

The Auditor-General
Audit Report No.12 2005–06
Performance Audit

**Review of the Evaluation Methods and
Continuous Improvement Processes
for Australia's National Counter-Terrorism
Coordination Arrangements**

Australian National Audit Office

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Canberra ACT
13 October 2005

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Review of the Evaluation Methods and Continuous Improvement Processes for Australia's National Counter-Terrorism Coordination Arrangements*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
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

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations and Glossary

ACS	Australian Customs Service
ADF	Australian Defence Force
AFP	Australian Federal Police
AGCTC	Australian Government Counter-Terrorism Committee
AGCTPC	Australian Government Counter-Terrorism Policy Committee
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
ASIO	Australian Security Intelligence Organisation
ASIS	Australian Secret Intelligence Service
AUSTRAC	Australian Transaction Reports and Analysis Centre
Capability	The National Counter-Terrorism Committee has 11 designated functions/skills important in countering terrorism, such as intelligence and police command. These are known as capabilities.
Capability adviser	The National Counter-Terrorism Committee's designated capabilities have a capability adviser and a deputy capability adviser appointed to assist in the development of the capability.
CIU	Cabinet Implementation Unit in the Department of the Prime Minister and Cabinet
COAG	Council of Australian Governments
CSC	Capability Sub-Committee of the National Counter-Terrorism Committee
DAFF	Department of Agriculture, Fisheries and Forestry
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DISCEX	Discussion Exercise

DITR	Department of Industry, Tourism and Resources
DOCITA	Department of Communications, Information Technology and the Arts
DOHA	Department of Health and Ageing
DOTARS	Department of Transport and Regional Services
EMA	Emergency Management Australia
Exercise Programme	The National Capability Development Exercise Programme
Finance	Department of Finance and Administration
GAO	Government Accountability Office in the United States of America
Handbook	The National Counter-Terrorism Committee Handbook (security classified document)
ICMEX	Investigation and Consequence Management Exercise
IDC	Inter-Departmental Committee
IGA	An Agreement on Australia's National Counter-Terrorism Arrangements between the Commonwealth and the States and Territories of Australia
Lessons Learned Database	National Counter-Terrorism Committee's Exercise Lessons Learned Database
MJEX	Multi-Jurisdictional Exercise
NATP	National Anti-Terrorist Plan
NCT Plan	The National Counter-Terrorism Plan (non-security classified document)
NCTC	National Counter-Terrorism Committee
NCTC EC	National Counter-Terrorism Committee Executive Committee
NSC	National Security Committee of Cabinet
NSD	National Security Division of the Department of the Prime Minister and Cabinet
ONA	Office of National Assessments
PM&C	Department of the Prime Minister and Cabinet

PSCC	Protective Security Coordination Centre, a division of the Attorney-General's Department
SAC-PAV	Standing Advisory Committee on Commonwealth/State Cooperation for Protection Against Violence
SCNS	Secretaries' Committee on National Security
SET	Science, Engineering and Technology Unit in the Department of the Prime Minister and Cabinet
SIDC-PAV	Standing Inter-Departmental Committee for Protection Against Violence
TACREX	Tactical Exercise

Executive Summary and Recommendations

Executive Summary

Background

1. The terrorist attacks of September 11, 2001 in the United States of America introduced a new and confronting dimension to the international security environment. This was reinforced