of its communications relating to the Blueprint, and tailored communications have largely ceased.

2.36 In the 2021–22 Portfolio Budget Statements, DAWE’s Strategic Direction statement was that:

The Department of Agriculture, Water and the Environment supports the delivery of the Australian Government’s policy agenda across agriculture, the environment and heritage and water resources. The department’s diverse roles and functions include policy advice, research, program administration, provision of client services, regulation and market access negotiation. Our work touches the lives of all Australians. We support economic prosperity while caring for our country and protecting the quality of life that Australians enjoy.

2.37 In August 2021, DAWE released its 2021–22 Corporate Plan. This corporate plan included a new strategic objective of ‘Being future ready’. The objective is defined as ‘[To] Integrate new capabilities and technology-enabled delivery to meet the demands of an increasingly connected, changing and complex world.’

2.38 This new objective was developed with the strategic partner as part of the Blueprint program of work. The Secretary of DAWE noted that the new objective was created ‘in response to our changing operating context and to reinforce the intended messaging of the Blueprint’.

2.39 DAFF published its first Corporate Plan in March 2023.

Future Department Review report recommendations

2.40 On 9 September 2020, prior to the *Future Department Review* report being finalised, the Review team recommended to the ELT that planning for implementation of the Review should involve:

- (a) a prioritisation assessment of the draft recommendations;
- (b) an assessment matrix to establish which opportunities from the Review could be implemented alongside the government’s key reforms and initiatives; and
- (c) an assessment that mapped the review’s recommendations to potential internal owners, and a high-level capacity assessment to understand the resourcing needed.

2.41 On 6 October 2020, the ELT ‘agreed there would be value in *Future Department Review* recommendations being mapped to the Departmental capability priorities.’ There is no record of further discussion of mapping Review recommendations to DAWE’s capability priorities in subsequent ELT meetings.

2.42 The *Future Department Review* report defined a ‘four-year excellence horizon’ which is supported by a vision for driving the required cultural shift. The vision was specific and clear about where DAWE could expect to be, and that:

By 2025, the department will be better positioned as a result of the changes it has made, enabling it to better serve and support the government, its ministers, the parliament and all Australians.

2.43 The *Future Department Review* report’s ‘vision to drive the critical shift’ crossed multiple aspects of the DAWE’s policy, regulatory, and organisational operations.

Development of the Blueprint

2.44 In May 2021, the Secretary of DAWE advised staff that ‘the Blueprint will help us to consolidate our existing planning documents and strategies together into one to help us get ready

for the future.’ The Blueprint is described on the departmental intranet as providing ‘a roadmap of actions required to help us all work smarter and in new, more coordinated ways.’⁴⁰

2.45 To guide the development of Blueprint chapters, the strategic partner developed key template and input documents as agreed with DAWE in March 2021. This included a ‘scope of work’ for each chapter that detailed the key elements required.

2.46 The scope of work documents outlined an approach whereby sprint teams were to ‘confirm actions from the Future Department Review (FDR) recommendations... i.e. agreed, not agreed or subject to further discussion, and specific actions in relation to the recommendations underway since the release of the FDR’.

2.47 The sprint teams’ use of the template and input documents was variable. DAFF advised the ANAO that *Future Department Review* report recommendations were included in the drafting documents for general guidance. There was no requirement for the sprint teams to demonstrate whether or how the drafting documents provided by the strategic partner were used in the development of Blueprint chapters, including confirming actions from *Future Department Review* report recommendations.

2.48 The ANAO compared the recommendations of the Review with the initiatives of the Blueprint. There are some *Future Department Review* report recommendations that were not taken up in the Blueprint, and there are some Blueprint initiatives that were not recommendations or parts thereof. ANAO analysis shows that there are:

- three recommendations from the *Future Department Review* report duplicated in two scope of work documents;
- six recommendations from the *Future Department Review* report that were not listed in the scope of work documents;
- two recommendations in one scope of work document that are not from the *Future Department Review* report; and
- five recommendations from the *Future Department Review* report that are not represented in the Blueprint.

2.49 This analysis is set out in Appendix 4.

2.50 The phrasing of the recommendations of the Review changed slightly in the transfer across to the scope of work documents provided by the strategic partner, and in the final Blueprint. The ANAO also compared the *Future Department Review* report, Blueprint planning and development documents, and the final Blueprint and found that the key improvement areas identified in each iteration of Future Department work were substantially the same across the key documents.

2.51 The final Blueprint identified eight streams of focus with 21 initiatives, and a further 45 activities to be delivered in three tranches over four years.⁴¹ As part of the introduction to the Blueprint, the Secretary of DAWE noted that it ‘details the actions we’ll be taking over the next 4 years to maximise the opportunity we’ve been given, empowering our people with new skills and

40 Pages relating to the Blueprint, including the Blueprint snapshots (paragraphs 2.53 to 2.57), remain on the DAFF intranet as of February 2023.

41 Each tranche corresponds to a financial year. Tranche 1 refers to 2021–22, Tranche 2 refers to 2022–23, and Tranche 3 refers to 2023–24.

capabilities along the way'. The Secretary also noted that 'many of the actions under the blueprint are already underway'.

2.52 The future state identified in the Blueprint is dependent on the completion of activities in the Blueprint by 2025. The Blueprint includes a section that sets out 'What Being Future Ready will mean for our people, our department, Government, partners and stakeholders, and Australians'. The items in this section are general in nature and not specific to DAWE's portfolio responsibilities. It is not clear how the initiatives identified contribute to the 'Being future ready' objective. Further, it is not evident how achievement of the initiatives contributes to the expected outcomes for staff, Government, partners and stakeholders, and Australians.

2.53 The Blueprint was published as a public document in September 2021. The end state for reform is more clearly defined in the Blueprint 'snapshots', which are internal-only documents for departmental staff reference. The snapshots are discussed in more detail in paragraphs 2.56 and 2.57 below.

Communication and engagement

2.54 DAWE drafted an engagement strategy for the Blueprint in April 2021. This strategy outlined three phases to the Blueprint engagement approach: pre-launch; launch; and initiatives in action (also known as the 'Embed' phase).

2.55 The strategic partner delivered supporting communication artefacts, including 'stream snapshots', presentation packs, and other design elements to support the launch and implementation of the Blueprint. The strategic partner also delivered supporting communication artefacts to introduce and embed the new strategic objective of 'Being future ready'.

2.56 DAWE originally considered that the work produced by the sprint teams would form full chapters in the Blueprint. During development of the Blueprint, DAWE determined that full chapters, including the analysis leading to the conclusions and initiatives, were no longer required as they did not suit the communication style desired. DAWE and the strategic partner re-designed the original drafted chapter content into 'snapshots' for internal use, and the Blueprint was published in a streamlined format without full chapters for each stream.

2.57 The snapshots, available on the departmental intranet, contain a more detailed overview of each stream including current state, rationale for change, individual roadmaps for initiatives, desired outcomes, and a section on 'being future ready in action'. The individual roadmaps for initiatives in these snapshots provide a basis for the progress monitoring and reporting arrangements discussed in Chapter Four.

2.58 DAWE drafted several other planning documents to support the release of the Blueprint. These included a production timeline, a post-release engagement activity and product schedule, and a briefing pack for Senior Executive staff. Although these documents were not finalised, DAFF informed the ANAO that these were used in the Blueprint pre- and post-release stages. It is unclear whether all activities and communications planned in these documents were completed. These documents do not refer to any review or analysis of the impact of planned activities and communications used in the release of the Blueprint.

2.59 As part of a communications 'toolkit' that was to be used to introduce and embed the new strategic objective of 'Being future ready', the strategic partner developed the Being Future Ready

Compass (the Compass). The strategic partner developed several other items in the toolkit which included the Compass as part of their design. The Compass was intended to demonstrate the link between the new strategic objective of ‘Being future ready’ and the Blueprint. The departmental intranet describes the Compass as explaining the components of the objective ‘Being future ready’ and outlining the attributes that staff as individuals and as teams can adopt ‘that help [DAWE] navigate towards the future’. The Compass is replicated in Figure 2.2 below.

Figure 2.2: The DAWE Being Future Ready Compass



Source: DAWE's Future Department Blueprint.

2.60 The Being Future Ready Engagement Manual (Engagement Manual), developed by the strategic partner, proposed separate SES and Team leader overview sessions to introduce the Blueprint and concept of ‘Being future ready’. The SES session was intended to ‘enable the SES to understand the Future Department Blueprint, why we need it and what Being Future Ready personally means for them’, and to ‘help shape the way our teams connect and put Being Future Ready into action’. Team leader sessions were to provide DAWE leaders the opportunity to ‘gain an

understanding of the Future Department Blueprint and what it takes to be future ready'.⁴² Session attendance statistics were presented in the November 2021 Executive Leadership Team Plus (ELT+) meeting.⁴³

2.61 Although DAWE created documents to support introductory engagement with the Blueprint and collected basic attendance data on the sessions held, results of sessions were not reviewed and acted upon to establish staff preparedness to be and to communicate 'Being future ready'. DAFF informed the ANAO that feedback collected from the sessions was used to inform planning for the next stage of 'Being future ready'.

2.62 The next stage, embedding 'Being future ready', was intended to be part of a fourth activity order for strategic advisory services with the strategic partner, however this activity order was not executed due to the strategic advisory services arrangement being put on hold in March 2022.

2.63 As part of the 'Embed' phase in the April 2021 draft engagement strategy, DAWE intended to 'share progress (internally and externally), celebrating achievements and success'. A specific 'tactic' under this phase referred to communications to be published on the departmental intranet, described as 'ongoing team and individual stories (video and copy) that demonstrate the desired behaviours, the visionary thinking, and the Blueprint progress'.

2.64 The draft engagement strategy originally planned for the Embed phase to start in September 2021. The set of linked intranet pages for 'Being future ready', including the Future Department Review, the Blueprint, new ways of working, and the partner model have not been substantially updated since the release of the Blueprint in August 2021.⁴⁴

2.65 DAWE had originally planned to update intranet pages by updating text, links, and images; integrating Policy Office and Collaboration Hub service offerings; adding case studies; and providing the outcomes of ELT+ meetings and some progress reporting. DAFF informed the ANAO that although updates to the intranet were planned, staff responsible for carrying out the changes were redirected to other priorities in March 2022.

Opportunity for improvement

2.66 There is an opportunity for improvement for DAFF to review the effectiveness of communications and maintain regular and ongoing communication activities over the remainder of the reform program or any future reform program, such that stakeholder engagement and commitment to reform is maintained over the entire program.

42 Team leaders were defined in the Engagement Manual as Executive Level 2 staff or regional leaders.

43 The ELT+ is outlined in paragraph 3.9.

44 These intranet pages remain on the DAFF intranet as of February 2023.

3. Implementation

Areas examined

This chapter examines whether the Department of Agriculture, Water and the Environment (DAWE) established effective arrangements to support the implementation of its reform program. This chapter also examines the Department of Agriculture, Fisheries and Forestry's (DAFF) consideration of the reform program following the July 2022 Machinery of Government changes.

Conclusion

Arrangements to support the implementation of the reform program were partially effective. While governance arrangements were established, not all risk assessment activities were completed, and some identified risks were not actively managed. Roles and responsibilities for the implementation of reform initiatives under eight streams were assigned to senior staff leads across the department. The strategic and delivery partner model was intended to deliver increased capacity as well as capability uplift. Arrangements to consistently drive the capability uplift objective through the use of the strategic and delivery partner model were not established. DAFF has not yet made decisions relating to the ongoing direction of its reform program.

Areas for improvement

The ANAO made one recommendation for DAFF to establish the direction of its reform program by 30 June 2023.

The ANAO also identified three opportunities for improvement for DAFF to: improve risk management processes by implementing arrangements to review and continuously improve the management of risk; ensure guidance for new ways of working supports teams to select fit-for-purpose methodologies for achieving intended outcomes; and collect more complete information on the activities occurring in the Collaboration Hub.

3.1 In 2021, DAWE introduced the new strategic objective of 'Being future ready'. This objective involved integrating new capabilities and technology-enabled delivery. A key aspect of this included increased department-wide adaptability to 'new ways of working'.

3.2 DAWE implemented a strategic and delivery partner model (partner model) to support the reform program. The development of long-term skills, techniques and tools employed by departmental staff was identified as a key objective of the partner model.

3.3 Successful implementation of the reform program required DAWE to:

- establish governance arrangements to provide appropriate oversight and drive accountability;
- establish appropriate arrangements to support the ongoing delivery of reform activities;
- undertake appropriate planning and design of the strategic and delivery partner model arrangement; and
- develop appropriate arrangements to engage and utilise strategic and delivery partners.

Has the department established fit-for-purpose governance arrangements for the implementation of its reform program?

DAWE established governance arrangements to oversee the reform program. DAWE did not finalise risk assessment activities for either the reform program or the strategic and delivery partner model.

Executive Board

3.4 The Executive Board oversaw the governance structure and business operations for DAWE. The Executive Board has responsibility for building capability and promoting collaboration among business areas, other agencies, and stakeholders.⁴⁵ The Terms of Reference state that the Executive Board ‘provides leadership and ensures delivery of outcomes consistent with government policy objectives, to an appropriate level of performance and in a manner conforming to legislative requirements.’⁴⁶ The Executive Board continues to provide oversight of DAFF’s governance structure and business operations.

3.5 Templates for reporting to the DAWE Executive Board required business areas to identify linkages between proposed topics and the reform program. In 2021, templates included linkages to relevant *Future Department Review* report recommendations (categorised as ‘Future Department Review link’). Submissions were also required to identify linkages with Departmental Capability. In 2022, templates were updated so that the Future Department Review link became ‘Being future ready’. Linkages with ‘Departmental Capability’ remained.

3.6 Following the Machinery of Government changes executed on 1 July 2022, the DAFF Executive Board reporting templates no longer require business areas to identify linkages between proposed topics and the Future Department Review or departmental capability.

Executive Leadership Team

3.7 The Executive Leadership Team (ELT) was the advisory body that was responsible for the oversight of DAWE’s transformation agenda including goals, priorities, major initiatives, funding allocation and outcomes.⁴⁷ Key decisions and actions from the ELT were reported to and endorsed by the Executive Board as the decision-making body. The ELT continued to provide this function in DAFF until February 2023.

3.8 DAFF advised the ANAO that Terms of Reference were not established for the ELT. Rather, the ELT was guided by a set of operating principles. The purpose of the ELT was to ‘create space for strategic discussion, shape strategy, scope or commission activities or advise on early stages of design.’

45 The members of the Executive Board are the Secretary and deputy secretaries. Internal advisers attend Executive Board meetings. The internal advisers are the Chief of Staff, Deputy Chief of Staff, two Senior Executive Service (SES) Band 1 officers on 12-month rotation, the Chief Finance Officer, Chief People Officer, Chief Counsel, and a communications and media officer.

46 This statement is consistent throughout the three iterations of the Executive Board Terms of Reference for 2020, 2021, and 2022.

47 The ELT membership comprises the Secretary and Deputy Secretaries. Attendees may also include guest speakers and presenters associated with respective discussion items.

3.9 In August 2021, DAWE established the Executive Leadership Team Plus (ELT+). The ELT+ was responsible for implementing the *Future Department Blueprint* (Blueprint). Membership of the ELT+ comprised the ELT as well as First Assistant Secretary (FAS) Portfolio Strategy Division and FAS Strategic Policy Advice (Indigenous Leader).⁴⁸

3.10 DAFF advised the ANAO that the ELT+ meetings were run under the ‘new ways of working model’, including use of the Collaboration Hub and Agile approaches (discussed further in paragraphs 3.34 to 3.44). These meetings could be run remotely or physically in the Collaboration Hub and were facilitated by an external adviser to the Secretary.⁴⁹

3.11 There were no formal agenda papers or templates, and ‘placemats’⁵⁰ were preferred at DAWE’s ELT and ELT+ meetings. Discussion summaries from DAWE’s ELT and ELT+ meetings were provided to the following Executive Board meeting for noting. Final decisions for matters considered by the ELT and ELT+ were made by the Executive Board.

Strategic and delivery partner model governance arrangements

3.12 The governance structure for each element of the partner model is set out in Figure 3.1.

48 The Assistant Secretary Communications and Engagement Branch and Blueprint stream leads attended ELT+ meetings as required.

49 The adviser to the Secretary is the principal of Damala St Consulting, engaged to provide advice and services of a strategic policy nature, including supporting the implementation of the Blueprint.

50 A placemat is a single A3 visual communication aid presenting text and visual elements together. A placemat may be a standalone item or supported by a more detailed traditional document such as a brief, report, or proposal.

EXECUTIVE BOARD

- Secretary
- Deputy Secretaries

Executive Leadership Team

- Secretary
- Deputy Secretaries

Strategic Partnership Board

- FAS, Portfolio Strategy Division
- AS, Policy and Portfolio Strategy Branch
- FAS, Corporate Business Services Division
- AS, Transformation Program Branch
- Chief Financial Officer
- AS, Communications and Media Branch
- Chief of Staff, Office of the Secretary

Division or Group Leadership

- Delegate approval

Strategic Advisory

Policy and Portfolio Strategy Branch

- Policy Office
- DAWE + PwC Joint Team

Strategic Project

Division or Group

- DAWE Delivery Team/s
- PwC Team

Enterprise Project Management Office (EPMO)

Delivery Project

Business Area

- DAWE Staff
- Delivery Partner

KEY

- Decision-making
- - - - - Advice

Source: ANAO diagram from DAWE and DAFF information.

Strategic partnership governance arrangements

3.13 The strategic partnership with PricewaterhouseCoopers Australia (PwC) was formalised by both parties signing a Complex Work Order in February 2021. The Complex Work Order functions as the head agreement between parties, and individual activity orders were issued to the strategic partner for specific programs of work or projects.

3.14 Although the strategic partnership was an arrangement with a single partner, DAWE had two methods of managing services within a single governance structure. This depended on whether the strategic partner was providing strategic advisory services or strategic project services, as illustrated in Figure 3.1. There were three instances in which the strategic partner provided strategic advisory services and activities as discrete programs of work under single activity orders.⁵¹

3.15 The Strategic Partnership Board (the Board) provided oversight over the strategic advisory services with PwC under the strategic partnership arrangements. The Board was comprised of SES Band 1 and SES Band 2 officers from Portfolio Strategy Division and Corporate Business Services Division, the Chief Financial Officer, and the Chief of Staff.

3.16 Prior to Terms of Reference being agreed, Board meetings were held between March 2021 and December 2021. The ANAO identified records of five such meetings, despite the meetings being consistently referred to as weekly meetings. There is no evidence of a structured, regular agenda for these meetings.

3.17 In response to an internal audit conducted in August 2021, the Board formalised the Terms of Reference and agenda format in December 2021. This was 10.5 months after the commencement of the first activity order under the strategic partnership, and four months before the strategic advisory element of the strategic partnership was put on hold in March 2022.

3.18 Regular themes were identified in the Terms of Reference for discussion by the Board. These include relationship management, departmental transformation, accelerated delivery and capability uplift, and contract management and governance. Meeting minutes from the six meetings held between December 2021 and July 2022 indicate that these themes were not discussed at all meetings, or were replaced by other agenda items. As such, it is not clear whether the Board was effectively delivering against its purpose for the short period it was operating.

3.19 The Board did not provide oversight of the strategic project work delivered by the strategic partner. Strategic projects were commissioned by the Secretary and ELT and undertaken in business areas around the department but operated 'with their own governance and activity orders arrangements, as managed by the relevant business areas'.

Delivery partner governance arrangements

3.20 The delivery partner element of the partner model consisted of a panel of 19 firms, each with their own Complex Work Orders or head agreements.⁵² Delivery partners could be engaged by business areas to complete specific projects with approval from the FAS of the relevant division. The business area that engaged the delivery partner was responsible for contract management,

51 See paragraph 2.22.

52 One firm did not sign a separate Complex Work Order. Services with this delivery partner were to be procured under the firm's existing Whole of Australian Government Head Agreement. This firm did not provide any services under the delivery partner model. See Appendix 3.

initially supported by DAWE's Enterprise Program Management Office (EPMO) and in line with established departmental procurement processes.⁵³

Implementation risk

3.21 DAWE's Enterprise Risk Management Framework (the risk framework) stated that departmental project and program plans must include a risk assessment. The risk framework further states that risks are to be reviewed as part of the project reporting cycle.

3.22 There was limited consideration of risk to the implementation of the Blueprint other than its application to the strategic partnership arrangement. Risk assessment activities and risk management plans were not finalised prior to the establishment of the reform program.

3.23 Prior to the release of the Blueprint in September 2021, the Policy and Portfolio Strategy Branch identified risk themes and potential risks to Blueprint implementation. The major risk themes identified were:

- missed opportunities to deliver greater impact;
- changed department priorities;
- governance effectiveness;
- resourcing constraints;
- scope change/creep; and
- buy in and engagement to drive change.

3.24 Potential specific risks identified within these themes included: future machinery of government changes; that capability and capacity objectives would not be achieved; a lack of staff engagement and buy-in; and a lack of resourcing and finances to deliver Blueprint initiatives. Assessment of these risks was not finalised, and risk owners were not assigned. There is no evidence of whether the draft risk assessment informed other finalised documents.

3.25 An internal audit report dated August 2021 identified several gaps in DAWE's risk management approach to the strategic partner arrangement. Following the internal audit, the Policy and Portfolio Strategy Branch drafted and circulated a draft risk register and risk plan for comment. DAFF advised the ANAO that risk owners external to the Policy and Portfolio Strategy Branch did not respond and no follow-up action was taken. The risk plan and register were not finalised or implemented.

3.26 Risk may have been discussed in DAWE's governance meetings, however these were not clearly documented or supported by a formal review process of all risks involving consideration of ownership, tolerance, and controls. The lack of formal risk management arrangements limits management's ability to make informed decisions relating to the management of risks.⁵⁴

53 The EPMO was responsible for managing the delivery partner model in DAWE. See paragraphs 3.79 to 3.83 for further detail on EPMO's role in the delivery partner model.

54 The Commonwealth Risk Management Policy recognises that a shared understanding of risk leads to well informed decision-making.

Commonwealth of Australia, *Commonwealth Risk Management Policy – Public Governance, Performance and Accountability*, Department of Finance, Canberra, 2014, p. 9.

Opportunity for improvement

3.27 There is an opportunity for DAFF to improve its risk management processes including implementing arrangements to review and continuously improve the management of risk as required by the Commonwealth Risk Management Policy.

Has the department established appropriate arrangements to support the delivery of reform activities?

Roles and responsibilities relating to the implementation of reform activities were assigned however it is not clear that tensions between contingent initiatives were appropriately managed. DAFF has not yet embedded arrangements to ensure the implementation of new ways of working appropriately support achievement of outcomes and transparency principles.

Roles and responsibilities

3.28 As discussed in paragraph 2.32, an SES Band 3 level officer was assigned as a sponsor against each stream in the Blueprint. Sponsors were the accountable owners for the delivery of initiatives within each stream in accordance with the reform agenda, including the partner model. An initiative lead (typically SES Band 2 level) was assigned for individual initiatives within the Blueprint. Leads were responsible for implementing specific initiatives.

3.29 The Blueprint included initiatives that were contingent on progress and outcomes from initiatives within other streams. DAWE documentation indicates some tensions and potential delays between these initiatives. For example, documentation indicated the Regulation stream considered role design, workforce planning, capability, and training efforts within the People stream as key supporting activities required to progress initiatives within the Regulation stream.

3.30 These issues were raised in January 2022 and flagged for further discussion at ELT+ meetings in March or April 2022. These issues were not discussed at ELT+ as the focus of these meetings shifted away from the Blueprint to other strategic planning during the caretaker period. The ELT+ did not consider the Blueprint in detail after March 2022.

3.31 As at November 2022, DAFF has not made a decision on the applicability or direction of the reform program. There is a risk that the reform program, including the DAWE Blueprint, may devolve into disparate activities, therefore losing the focussed, sustained, and collective effort the Blueprint was intended to provide.⁵⁵

55 'The importance of the blueprint is providing focus in the midst of this environment. Focus on the aspects where we need a sustained and collective effort to continue delivering meaningful and relevant outcomes across our portfolio and for the nation.'

Department of Agriculture, Water and the Environment, *Being Future Ready: Our Future Department Blueprint 2021–2025*, DAWE, Canberra, 2021, p. 4.

Recommendation no. 1

3.32 The Department of Agriculture, Fisheries and Forestry establish the direction of its reform program by 30 June 2023.

Department of Agriculture, Fisheries and Forestry response: *Agreed.*

3.33 *The department expects to establish the direction of its capability building program within a refreshed DAFF Blueprint 2023–25 (the Blueprint) by 30 June 2023. This is being undertaken by the Designing DAFF Taskforce that was commissioned following the establishment of the department on 1 July 2022.*

Collaboration Hub and introducing Agile methodologies

3.34 The Collaboration Hub is an approach intended to host workshops and collaborative sessions, including Agile sprints to support the delivery of high-priority strategic programs and projects. Operation of the Collaboration Hub is led by the Policy Office which provides design and facilitation support, and advice on the use of online collaborative tools.

3.35 The Collaboration Hub comprises both a physical and virtual component. The physical component was a dedicated room in DAWE's central Canberra building.⁵⁶ The virtual component is facilitated by the Policy Office and allows sessions to be held online. The introduction of 'new ways of working' including an emphasis on Agile methodologies was a significant element of the reform program. The Collaboration Hub and Agile methodologies are complementary components of the new ways of working.

3.36 Establishment of the Collaboration Hub to support the work of the partnership and reform program was identified as a key deliverable under the strategic advisory services activity orders with the strategic partner. The strategic partner and staff from the department co-designed, developed, and established the Collaboration Hub in DAWE's central Canberra building.

3.37 The strategic partner provided oversight and direction of the Collaboration Hub scope, design, and build along with departmental staff. The strategic partner also supplied specific initial outputs including visual design elements, and advice on the physical design and metrics to track and monitor capability uplift. These capability uplift metrics were trialled in early sprints however were not continued.

3.38 After the Blueprint was released, the strategic partner provided support for activities in the Collaboration Hub until late March 2022, when full administration and management of the Collaboration Hub transferred to DAWE. The Collaboration Hub arrangement has continued into DAFF.

3.39 An initial delivery model was originally developed by the strategic partner. DAFF continues to refine its delivery model for the Collaboration Hub which is intended to define the role of the Policy Office and the Collaboration Hub across the department.

3.40 The Policy Office service offer describes the following regular tasks:

- deliver strategic policy insights;

⁵⁶ The physical Collaboration Hub is now located in DAFF's central Canberra building.

- support problem solving projects;
- lead policy capability uplift;
- coach modern ways of working;
- share engagement approaches and best practice; and
- broker connections between stakeholders.

3.41 As part of the service offer and associated delivery model, the Policy Office provides support for Agile methodologies, including Agile coaching and providing access to supporting resource material.

3.42 The application of Agile methodologies may result in poor resource planning, limited documentation (for both approvals and design documentation), and disjointed outputs. Without appropriate support for the application of Agile methodologies, there is a risk that teams may not meet accountability and transparency principles consistent with the expectations of the Australian Public Service.

Opportunity for improvement

3.43 There is an opportunity for DAFF to ensure guidance for the application of new ways of working supports teams to select fit-for-purpose methodologies for achieving intended outcomes and ensures ongoing accountability and transparency principles are met.

3.44 DAWE did not maintain complete records of events conducted in the Collaboration Hub. DAFF is implementing processes to capture complete records. Poor records reduce DAFF's ability to determine the role of the Collaboration Hub in driving uptake of new ways of working and effectively supporting reform as DAFF is unable to examine the impact of the Collaboration Hub on final outputs. Poor records also reduce the ability of the Policy Office to effectively broker connections between stakeholders and share engagement approaches and best practice between business areas.

3.45 During the audit, the ANAO observed further shortcomings in departmental record keeping. These shortcomings and DAFF's intended actions are outlined in Appendix 5.

Opportunity for improvement

3.46 There is an opportunity for DAFF to collect information on the activities occurring in the Collaboration Hub to enable the Policy Office to better assess the impact of the Collaboration Hub in line with the reform program and to identify opportunities to increase collaboration and cohesiveness across the department.

Does the strategic and delivery partner model appropriately support the delivery of the reform program?

Capability uplift and the development of long-term skills, techniques and tools were identified as key objectives of the strategic and delivery partner model. In delivering the reform program, DAWE did not establish arrangements to ensure these expectations were consistently pursued.

3.47 DAWE commenced development of its partner model in October 2020. The partner model was pitched as a 'close relationship' with a strategic partner to support the development of an overarching blueprint and enterprise-wide reform program, as well as multiple firms to be delivery partners intended to support individual programs or projects, particular elements of reform and change, and capability improvement.

3.48 To establish the partner model, DAWE approached the market via a competitive process using the Digital Marketplace panel in October 2020.⁵⁷ The approach to market was open to all panel categories under the Digital Marketplace panel.⁵⁸

3.49 As part of the market briefing, interested parties were advised that the 2020–21 Budget included \$1.2 billion in new funding to the DAWE over four years, aligned to reform activities.⁵⁹ The briefing did not provide information related to the expected expenditure by DAWE for either the strategic or delivery partner arrangements.

3.50 Twenty-nine firms applied for the role of strategic partner. PwC was selected as the strategic partner. The strategic partnership formally commenced on 3 February 2021 for an initial term of two years. One hundred and thirty-two firms applied for the role of a delivery partner. Nineteen firms were successful in becoming delivery partners.⁶⁰

3.51 Partners could provide services across 15 categories.⁶¹ Partners could provide services across multiple categories but only within the categories that they nominated as part of the application process.⁶² To date, products and services delivered by delivery partners include mobile applications; workshops; plans, strategies, and narratives; Agile coaching; team members; and other mapping, review, and evaluation projects.

57 The Digital Marketplace was an online procurement platform intended to make it easier for all levels of government and digital businesses to work together. The platform was being delivered by the Digital Transformation Agency (DTA) as part of the National Innovation and Science Agenda. Sellers approved to apply for opportunities through the Digital Marketplace were all members of the Digital Marketplace panel. In May 2022, DTA integrated the Digital Marketplace into the BuyICT platform. See: Australian Government, *BuyICT – About Us* [Internet], Digital Transformation Agency, available from: https://www.buyict.gov.au/sp?id=about_us [accessed 24 March 2023].

58 To be a seller on the Digital Marketplace, suppliers could apply to be assessed for a particular category or multiple categories.

59 The briefing referred to new funding reforms to the export system; waste and recycling industry initiatives; water reform activities; National Parks investment; and environmental protection reform.

60 Eighteen partners were appointed from March to April 2021, with one further partner appointed in September 2021. The initial term for all delivery partners was two years from the commencement date of the executed Complex Work Order or head agreement. PwC was both the strategic partner as well as one of the 19 delivery partners. PwC had one executed Complex Work Order covering both strategic partner and delivery partner roles. Delivery partners are set out in Appendix 3.

61 The scope of service categories was pre-established by the Digital Marketplace. There were 18 service categories available on the Digital Marketplace. Of these 18 categories, DAWE's model did not include the categories of Platforms integration; Service integration and management; or ICT Labour Hire. See: AusTender, *Standing Offer Notice View – SON3413842 Digital Marketplace Panel* [Internet], Digital Transformation Agency, available from <https://www.tenders.gov.au/Son/Show/4E10C3C3-99F9-34E1-61CD-E299C229AAEF> [accessed 24 March 2023].

62 That is, if a firm applied for Cyber Security and Data Science, they were not permitted to provide work in Content and Publishing. Service categories were agreed in the complex work orders for each partner.

Planning and intent

3.52 Capability uplift⁶³ and the development of long-term skills, techniques and tools employed by departmental staff was identified as a key objective of the partner model. DAWE noted that, in establishing the partner model, firms committed to working ‘side-by-side’ with departmental staff ‘often in joint teams, with a view to achieving capability uplift.’

3.53 As part of the evaluation for the strategic partner procurement, DAWE identified several desirable attributes in the successful firm’s proposal, including:

- previous experience in delivering similar transformation programs, organisational-wide culture change and capability uplift, for both government and public sector organisations;
- a strong core team and suitable lead-partners that can advise senior executives and drive change;
- referees supporting their capabilities as a strategic partner on enterprise-wide transformation projects;
- possession of extensive global reach and ability to supply local Australian experts as well as a global panel of experts to provide insights and advice;
- strong focus on collaboration, working in embedded teams, and offering access to global culture experts, including a commitment to develop a culture work plan; and
- possession of broad and multidisciplinary expertise across a broad range of capabilities listed within our scope of works.

3.54 DAWE also identified aspects of the proposal as providing additional value above other proposals. These included ‘mobilisation activities’⁶⁴ over the first three weeks to be provided ‘free of charge’; progressive volume discounts; and secondment opportunities.

Enabling capability uplift and transfer

3.55 Under the partner model, the strategic partner provided strategic advisory services and strategic project services. The deliverables defined under the strategic advisory services activity orders largely took the form of thought leadership and advice provided in meetings. This advice was provided to the Secretary and the ELT to support delivery of the reform program. Deliverables under strategic project services activity orders were managed by the business area for which the projects were commissioned.

3.56 As noted in paragraph 2.29, there is no evidence that DAWE assessed departmental expertise to identify gaps and inform the capability uplift objective.

3.57 Delivery of strategic advice was primarily through small group or individual meetings and attendance at ELT+ meetings. Meeting minutes do not enable clear alignment of thought leadership and advice to the strategic partner.

3.58 Some deliverables under the strategic advisory services activity orders presented opportunities for DAWE to ensure advice was clearly recorded and maintained to support ongoing

63 Capability uplift involves development of competencies to address identified capability gaps.

64 Mobilisation activities included initial meetings with the Secretary and ELT to understand existing plans, strategies, and operations; investigation of suitable spaces for the physical Collaboration Hub; and completing onboarding processes. Mobilisation activities were included in the first strategic advisory activity order.

capability development. This included the delivery of presentations and newsletters on relevant topics from the strategic partner. Departmental records indicate that these forms of advice provided by the strategic partner were not clearly documented.

3.59 DAWE considered the ‘ability to tap into a broad range of external capabilities and international perspectives, including thought leadership on cross-cutting issues relevant to our department’s work program’ as a key aspect of the strategic partnership arrangement. This is consistent with one of the highlighted attributes outlined in paragraph 3.53 related to access to the strategic partner’s global panel of experts.

3.60 One element of this included planned monthly virtual lunch-time sessions for SES staff to engage with guest speakers from the strategic partner’s global network. These sessions were set to commence in May 2021. DAFF advised the ANAO that seven sessions occurred between May and October 2021. The ANAO identified evidence of two virtual sessions being delivered, one in May and one in August 2021. DAFF was not able to provide evidence that the remaining five sessions were delivered or that resources were maintained for future use or ongoing capability development.

3.61 Based on the intended monthly schedule, 13 virtual SES sessions should have occurred between May 2021 and March 2022. It is unclear whether the remaining six sessions were planned or occurred.

3.62 In addition to the virtual SES sessions, the strategic partner was to provide a fortnightly email to Executive officers. Five emails were circulated between October and December 2021. Three emails were circulated across February, March, and April 2022. Two instances of sharing of specific thought leadership pieces occurred in August and October 2021.

3.63 DAFF advised the ANAO there was no central coordination point for capturing and storing these emails for later reference. The activity orders did not specify the number of presentations and newsletters to be delivered, and DAWE assessed these items as delivered.

Case study 1. Thought leadership deliverables

The two virtual sessions delivered in May and August 2021 covered ‘The Budget’ and ‘Future of work and implications for APS leaders’. Following the ‘Future of work and implications for APS leaders’ session, the strategic partner shared additional resources with DAWE. These included three reports by PwC: ‘Millennials at work’ based on a survey conducted in 2011; ‘Where next for skills’ dated August 2020; and ‘The Future of Work’ discussing hybrid working dated 2021.

‘Fortnightly Feed’ emails were sent from the strategic partner to the Secretary, Deputy Secretaries and approximately 10 other Senior Executive Service officers in DAWE. Sharing of these emails to other staff was at the discretion of individual recipients. Fortnightly Feed emails included three to four topics with links to a variety of websites including TED Talks and global PwC brands. These emails covered topics such as:

- ‘getting ready for COP26’ (the 2021 United Nations climate change conference);
- ‘innovative approaches to investment management’;
- ‘Russian invasion of Ukraine — impact on global food supply chains’; and
- ‘the four tiers of digital transformation’.

3.64 The strategic partnership was also intended to deliver capability uplift to departmental staff. Staff from the strategic partner firm worked in 'joint teams' with DAWE staff. Joint teams worked on the Blueprint, the Collaboration Hub, and other strategic projects as agreed by ELT. The strategic partner also provided formal and on-the-job training to DAWE staff.

3.65 Due to the absence of a gap assessment and the informal nature of deliverables provided under the strategic advisory services element of the strategic partnership, it is unclear whether DAWE maximised value from this arrangement including achieving the intended capability uplift.

3.66 The Complex Work Orders signed with each delivery partner included provisions relating to knowledge transfer and capability uplift. Specifically, this required delivery partners to assist DAWE to uplift and mature capabilities by ensuring knowledge transfer is embedded in the delivery of all services. Business areas are responsible for managing contracts with delivery partners including assessing deliverables (see paragraphs 3.79 to 3.81).

3.67 While capability uplift is highlighted in procurement documentation to be completed by business areas, DAWE did not establish arrangements to ensure that knowledge transfer and capability uplift expectations were consistently pursued under the delivery partner element of the partner model. Monitoring and reporting against capability uplift is discussed further in paragraphs 4.44 to 4.59.

Are there appropriate arrangements for engaging and utilising partners under the strategic and delivery partner model?

DAWE utilised existing contract management procedures and arrangements to engage and manage partners under the partner model. For the strategic advisory services delivered under the strategic partner contract, DAWE did not have a dedicated contract manager until 13 months after the contract commenced. Existing contract management arrangements for monitoring and measuring deliverables were not sufficient to manage the scale and complexity of strategic advisory services. DAWE did not optimise the use of the model for capability uplift. The partner model emphasised addressing capacity concerns rather than capability uplift.

Procurement and contract management arrangements

3.68 A panel arrangement is a way to procure goods or services regularly acquired by entities.⁶⁵ DAWE's partner model was procured from a whole of government panel arrangement and is in effect a 'mini-panel'.⁶⁶ Although the partner model can be recognised as part of a standing

65 Department of Finance, *Procuring from a Panel – Panels 101* [Internet], Finance, available from <https://www.finance.gov.au/government/procurement/buying-australian-government/procuring-panel-panels-101> [accessed 24 March 2023].

66 Procurements from existing panels are not subject to the rules in Division 2 of the Commonwealth Procurement Rules (CPRs), however they must still comply with the rules in Division 1. Division 1 rules of the CPRs relate to value for money; encouraging competition; efficient, effective, economical and ethical procurement; accountability and transparency; procurement risk; and the procurement method. Division 2 rules of the CPRs relate to procurements at or above the relevant procurement threshold and include conditions or requirements around limited tenders; documentation; specification; modification of evaluation criteria or specifications; conditions for participation; minimum time limits; submissions; and awarding contracts.

arrangement, appropriate procurement and contract management arrangements for each contract executed under the model should still be established.

3.69 Requirements for DAWE's contractual arrangements were set out in the *Contract Management Framework 2016*.⁶⁷ An internal audit report from December 2021 notes that 'given the size and complexity of the reform and transformation agendas that is [sic] being supported through the strategic partnership, it is important to ensure appropriate accountability processes and structures are in place with respect to contract management'.

3.70 The partner model is operationalised through a Complex Work Order with each partner that functions as the head agreement between the parties.⁶⁸ Individual activity orders are issued to partners underneath the Complex Work Order for specific projects or programs of work.

Contract management

3.71 Under the partner model, the strategic partner provided strategic advisory services and strategic project services. The strategic partner was tasked with strategic advisory work by the Secretary, as advised by the Executive Board. Between the commencement of the strategic partnership in February 2021 and March 2022, the Policy and Portfolio Strategy Branch undertook contract management tasks relating to three strategic advisory activity orders.

3.72 Strategic projects were commissioned by the Secretary and ELT but operated 'with their own governance and activity orders arrangements, as managed by the relevant business areas'. Strategic project contract management tasks were undertaken by the relevant business area.

3.73 A dedicated contract manager for the strategic partner was appointed in March 2022, 13 months after the commencement of the strategic partner arrangements. This appointment coincided with the strategic advisory services element of the strategic partnership being put on hold in March 2022.⁶⁹

3.74 The Policy and Portfolio Strategy Branch developed several checklist documents to establish whether items in the three strategic advisory services activity orders with the strategic partner were delivered. The ANAO reviewed the checklists and found issues with accuracy and completeness.

3.75 The checklists provided to the decision-maker for the first and second activity orders contain comments noting that further documentation should be obtained. There are some items in the checklists that are 'Agreed' but have further commentary suggesting that the item is not complete. DAFF has not provided evidence that further documentation was obtained or that incomplete items were followed up.

67 In April 2022, DAWE published an updated *Contract Management Framework*, which refers to the Australian Government's *Contract Management Guidelines*.

68 The Complex Work Orders set out the service categories and service pricing (hourly and daily rates); volume discounts; and value-added services. The Complex Work Orders are based on the template from the DTA's Digital Marketplace panel. Specific services to be delivered are set out in the activity orders executed with the strategic partner under the Complex Work Order. There is one Complex Work Order signed with PwC for both their strategic partner and delivery partner role.

69 Since the strategic advisory services element of the strategic partnership was put on hold, the contract manager has continued to undertake other work relating to the strategic partner. Activity orders with the strategic partner that have continued after March 2022 were managed by EPMO until November 2022, when EPMO was moved to the central procurement branch within DAFF. Activity orders from November 2022 onwards are being managed by DAFF's central procurement branch.

3.76 The checklists provided to the decision-maker for the second activity order link to a SharePoint folder containing evidence. It is not clear which document relates to which item noted as 'Agreed'.

3.77 The Policy and Portfolio Strategy Branch did not retain versions of the auditing checklist as they were provided at each approval point. It is unclear what specific information was presented in the auditing checklist to the decision-maker at the three different approval points for the first activity order.

3.78 This indicates that the decision-maker was not provided with complete and accurate information to make an assessment as to whether all required activities were completed and delivered. DAFF advised the ANAO that these documents changed with each iteration to reflect lessons learned. There is no evidence to demonstrate what these lessons were.

Enterprise Program Management Office (EPMO)

3.79 EPMO was responsible for managing the delivery partner element of the model. EPMO provided business areas with advice on selecting potential delivery partners; advice on draft activity orders; support for onboarding partners; and broad contract management advice.

3.80 EPMO's responsibility for delivery partners was limited to administrative arrangements, including ensuring activity orders were in accordance with the Complex Work Order; quantitative reporting on the model; and monitoring and reporting on emerging issues with the operation of the partner model. Business areas were responsible for contract management activities relating to activity orders with delivery partners.

3.81 EPMO identified high levels of direct sourcing and concerns around the strategic partner using confidential information to make unsolicited proposals. In November 2021, EPMO identified an instance where the strategic partner offered an Information Technology solution to DAWE as a result of insights gained by the strategic partner firm from attending ELT meetings.

3.82 EPMO implemented processes to reduce direct sourcing and continued monitoring against direct sourcing levels as part of its reporting. Senior representatives of DAWE met with and wrote to the strategic partner in relation to contractual confidentiality requirements in response to the concerns around unsolicited proposals.

3.83 As of November 2022, EPMO has been moved to the central procurement branch within DAFF. The central procurement branch will be managing the administration of all new and ongoing contracts executed under the partner model as well as DAFF's use of the Department of Finance mandatory Management Advisory Services Panel (see paragraphs 3.101 to 3.107).

Expenditure overview for the strategic and delivery partner model

3.84 Under the partner model, strategic partner work included advisory services and project services. Strategic partner work included reform work that pre-dated the Future Department Review as well as initiatives that were developed as part of the Review and the Blueprint. Strategic partner work was funded from multiple sources, including the Secretary's Reserve and at the Executive-level cost centre of the relevant Group or Division.⁷⁰

70 At least one strategic partner engagement was co-funded from the Secretary's Reserve and an Executive level cost centre.

3.85 The Secretary's Reserve — also known as the Priority Funding Reserve — is established at the start of each financial year as part of the department's internal budget allocation process. DAFF stated that its purpose is to 'fund known key departmental priorities, meet emerging priorities, and provide for urgent unforeseen priorities as they materialise during the course of the year.'

3.86 In 2020–21, the Secretary's Reserve had a budget of \$1.6 million available for priority activities. DAFF informed the ANAO that in 2020–21, strategic partner work was funded from the relevant divisional budget and not from the Secretary's Reserve. In 2021–22, the Secretary's Reserve had a total budget of \$46.7 million, with \$37.7 million available for allocation to priority activities including the strategic partner work. DAFF informed the ANAO that in 2021–22, \$10 million was provided from the Secretary's Reserve to fund strategic partner work.

3.87 Delivery partner work is funded largely at the program level from the business area that engages the partner, which may be existing departmental funding that pre-dates the Future Department program of reform work.

3.88 In the financial years 2020–21 and 2021–22, DAWE signed contracts totalling \$115.56 million and made payments totalling \$90.38 million under the partner model. The \$90.38 million in payments on strategic and delivery partner work comprised approximately:

- \$22.82 million to PwC as the strategic partner, comprising:
 - \$11.08 for the provision of strategic advisory services;
 - \$11.74 million for strategic project services; and
- \$67.56 million on delivery partner projects, of which \$17.41 million was to PwC as a delivery partner.

Strategic partner expenditure

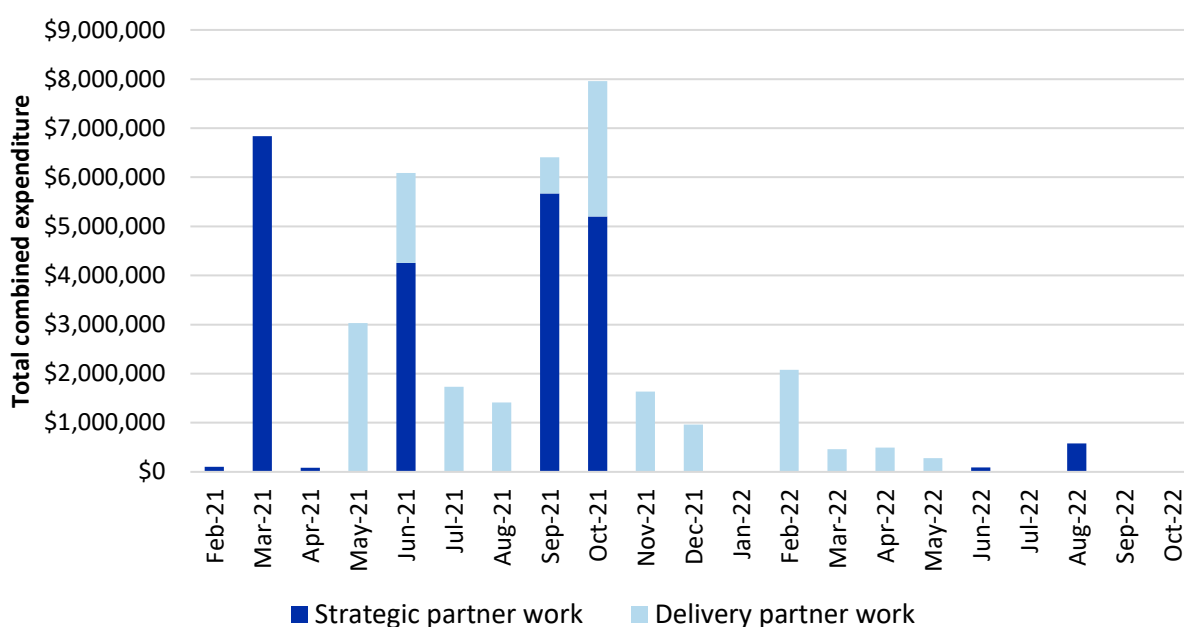
3.89 Strategic partner work and delivery partner work was considered and managed separately in terms of contract management, however the department viewed its expenditure with PwC as one arrangement. This was to enable calculation of the volume discount agreed with PwC in the Complex Work Order.

3.90 The PwC Complex Work Order established that volume discounts would apply to work performed under activity orders once a set threshold had been reached. There were three tiers of discount at 2.5 per cent, 5 per cent, and 7.5 per cent depending on the total charges. The discount was applied on a calendar year basis.⁷¹

3.91 DAWE expensed over \$40 million on PwC as a strategic and delivery partner. Since 1 July 2022, DAFF and the Department of Climate Change, Energy, the Environment and Water (DCCEEW) have expensed a further \$0.57 million on PwC for strategic project services. Figure 3.2 shows the breakdown of strategic and delivery activity orders executed with the strategic partner by value and type of work (strategic or delivery).

71 In June 2021, the threshold was reached and a 2.5 per cent discount was applied until July 2021. A five per cent discount was applied in July 2021 and August 2021. From September 2021 to January 2022, a 7.5 per cent discount was applied. The threshold was reset in February 2022.

Figure 3.2: Total expenditure on PwC as a strategic and delivery partner



Source: ANAO based on DAFF documentation.

3.92 More than 50 activity orders were executed with PwC under the partner model, with 15 of these being for strategic partner work. These 15 activity orders included three for the provision of strategic advisory services to DAWE and six for strategic projects delivered with business areas in DAWE.⁷² Strategic projects related to the development of the biosecurity roadmap; development of a National Climate Resilience Narrative; delivery of a sprint activity to support DAWE's Water Division; and several projects with Parks Australia.⁷³ The remaining six strategic partner activity orders for strategic project services were executed after the 1 July 2022 Machinery of Government changes.

3.93 A summary of the three activity orders relating to strategic advisory services provided to DAWE, including the total cost, is outlined in Table 3.1.

Table 3.1: Summary of strategic advisory services activity orders provided under the strategic partnership

Title and commencement date	Summary of services requested	Total expensed amount
Strategic portfolio workshop — February 2021.	Facilitate a strategic portfolio workshop including pre, during and post workshop activities.	\$104,500

⁷² For some of these projects, multiple activity orders and variations were executed with the strategic partner.

⁷³ Parks Australia was a division of the former DAWE that supports the Director of National Parks to fulfil the Director's functions established under the *Environment Protection and Biodiversity Conservation Act 1999*. Parks Australia is now a division within DCCEEW.

Title and commencement date	Summary of services requested	Total expensed amount
Strategic Advisory and Blueprint (100 days) — March 2021.	<p>Work with the Secretary, DAWE senior leaders and the Portfolio Strategy team to shape and accelerate the strategic direction and transformation of the portfolio. This includes:</p> <ul style="list-style-type: none"> • provide strategic leadership and direction by working with senior leadership including thought leadership, 'tiger team' support and facilitating access to experts from across the strategic partner network • design and develop a blueprint • design, build and operationalise a Collaboration Hub • support discovery and scoping of new projects • provide strategic reporting and delivery against blueprint and associated capability uplift plans, including upskilling and transferring knowledge to project teams. 	\$5,308,629
Strategic Advice and Hub — September 2021.	<p>Work with the Secretary, DAWE senior leaders and the Portfolio Strategy team to shape and accelerate the strategic direction and transformation of the portfolio. This includes:</p> <ul style="list-style-type: none"> • provide strategic advice to the Secretary and department's senior leadership • operationalise a Collaboration Hub • provide surge support for Collaboration Hub activities • support the implementation and oversight of the Future Department Blueprint 	\$5,667,615
Total		\$11,080,744

Source: ANAO analysis of departmental documentation.

Delivery partner expenditure

3.94 Delivery partners were intended to support delivery of enterprise transformation by identifying opportunities for blended teams, joint delivery, knowledge transfer and developing additional capability. From March 2021, DAWE executed more than 170 activity orders with delivery partners under the partner model, excluding activity orders executed with the strategic partner as delivery partner. Delivery partner total expenditure and number of activity orders per partner are set out in Appendix 3.

Reporting on expenditure

3.95 EPMO provided reporting on expenditure for the partner model to the DAWE Executive on a fortnightly basis. DAFF informed the ANAO that since business areas could select multiple service categories when progressing an activity order with a delivery partner, for reporting purposes EPMO equally divided the total contract value of the activity order per the number of service categories selected. DAFF is unable to provide more precise reporting on expenditure per service category.

3.96 As part of this fortnightly reporting, EPMO also visually represented the distribution of activity orders amongst partners. Although reporting provided the gross figures and numbers of activity orders and values per partner, DAFF is unable to provide more precise reporting on expenditure per delivery partner within each service category.

3.97 More precise reporting would enable DAFF to understand whether partners provided high quality and value for money deliverables within each category or across multiple categories of service. There were no arrangements in place for review and oversight of delivery partner work to inform future tasking of delivery partners.

Alignment to the reform program

3.98 DAWE did not establish arrangements to ensure optimal use of the partner model. In April 2021, EPMO identified five risks.

- Transformation objectives are not achieved due to a lack of clarity around roles and responsibilities.
- Capital investment is not directed to supporting the department's achievement of its purpose/objectives/priorities.
- Enterprise level monitoring and reporting does not support effective executive oversight of the transformation program.
- The partner model does not contribute to strengthened delivery performance or an uplift in capability across the department.
- Immature program, project and change management capability across the department compromises delivery performance.

3.99 The finalised risk log includes activities that were not complete at the time of finalisation. The ANAO has assessed that DAWE implemented controls that address most risks identified in the risk log. For the risk 'The partner model does not contribute to strengthened delivery performance or an uplift in capability across the department', the identified controls do not appropriately address the risk or were not fully implemented as identified in the risk assessment (see Table 3.2).

Table 3.2: Summary of risks identified where control does not address risk

Source	Consequence	Control	ANAO assessment
Capability uplift is not prioritised by business areas or partners	The department does not achieve a capability uplift for staff and its delivery performance is compromised moving forward	Monitoring by EPMO of blended team establishment	Monitoring of blended team establishment does not occur
		Establishing metrics to determine the extent of capability uplift	EPMO has developed a survey to examine the extent of capability uplift however this has limitations in value (see paragraphs 4.50 to 4.59)

Source	Consequence	Control	ANAO assessment
Partner tasking is duplicative	Limited departmental funding is not used efficiently	EPMO monitoring of tasking to identify potential duplication and the provision of advice to business areas in relation to potential alignment of tasking	The department informed the ANAO that there is no formal process in place nor is EPMO required to collectively consider the activity orders executed under the model to find more structural improvements or efficiencies

Source: ANAO analysis of departmental documentation.

3.100 EPMO conducted a subsequent operational risk assessment in November 2021. DAFF advised the ANAO that the operational risk assessment supersedes the risk assessment from April 2021. This operational risk assessment focuses on risks within scope for management by EPMO. Risks identified in the April 2021 assessment were determined to be out of scope for management by EPMO and were not referenced in the September 2021 assessment.

Management Advisory Services panel

3.101 The Department of Finance has established the Management Advisory Service Panel (the MAS panel) for the procurement of management advisory services — commonly known as consultancies — by Commonwealth entities. The MAS panel is mandatory for non-corporate Commonwealth entities that are subject to the *Public Governance, Performance and Accountability Act 2013*.⁷⁴

3.102 The MAS panel is being established in three phases:

- financial management advisory services commencing in July 2021;
- corporate management advisory services commencing in February 2022; and
- commercial management advisory services commencing in quarter four of 2022.

3.103 Once management advisory services relevant to each phase of the establishment are available through the MAS panel, it will be mandatory for non-corporate Commonwealth entities to use the MAS panel for procurements.⁷⁵

74 Department of Finance, *Management Advisory Service Panel* [Internet], available from <https://www.finance.gov.au/government/procurement/whole-australian-government-procurement/management-advisory-services-panel> [accessed 23 March 2023].

75 The panel replaces all Commonwealth management advisory services related panels; management advisory services related categories on current panels; and non-panel approaches to procuring management advisory services.

The panel allows agencies to purchase up to five per cent of their total expenditure per financial year on management advisory services from service providers not under the panel.

Department of Finance, *Management Advisory Service Panel – About the panel* [Internet], available from <https://www.finance.gov.au/government/procurement/whole-australian-government-procurement/management-advisory-services-panel/about-panel> [accessed 23 March 2023].

3.104 The Department of Finance granted DAWE an extension to the transition period to allow continued use of the partner model until April 2023. DAWE developed a transition plan to support the department in commencing its use of the MAS panel.

3.105 In line with the transition plan, DAWE was developing processes to finalise procurements from the partner model and begin use of the MAS panel, including reporting to document and monitor the changes. After 1 July 2022, changes included the separation and allocation of partner model procurements from DAWE to DAFF and to DCCEEW, and then the use of the MAS panel by each entity.

3.106 Since the establishment of the second phase of the MAS panel on 14 February 2022, DAWE, DAFF and DCCEEW contracted 60 delivery partner engagements under the partner model for a total committed value of \$23.33 million. These engagements have start dates between 21 February 2022 and 30 September 2022. As of November 2022, DAFF signed four contracts under the MAS panel.

3.107 As noted in paragraph 1.20, the strategic advisory element of the strategic partnership was put on hold in March 2022. A formal decision to end the strategic partner arrangement ahead of the planned end date of February 2023 was proposed. DAFF informed the ANAO that no formal decision was made to end the arrangement, and no strategic advisory services were contracted after 25 March 2022.

4. Monitoring and reporting

Areas examined

This chapter examines whether the Department of Agriculture, Water and the Environment (DAWE) established effective arrangements to monitor and report on the implementation of its reform program.

Conclusion

Monitoring and reporting arrangements for the reform program were ineffective. Progress reporting for specific initiatives did not provide accurate and complete information. Performance measures primarily focussed on staff sentiment. Due to limitations with the completeness of the data, the performance measures were largely ineffective for measuring impact. DAWE did not undertake a planned evaluation of its reform program and did not establish appropriate assurance over capability transfer and uplift. DAWE did not complete cost mapping activities prior to commencing its reform program and subsequent funding gaps for implementation of the forward program emerged. These issues were not resolved.

Areas for improvement

The ANAO made three recommendations for the Department of Agriculture, Fisheries and Forestry (DAFF) to: establish a set of fit-for-purpose performance criteria to support evaluation and assessing the performance of the reform program; ensure that monitoring of activities within the reform program continues until activities are fully implemented; and establish a framework for regular review to ensure the reform program remains relevant over time.

4.1 Effective monitoring and reporting of program implementation supports transparency and accountability, enables early identification of risks and issues, and helps ensure the program is on track to achieve its objectives. Evaluation of programs and policies against clearly articulated objectives allows for successes and failures to be identified. Effective arrangements include:

- collection of timely and relevant information that allows progress to be tracked towards outcomes and adjustments made as necessary;
- an evaluation framework that contributes to continuous improvement and ensures that the reform program remains fit for purpose; and
- processes to review and manage costs and benefits of the overall program that demonstrate proper use and management of public resources.

Is a framework in place to monitor and measure reform progress?

The framework for monitoring and measuring reform progress did not provide sufficient information over the entire reform program. Progress reporting did not provide appropriate assurance over the status of projects. Performance measures primarily focussed on staff sentiment which provided some indication of the impact of the reform program. However, these indicators did not provide a complete measure of the impact of the reform program, clearly align to intended outcomes, or enable identification of significant trends in impact.

4.2 Initiative leads were responsible for implementing Blueprint initiatives. This included progressing initiatives and liaising with sponsors on progress and risks to implementation.⁷⁶ The Executive Leadership Team Plus (ELT+) provided oversight for the implementation of the Blueprint.⁷⁷

4.3 The Policy and Portfolio Strategy Branch was responsible for ‘successfully transition[ing] Being Future Ready and implementation of the Future Department Blueprint into the department’s business as usual, and support[ing] the Secretary and ELT on key strategic policy priorities’. This included providing visibility over implementation progress and sharing the impact of the Blueprint and the Being Future Ready objective.

4.4 Between September 2021 and March 2022, progress updates against the Blueprint were gathered by the Policy and Portfolio Strategy Branch from initiative leads. The Branch reported progress to the ELT+ verbally, with supplementary presentations documenting initiative progress.

4.5 In November 2021, DAWE commenced development of performance measures for inclusion in a monitoring dashboard (the dashboard) for the ELT+. Development of performance measures involved consultation between the Blueprint initiative leads and their staff as relevant to the stream, and the Policy and Portfolio Strategy Branch with support from the strategic partner.

4.6 Potential measures were initially drawn from the work produced by the eight sprint teams that drafted the Blueprint theme content (see paragraphs 2.30 to 2.35).

4.7 The dashboard consisted of three types of monitoring.

- Progress monitoring — these indicators reported on whether initiatives were meeting milestones. Where events or situations are noted as blocking initiative progress (blockers), they were reported here.
- Engagement monitoring — these indicators examined participation in events such as Being Future Ready engagement sessions.
- Impact monitoring — these indicators are a mixture of departmental, aggregated and stream-level indicators intended to demonstrate impact, both internally and externally, from the work undertaken.

4.8 The dashboard was presented to the ELT+ in March 2022. ELT+ agreed in principle to publish the dashboard on DAWE’s intranet. The ELT+ also directed the Policy and Portfolio Strategy Branch to continue to gather, refine, and clear the content of the dashboard with initiative leads and DAWE’s communication team. The dashboard was not published.

76 Initiative leads were Senior Executive Service Band 2 level officers. Sponsors were Senior Executive Service Band 3 level officers. These governance arrangements are discussed in more detail in paragraph 3.28.

77 The composition and roles of the Executive Leadership Team (ELT) and ELT+ are covered in more detail in paragraphs 3.7 to 3.10.

Progress monitoring

4.9 Progress was monitored through consideration of active initiative milestones.⁷⁸ There are five status categories that could be applied to each milestone.

- Complete — the initiative has been successfully completed.
- On track — the initiative is underway and has no reported problems that may delay its implementation.
- At risk — the initiative has a problem that requires remediation by initiative leads.
- At major risk — a problem has arisen that requires escalation to the ELT+.
- Not started — the initiative has not yet commenced.

4.10 Initiative leads provided comments about progress, such as potential delays to implementation. These comments could be escalated to the ELT+ as ‘blockers to progress’. ‘Deep dives’ provided the ELT+ an opportunity to provide feedback or advice on how to progress an initiative if blockers were present.⁷⁹

4.11 Following the development of the dashboard, progress reporting was intended to be updated on a quarterly basis. However, this did not occur as implementation monitoring for the Blueprint has not been discussed in ELT+ since March 2022.

Defining milestones

4.12 The timing and activities required to achieve implementation and completion of several milestones were unclear. One-third of the milestones required the department to ‘commence’, ‘pilot’, or ‘launch’. For the milestones that were framed around commencement of activities, there were no additional milestones included in the Blueprint to monitor for the completion of the projects.

4.13 The lack of clarity relating to the wording of milestones was raised during consultation with initiative leads as part of the Blueprint development process. Feedback from this consultation resulted in several proposed actions, including:

- reviewing the wording of initiatives (avoid develop, design, engage, plan) to focus on the outcome; and
- reviewing milestones to make these clearer, more action-oriented regarding the initiative’s end state.

4.14 This feedback was partially addressed in the final initiatives included in the Blueprint, with the wording of some initiatives revised to better articulate the outcome. For example, the partnerships and stakeholder engagement initiative to ‘increase shared value of Aboriginal and Torres Strait Islander perspectives’ was changed to ‘deliver Aboriginal and Torres Strait Islander outcomes through government priorities and implement the Reconciliation Action Plan’ in the final version of the Blueprint.

⁷⁸ Active milestones typically aligned to the first tranche of activities. Reporting against milestones with a completion date in subsequent tranches could also be included by advice from initiative leads. Progress monitoring was aligned to the stream snapshots discussed in paragraphs 2.53 to 2.57.

⁷⁹ A ‘deep-dive’ is a stream specific component of an ELT+ meeting intended to either seek feedback ahead of a future Executive Board decision or support from ELT+ to manage an implementation risk or issue.

4.15 In the most recent update, presented in the dashboard in March 2022, 32 of the 37 initiative milestones in Tranche 1 were reported as being on track or completed. Twenty-three of the 37 initiative milestones in Tranche 1 were framed around commencement of activities. These milestones began with words such as ‘commence’, ‘rollout’, and ‘establish’, which limited the ability of the ELT to effectively monitor the progress of individual milestones.

4.16 Overall, the milestones within the Blueprint did not provide oversight to the ELT+ over the lifetime of the relevant projects. Milestones with unclear wording or timing did not provide clear information to the ELT+ about the status of the projects and limited the ability to effectively monitor the progress of individual milestones.

4.17 Framing milestones with a short-term focus does not support clear communication to decision-makers and limits the department’s ability to intervene to address implementation issues that may impact full achievement of intended outcomes. Ensuring visibility is maintained over the entirety of the project by monitoring for full completion will better support the achievement of the overall reform program outcomes.

Recommendation no. 2

4.18 The Department of Agriculture, Fisheries and Forestry ensure that monitoring of activities under its reform program or any future reform program continue until activities are fully implemented.

Department of Agriculture, Fisheries and Forestry response: *Agreed.*

4.19 *The department will include monitoring of reform activities within the Blueprint as part of implementing its enterprise performance and reporting framework.*

Engagement monitoring

4.20 Engagement monitoring was intended to assess staff engagement levels with the reform program and identify knowledge or behavioural shifts. Engagement monitoring was intended to include both short-term activity or output indicators, and longer-term cultural shift indicators.

4.21 Engagement was monitored on the dashboard through Team Leader Engagement Session Highlights and through an APS Census question. The APS Census question measured how many departmental staff responded positively to the statement ‘My agency inspires me to come up with new or better ways of doing things’. In 2021–22, this was 39 per cent.

4.22 DAFF advised the ANAO that it intended to shift the focus from engagement monitoring to progress and impact monitoring as engagement monitoring was primarily aligned to the release phase of the Blueprint.

Impact monitoring

4.23 Impact monitoring included longer term measures intended to be updated annually or twice a year to demonstrate whether actions under the Blueprint were having the expected impact. During the development of the Blueprint, the strategic partner provided templates to stream and initiative leads that served as summaries of each stream, including:

- the current situation of DAWE for the capability area;

- where DAWE hoped to be by 2025 for the capability area;
- how DAWE intended to achieve capability uplift; and
- ways that DAWE could measure the success of the program (described as measures of success).

4.24 The templates were intended to guide the 'sprint' teams to develop proposed performance indicators to measure the impact of the Blueprint. Teams undertook an iterative approach, including developing draft stream chapters (see paragraphs 2.30 to 2.35), streamlining the proposed initiatives, timelines, capabilities to be developed, and measures of success.

4.25 As a result of the sprints, each team drafted a number of performance measures. The level of detail varied between each stream, from 17 performance measures in the Digital, Tools and Technology stream to four performance indicators in the Financial Discipline and Sustainability and People, Leadership and Change streams. The measures of success included a mix of quantitative and qualitative measure types, and included outputs, effectiveness, and efficiency measures.

4.26 Following the launch of the Blueprint, the Policy and Portfolio Strategy Branch consulted with Blueprint stream and initiative leads to develop impact indicators for use in the dashboard. As part of this process, one or two performance measures were presented to the stream and initiative leads. Some performance measures were taken from draft Blueprint chapters while others were created through a separate process. Performance measures were developed in consultation with initiative leads.

4.27 DAFF informed the ANAO that the remaining measures of success identified during the Blueprint development phase were not pursued due to issues such as data availability and the intention to avoid adding to reporting requirements. DAFF advised the ANAO that emphasis was placed on leveraging existing reporting and data sources.

4.28 In February 2022, DAWE agreed to a set of indicators for each Blueprint stream. Each impact indicator was assigned to a specific stream and was to be updated or refreshed at a specified frequency depending on the availability of data, as outlined in Table 4.1.

Table 4.1: Impact indicators and the frequency of updates

Blueprint stream	Impact Indicator	Refresh Rate
Regulation	Number of Participants at Building Legal Organisation Capability (BLOC) training to date.	Quarterly
Policy	Percentage of Policy and Program Officers who believed their SES manager ensures that work effort contributes to the strategic direction of the agency and the APS.	Annual
Partnering and stakeholder engagement	Percentage of department staff that responded positively to the question 'I have the skills and experience I need to develop effective engagement plans' in the stakeholder and partnerships survey.	Annual
Data and analytics	Percentage of department staff that responded positively to the statement 'My team uses data to make evidence based decisions' in the APS Census.	Annual

Blueprint stream	Impact Indicator	Refresh Rate
Science	Percentage of department staff that responded positively to the question 'Do you feel science is effectively translated into policy and regulation' in the science survey.	Annual
Digital, tools and technology	Percentage of DAWE staff that believed their workgroup have the tools and resources needed to perform well.	Annual
People, leadership and change	Percentage of DAWE staff that responded positively to 'change is well managed in my agency' in the APS Census.	Annual
Financial discipline and sustainability	Variance of forecast and budget from actuals by month and level.	6 months

Source: ANAO analysis of DAWE documentation.

4.29 Using a single impact indicator as the measure for each stream did not provide meaningful information on DAWE's ability to achieve the Blueprint objectives.

4.30 The impact monitoring framework also included supplementary indicators for two streams: the Science and Partnering stream; and the Stakeholder Engagement stream. Supplementary indicators did not require a commitment to track and update over the lifetime of the Blueprint. Supplementary indicators are also defined as consisting of measures such as attendance at trainings, insights from surveys, or qualitative feedback.

4.31 Development of supplementary indicators was not completed before March 2022. The supplementary indicators were not assessed by the ANAO.

4.32 The approved suite of impact indicators did not provide appropriate information for DAWE to measure the impact of the Blueprint initiatives on any of the eight capability streams, or departmental capability overall.

Recommendation no. 3

4.33 The Department of Agriculture, Fisheries and Forestry establish fit-for-purpose performance criteria to support evaluation and provide a basis for assessing the performance of its current or any future reform program.

Department of Agriculture, Fisheries and Forestry response: *Agreed.*

4.34 *The department will develop fit-for-purpose performance criteria to evaluate and assess the performance of its new capability building program. These criteria will be embedded in the department's enterprise performance and reporting framework.*

Has the department evaluated the extent to which desired reform outcomes are being achieved?

A planned review of the Blueprint has not yet occurred. Program level performance measures are not integrated with initiative level reporting and do not currently enable the department to fully evaluate the achievement of desired outcomes. DAWE did not establish appropriate assurance over the achievement of the capability transfer and uplift under the strategic and delivery partner model.

‘Being Future Ready’ outcomes

4.35 Outcomes are the results, impacts or consequences of a purpose or activity. The outcomes of the Blueprint were outlined in DAWE’s Corporate Plan 2021–22 as the strategic objective ‘Being future ready’.⁸⁰

4.36 DAWE defined ‘Being future ready’ as ‘[to] integrate new capabilities and technology-enabled delivery to meet the demands of an increasingly connected, changing and complex world’.⁸¹ DAWE initially proposed measuring the ‘Being future ready’ objective with three performance measures.

- Employee engagement.
- Our people are agile, responsive, and open to new ways of working.
- Our technology infrastructure, architecture and business processes support modern service delivery and enable stakeholders to more easily interact with us.

4.37 DAWE included the results for two of the three performance measures as ‘informal’ measures within the ‘building our capability’ section of the 2021–22 Annual Report.⁸²

- DAWE reported its employee engagement score for 2021–22 increased from 72 per cent to 73 per cent against a target of stability or increase.
- DAWE reported the results for the agile and open to new ways of working measure for 2021–22 increased from 64 per cent to 66 per cent against a target of stability or increase.

4.38 DAWE did not report against its technology measure in its Annual Report.

4.39 None of these performance measures were included in the monitoring dashboard. Rather, ‘Being Future Ready and New Ways of Working’ was included in the dashboard presented to the ELT+ in March 2022. This included a result of 39 per cent of respondents who indicated they believed DAWE ‘inspires them to come up with new or better ways of doing things’ in 2021.

4.40 It is not clear how the ‘Being future ready’ performance measures were aligned to, or influenced by, the initiatives identified in the Future Department Blueprint.

Planned review of the reform program

4.41 DAWE initially intended to review the Blueprint around March 2022, six months after its release. In December 2021, DAWE developed a proposed approach to support this review. This approach outlined that the objective of the review was to:

ensure the objective of Being Future Ready is met through identifying any changes required to initiatives, milestones and their ownership and funding, as well as integrating the Indigenous Platform into the Blueprint and its governance.

80 The ‘Being future ready’ objective was not identified in the DAWE’s Portfolio Budget Statements and includes discussion of capability (people and IT infrastructure). Discussion of this objective was subsequently moved to the capabilities section of the Department of Agriculture, Water and the Environment *Annual Report 2021–22*.

81 Department of Agriculture, Water and the Environment, *Corporate Plan 2021–22*, DAWE, Canberra, 2021, p. 41.

82 Department of Agriculture, Water and the Environment, *Annual Report 2021–22*, [Internet], DAWE, available from <https://www.transparency.gov.au/annual-reports/department-agriculture-water-and-environment/reporting-year/2021-22-6> [accessed 23 March 2023].

4.42 The planned outputs of the review were:

- a revised Blueprint including updated milestones with rationale and integrated Indigenous initiatives;
- a transformation assessment and maturity plan;
- options for Blueprint funding with a preferred option proposed⁸³; and
- options for a support model to continue momentum on the Blueprint, with a preferred model proposed.

4.43 The review did not occur at six months as originally proposed. DAWE advised the ANAO that the review was postponed and expected to occur after the May 2022 federal election. As at November 2022, a review of the Blueprint has not occurred.

4.44 On 1 August 2022, DAFF announced the establishment of the 'Designing DAFF' taskforce. One of the objectives of the Designing DAFF taskforce is to 'evolve the Future Department Blueprint'. As at November 2022, the Designing DAFF taskforce has not yet completed its objectives.

Assurance over capability transfer

4.45 Capability uplift through transfer of skills from the strategic and delivery partners was identified as a key component of the strategic and delivery partner model.

Strategic partnership

4.46 In June 2021, DAWE drafted an approach to measuring capability uplift across the department. This approach focussed on the adoption of new ways of working and Agile methodologies. Most of this uplift was to occur through joint teams with the strategic partner, which would transfer through to the rest of the department.

4.47 One measure proposed was to identify growth in the number of teams who had adopted Agile techniques and tools such as Kanban boards.⁸⁴ This measure was not implemented.

4.48 The strategic partner also conducted a survey in April 2021 examining familiarity with Agile techniques and collaborative workshops among participants in the first Blueprint development sprints. Approximately 19 staff were surveyed. DAFF advised the ANAO that these surveys were not continued as they did not provide suitable information. DAWE did not replace these surveys and instead asked about staff familiarity with Agile techniques during the subsequent Blueprint sprints, and incorporated feedback as 'lessons learned' in later sprints.

4.49 The strategic partner included output-based metrics in its regular dashboard reporting that measured efforts to engage DAWE staff with the Being Future Ready program. The strategic partner provided the number of projects or programs and the number of capability uplift activities to the date of the dashboard report. This included the number of engagement hours, number of people engaged, and number of events or meetings held.

83 Funding for the Blueprint is discussed further in paragraphs 4.60 to 4.65.

84 A Kanban board is an Agile project management tool designed to help visualise work including establishing daily work priorities.

4.50 As discussed in paragraph 3.55, the strategic partner was contracted to provide strategic advisory services and consultation deliverables to the Executive. DAWE did not establish metrics to assess the outcomes of the 'strategic advisory services' element of the strategic partnership.

Delivery partners

4.51 Post-procurement surveys of business areas coordinated by DAWE's Enterprise Program Management Office (EPMO) included opportunities for business areas to provide ratings on a scale of one or zero to 10 against different categories or questions. There were accompanying free-text fields for comments. These surveys were intended to gauge the effectiveness of engagements with delivery partners and included a specific question relating to capability uplift.⁸⁵

4.52 The ANAO reviewed the fortnightly dashboard reports produced by EPMO to report on the strategic and delivery partner model and found discrepancies in the survey response rates and results. This indicates issues with the quality of reporting.

4.53 Ratings provided from business areas and partners were aggregated within the fortnightly dashboard reporting to the ELT+. Quantitative data from these ratings were framed as 'engagement feedback'. Reporting against the 'Quality of Deliverables' and 'Capability Uplift' were included as percentage values.⁸⁶ Written comments were not included in the reporting dashboard.

4.54 Capability uplift results were subject to large variations. On 25 August 2022, a figure of 70 per cent capability uplift was reported based on 18 business area survey responses. This figure increased to 80 per cent with the addition of one survey response, a total of 19. In September 2022, capability uplift was reported at 80 per cent.

4.55 EPMO provided more detailed reporting to the ELT+ on the surveys shortly after they were first launched in August 2021. This reporting drew conclusions about engagement with the delivery partners based on four survey responses from 72 executed activity orders. This reporting included the conclusion that 'knowledge transfer has occurred'. No further survey feedback-focused reporting or presentations to the ELT+ occurred after August 2021.

4.56 Limitations with the survey that assessed capability uplift are evident. This includes business area respondents not providing a response to the question and including comments such as:

Hard to put a rating on this one. There was an improvement in insights, but the skills and knowledge won't improve until the findings are put in place, which hasn't happened yet.

4.57 In one instance, a business area respondent left the answer blank and provided the comment:

Unable to respond at this point in time. The report has been received with 5 recommendations and the branch is currently assessing how these will be implemented. Improvements would need to be assessed after implementation is undertaken.

85 The rating scale is linear, where one or zero is the worst or least significant while 10 is the best or most significant. The text accompanying the rating scale varied slightly according to the category or question. For example, one question is 'How clear were the instructions for the Request for Quote process?' and another is 'Was there an improvement in your business unit's capability as a result of this engagement?'.

86 Partner performance was categorised as quality of deliverables; capability uplift; partner engagement effectiveness; and engagement process effectiveness.

4.58 EPMO generated a value of eight out of a possible 10 for this blank response, noting that 'the survey respondent did not included [sic] a rating - we have interpreted his explanation as being an eight'.

4.59 The response rate from business areas in June 2022 was approximately nine per cent. The department should be cautious with quantitative reporting or reaching conclusions based on survey results with a relatively low response rate, as results are unlikely to reflect the broader population.⁸⁷

4.60 While survey results were used to make process improvements such as improving onboarding timeframes for contractors, there is no evidence that results were used by DAWE to improve capability transfer mechanisms between delivery partners and the department.

Has the department established arrangements to review and manage costs and benefits of its reform program?

DAWE did not establish arrangements to effectively review and manage costs and benefits across the reform program.

Costs related to the reform program

4.61 In July 2021, DAWE noted that \$1.2 billion of funding to deliver Blueprint initiatives across all tranches was already secured, mostly through New Policy Proposals (NPPs) finalised before the development of the Blueprint. \$16.5 million was noted as being funded through existing Business as Usual (BAU) budget measures.

4.62 DAWE also noted that projects worth approximately \$81 million were going through the business case process. An additional approximately \$29 million across all tranches required a funding decision, sourced either from existing BAU budget measures, redeployed resources, or new pools of funding.

4.63 As discussed in paragraph 2.44, DAWE prioritised existing projects in establishing the Blueprint, most of which were already funded and subject to the department's project management framework. As such, funding for initiatives and associated resources was coordinated through existing departmental processes rather than a separate process aligned to the Blueprint.

4.64 Funding gaps of up to \$10 million for activities scheduled for 2021–22 were identified and flagged for reporting to the ELT+. The meeting minutes from the ELT meeting on 13 August 2021 noted an agreement to fund the 2021–22 financial year initiatives through 'anticipated underspends' with the Chief Financial Officer (CFO) to consider a more comprehensive approach to funding initiatives in outyears'. In December 2021, initiative leads were advised that they would have an opportunity to discuss the possibility of creating a 'Blueprint reserve' for 2022–23 with the CFO in March 2022.

4.65 'Deep dives' into specific streams were conducted during six ELT+ meetings from September 2021 to March 2022. During these deep dives, initiative leads discussed how the

87 June 2022 reporting was based on responses from 19 business areas from a total of 214 surveys issued. For a population of this size, 138 responses would be needed for the results to reflect the target population with an appropriate level of confidence. This calculation is based on a confidence level of 95 per cent and a confidence interval of five which are the most common parameters applied to determining survey sample sizes.

projects were tracking along their allocated budgets. Despite the funding gaps discussed in paragraph 4.64, funding was not raised as a specific impediment to progress after the launch of the Blueprint during these deep dives and has not been mentioned as a blocker to any projects within the monitoring dashboard.

4.66 DAFF advised the ANAO that costs and funding were expected to be examined further in the planned six-month review of the Blueprint. As outlined in paragraphs 4.41 to 4.44, this review has not occurred and as such, program level cost and funding review activities have not occurred.

4.67 DAFF further advised the ANAO in November 2022 that funding for forward years and the creation of a 'Blueprint reserve' has not progressed due to the federal election and subsequent Machinery of Government changes enacted on 1 July 2022. Priorities requiring additional funding for 2022–23 will be addressed through existing mechanisms such as the Secretary's Reserve (see paragraphs 3.84 to 3.86).

Costs related to the strategic and delivery partner model

4.68 DAWE's October 2020 procurement plan estimated the maximum costs associated with the strategic partner arrangements to be up to \$10 million over the life of the arrangement. The estimated breakdown of costs at the time of the procurement plan is outlined in Table 4.2.

Table 4.2: Estimated costs over the life of the strategic partner arrangement as at October 2020

Financial year	Funding
Current year (2020–21)	\$3 million
Outgoing Financial Estimate Year 1 (2021–22)	\$3 million
Outgoing Financial Estimate Year 2 (2022–23)	\$2 million
Outgoing Financial Estimate Year 3 (2023–24)	\$2 million

Source: Strategic Partner procurement plan October 2020.

4.69 DAWE engaged the strategic partner for two key types of activities: strategic advisory services; and strategic project activities. As discussed in paragraph 3.88, as at the end of June 2022, DAWE had spent \$22.82 million combined on both types of strategic partner activities. DAWE's October 2020 procurement plan did not distinguish between these types of activities.

4.70 Reporting to the Executive Board provided an overview of expenditure for specific activities, however DAWE did not undertake a process to review actual expenditure against estimated expenditure for the life of the strategic partnership.

4.71 Delivery partner work was funded by the business area requesting the work. EPMO advised the ANAO that the delivery partner component was intended to drive efficiencies in existing arrangements to engage consultants. There is no evidence that DAWE assessed the expected scale of these efficiencies or developed estimations for expenditure over the life of the arrangement for delivery partner work. As at the end of June 2022, DAWE had spent \$67.56 million on delivery partner projects.

4.72 Fortnightly activity reporting on the administration and cost of the strategic and delivery partner model included proportion-based reporting, such as the number of activity orders per service category or partner firm. This reporting did not include information such as total

expenditure on the model since commencement. DAFF does not have a single source of truth for total expenditure relating to the strategic and delivery partner model.

Benefits management

4.73 Internal audit activities identified a need for benefits reporting, including a recommendation to develop a benefits realisation plan to measure capability uplift benefits derived from the Collaboration Hub.⁸⁸ This included that benefits should be tracked, monitored, and reported to the Executive Board on a quarterly or regular basis.

4.74 DAWE advised the ANAO that consideration of benefits was captured in the Hub Transition Plan. The Hub Transition Plan provided the framework for transitioning the Collaboration Hub from joint management with the strategic partner to sole management by departmental staff.

4.75 The Hub Transition Plan outlined the foundational skills of collaborative design the Collaboration Hub is intended to foster, and details the competencies and abilities that departmental staff will need to develop to manage the Collaboration Hub. DAWE did not conduct an assessment against the competencies and abilities to enable effective tracking of capability development against the Hub Transition Plan.

4.76 The Hub Transition Plan did not specifically identify benefits. Outcomes included focusing on developing collaborative design skills or outputs such as delivery of resources to support ongoing management of the Collaboration Hub, rather than the impact of the Collaboration Hub on the department's performance and delivery of core business.

Recommendation no. 4

4.77 The Department of Agriculture, Fisheries and Forestry put in place a framework for regular review to ensure its reform program or any future reform program remains relevant over time. Reviews should include a comprehensive cost and benefit assessment and active monitoring.

Department of Agriculture, Fisheries and Forestry response: *Agreed.*

4.78 *The department will include reviewing the reform activities identified in the Blueprint, within its enterprise performance and reporting framework.*



Grant Hehir
Auditor-General

Canberra ACT
3 April 2023

⁸⁸ A benefit is described as a measurable improvement resulting from an outcome which is perceived as an advantage by one or more organisational objectives. Benefits realisation allows entities to track and maximise the achievement of benefits from investments.

Appendices

Appendix 1 Entity response



Australian Government
Department of Agriculture,
Fisheries and Forestry

ANDREW METCALFE AO
SECRETARY

16 February 2022

Mr Grant Hehir
Auditor-General for Australia
GPO Box 707
Canberra ACT 2601

Dear Mr Hehir

Thank you for your email of 19 January 2023 regarding the Australian National Audit Office's proposed audit report 'The Department of Agriculture, Fisheries and Forestry's Cultural Reform' and for the opportunity to respond to the report.

Pursuant to section 19 of the *Auditor-General Act 1997*, the Department of Agriculture, Fisheries and Forestry (the department) prepared a response to the report.

The report recognises that the former Department of Agriculture, Water and the Environment undertook a significant capability building program during a challenging and dynamic period of change for the department and the Australian Public Service. A particular challenge that emerged during the audit for both the ANAO and the department was the Machinery of Government change mid-audit, that resulted in the functions of the Environment and Water portfolios moving to the new Department of Climate Change, Energy, the Environment and Water and the remaining functions transitioning to the Department of Agriculture, Fisheries and Forestry that was established on 1 July 2022. The new department had not finalised its new structure, purpose, objectives and priorities before the audit fieldwork concluded in November 2022.

The department is committed to continuing to improve its work practices and performance to deliver the government's objectives and respond to our constantly changing operating environment. The department will draw from the recommendations contained in this report, as we continue on our journey to uplift capability to become a world class organisation through the work of our Designing DAFF Taskforce.

The response sets out the actions that will be taken to improve the implementation of our capability building program as we continue to establish the new department.

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Please find enclosed with this letter the department's summarised response to the report and a response to the recommendations.

Best wishes

A handwritten signature in dark ink, appearing to read 'A. Metcalfe', is written over a light blue horizontal-lined background.

Andrew Metcalfe AO



Australian Government
Department of Agriculture,
Fisheries and Forestry

ANDREW METCALFE AO
SECRETARY

17 February 2022

Mr Grant Hehir
Auditor-General for Australia
GPO Box 707
Canberra ACT 2601

Dear Mr Hehir

Grant

Thank you for your email of 19 January 2023 regarding the Australian National Audit Office's proposed audit report 'The Department of Agriculture, Fisheries and Forestry's Cultural Reform'. In addition to the department's response to the proposed audit report I provided on 17 February, I am writing to raise a number of concerns relating to the framing of the report and the ANAO's approach to the engagement.

In my view this audit is a review of a capability uplift program (not cultural reform) implemented by the former Department of Agriculture, Water and the Environment (DAWE). While it is correct to recognise DAFF was one of the departments created from DAWE as part of the 2022 machinery of government changes, it was far more complex than a rebranding exercise and involved multiple agencies, thousands of staff and acutely impacted our policy, regulatory and operational functions. There were significant and far-reaching changes to the business extending to our operating model, fiscal position, workforce, scope of portfolio responsibilities, and ministerial priorities.

The audit appears to focus on the Future Department Blueprint implementation and the strategic partnership arrangement with PriceWaterhouse Coopers, rather than the holistic changes envisaged by 'Being Future Ready' agenda. This was all about capability, not culture.

This agenda was the centrepiece of the former department's capability uplift program and the catalyst for engaging with staff in modern ways of working. This was not limited to the initiatives and milestones of the Blueprint and its roadmap or the strategic partnership.

Separately, the cultural reform program of the former Department of Agriculture, Water and the Environment was focused on working with staff on its CORE 4 values and continuous improvement related to APS census results, including key cultural traits such as values and behaviours. These aspects were not considered by the ANAO and underline why I view this as a capability audit rather than a cultural reform audit.

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Further, in my view, the scale and pace of change in our operating environment and the expectations of government and stakeholders and the subsequent impact of these on the former department, has not been adequately captured by the ANAO.

DAWE was created following a major machinery of government change in 2020, charged with delivering on substantial cumulative investments of \$3.3 billion by Government through successive Budget and MYEFO outcomes. This former department delivered for Government and the community through the unprecedented impacts of the COVID-19 pandemic. To ensure the department was able to meet these demands and deliver on expectations, DAWE sought to be innovative, looking beyond traditional APS models including an innovative strategic and delivery partner approach to empower teams to deliver on their work programs and the expectations of government and stakeholders.

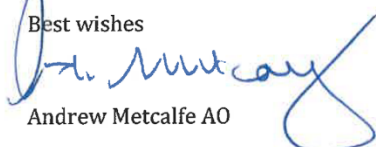
Being Future Ready is a clear demonstration of the former department progressing the APS reform agenda and adapting to ensure it was a world-class organisation and employer, consistent with broader delivery and operational improvement initiatives across the APS. For example:

- *APS Thodey Review 2019* – calls for an innovative and agile APS driving both policy and implementation through coherent, collaborative approaches.
- *APS Workforce Strategy 2025* – highlights the need for agile, collaborative, responsive and able to navigate complexity and embracing flexible and responsive workforce models
- *APS Hierarchy & Classification Review* – builds the case for adopting more agile ways for government employees to work
- *APS In-House Capability (Minister Gallagher)* - describes an in-house consulting model will give public servants the opportunity to develop expertise further, build relationships, collaborate with colleagues, and challenge themselves in new ways.

Despite the concerns raised above, I acknowledge that ANAO identified opportunities to improve DAWE's implementation of the capability reform program, particularly in the areas of reporting, record keeping and risk management. DAFF is progressing significant change to mature our risk management and performance and reporting frameworks, learning from the observations about DAWE's capability uplift program. DAFF is committed to implementing the recommendations of the audit, while continuing to improve the department's capability and delivering on the Government's APS reform agenda.

The experience and investment by the former department in new ways of working will be leveraged by DAFF and continues to serve as a down-payment on the significant reform agenda that confronts the APS today.

Best wishes



Andrew Metcalfe AO

ANAO Comment on supplementary correspondence from the Secretary of the Department of Agriculture, Fisheries and Forestry

1. The ANAO considers that 'cultural' is an appropriate characterisation for the overall program of reform activities undertaken by DAWE. DAWE's planning documentation includes cultural references which are referenced in the report (see paragraph 1.13 and paragraph 2.14). As highlighted in the audit snapshot and Rationale, 'Culture is essential to an organisation's sustained performance and in bringing about transformational change' (see paragraphs 6 and 1.25). The Blueprint was described on the departmental intranet as providing 'a roadmap of actions required to help us all work smarter and in new, more coordinated ways' (see paragraph 2.44).
2. The audit assessed whether reform activities including the strategic and delivery partner model and the program of work set out in the Blueprint were aligned to DAWE's strategic goals and objectives (see paragraph 2.37). DAWE used three specific questions to monitor staff engagement with the reform program and to identify knowledge or behavioural shifts (paragraphs 4.20 and 4.21, and Table 4.1). The focus on staff engagement and behaviour aligns with the ANAO's assessment that the reform program was 'cultural' in nature. The 'scale and pace of change in [DAWE's] operating environment and the expectations of government and stakeholders' is reflected in paragraphs 1.3, 1.6, and 1.26 of the audit report.

Appendix 2 Improvements observed by the ANAO

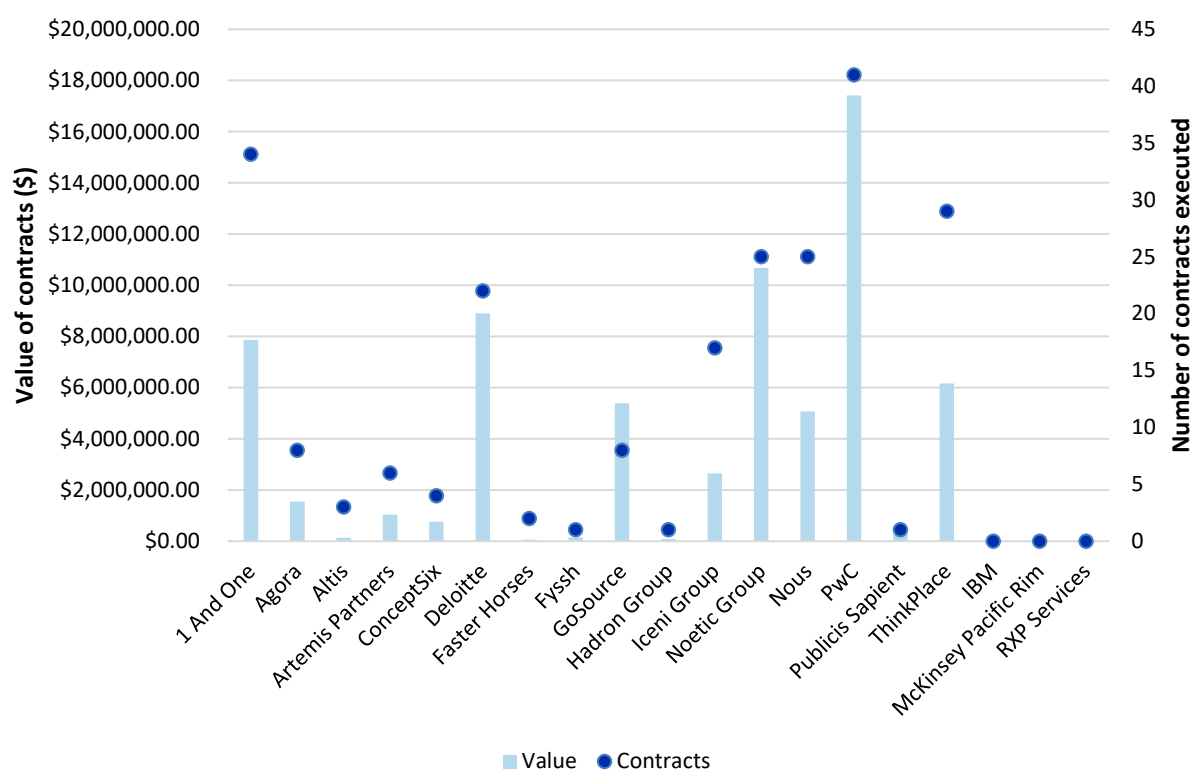
1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions, and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during an audit. Remedial actions entities may take during the audit include:
 - strengthening governance arrangements;
 - introducing or revising policies, strategies, guidelines, or administrative processes; and
 - initiating reviews or investigations.
4. In this context, the below actions were observed by the ANAO during the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

Report paragraph no.	Improvements observed during the audit
N/A	The Policy and Portfolio Strategy Branch has commenced a process to define records and develop associated record keeping practices to comply with the department's record keeping policy.
3.44	The Policy Office is developing processes to collect information on activities occurring in the Collaboration Hub.

Appendix 3 Delivery partners

List of delivery partners (in alphabetical order)	
•	1 and One
•	Agora Consulting
•	Altis Consulting
•	Artemis Partners
•	ConceptSix
•	Deloitte Touche Tohmatsu
•	Faster Horses
•	Fyshh
•	GoSource
•	Hadron Group
•	IBM Australia ^a
•	Iceni Group
•	McKinsey & Company Australia and New Zealand ^a
•	Noetic
•	Nous Group
•	PricewaterhouseCoopers Australia
•	Publicis Sapient Australia
•	RXP Services ^a
•	ThinkPlace Australia

Note a: IBM Australia, McKinsey & Company Australia and New Zealand, and RXP Services did not execute any delivery partner activity orders with DAWE under the strategic and delivery partner model.

Figure A.1: Delivery partners by value and number of contracts

Source: ANAO analysis of DAFF data.

Appendix 4 Future Department Review recommendations and Future Department Blueprint initiatives

1. The ANAO compared the recommendations of the Review with the initiatives of the Blueprint. There are some *Future Department Review* report recommendations that were not taken up in the Blueprint, and there are some Blueprint initiatives that were not Review recommendations. This is set out in the table below.

Future Department Review	Scope of work (Blueprint development)	Future Department Blueprint
Recommendation 1a	✓	✓
Recommendation 1b	✓	✓
Recommendation 1c	✓	✓
Recommendation 1d(i)	✓	✓
Recommendation 1d(ii)	✓	✓
Recommendation 1e	✓	✓
Recommendation 1f	✓	✓
Recommendation 1f(i)	✓	✓
Recommendation 1f(ii)	✓	✓
Recommendation 1g	✓	✗
Recommendation 1h	✓	✓
Recommendation 1i	✓	✓
Recommendation 1j	✓	✓
Recommendation 1k	✓	✓
Recommendation 1l	✓	✓
Recommendation 1m	✓	✓
Recommendation 2a	✓	✓
Recommendation 2a(i)	✗	✗
Recommendation 2a(ii)	✗	✗
Recommendation 2b	✓	✗
Recommendation 2c	✓	✓
Recommendation 2d	✓	✓

Future Department Review	Scope of work (Blueprint development)	Future Department Blueprint
Recommendation 2e	✓	✓
Recommendation 2f	✗	✓
Recommendation 2g	✗	✓
Recommendation 3a	✓	✓
Recommendation 3b	✓	✓
Recommendation 4a	✓	✓
Recommendation 4b	✓	✓
Recommendation 4c	✓	✗
Recommendation 4d	✓	✓
Recommendation 4e	✓	✓
Recommendation 4f	✓	✓
Recommendation 4g	✓	✓
Recommendation 5a	✓	✓
Recommendation 5a(i)	✗	✓
Recommendation 5b	✓	✓
Recommendation 5c	✓	✓
Recommendation 6a	✓	✓
Recommendation 6b	✓	✓
Recommendation 6c	✓ ✓	✓
Recommendation 6c(i)	✗	✓
Recommendation 6d	✓ ✓	✓
Recommendation 6e	✓ ✓	✓
Recommendation 6f	✓	✓
Recommendation 6g	✓	✓
Recommendation 7a	✓	✓
Recommendation 7b	✓	✓
	+	

Future Department Review	Scope of work (Blueprint development)	Future Department Blueprint
	+	

Key: ✓ indicates that the Future Department Review recommendation was carried across to the Blueprint document/s.

✗ indicates that the Future Department Review recommendation did not appear in the Blueprint document/s.

✓✓ indicates that the individual Future Department Review recommendation was used twice in separate Blueprint documents.

+ indicates recommendations that did not appear in the Future Department Review or the Blueprint.

Note a: The Future Department Review report set out seven recommendations, each with multiple components or sub-recommendations. The Review report considered that there were 41 sub-recommendations but did not number them. The recommendations in this table are numbered according to ANAO judgement that there are 48 recommendations and sub-recommendations in total. This is based on the ANAO's assessment that each of the 48 items have a component that can be tested qualitatively, quantitatively, or for existence.

Source: ANAO analysis of the Future Department Review report and the Future Department Blueprint.

Appendix 5 Record keeping

1. The department's record keeping policy was first published on 11 August 2014 and was due for review in July 2017. As at November 2022, the policy has not been reviewed or updated.
2. The policy defines records management as the process of 'managing records to meet operational business needs, accountability requirements and community expectations.' The policy defines a record as 'all information, in any format, created, sent and received in the course of carrying out the business of the department.' Under the policy, all records 'must be stored in systems that have approved record keeping functionality'.
3. Information available on the departmental intranet states that all OFFICIAL business documents should be uploaded to an approved record keeping system. The intranet page further states that 'shared collaboration spaces such as MS Teams, Office 365, network drives and Outlook folders are not record keeping systems'.
4. During the audit, the ANAO identified non-compliance with the department's record keeping system as business areas within the scope of this audit rely primarily on shared network drives (shared drives), Outlook folders, and SharePoint-based storage including Microsoft Teams platforms, with limited use of approved record keeping systems.
5. DAFF advised the ANAO that a review of the policy has commenced and is planned for completion by the end of March 2023. DAFF advised the ANAO that it intends to update its record keeping policy to both reflect the changes in the record keeping platform since the 1 July 2022 Machinery of Government changes, and to align with the suite of collaboration tools available to staff.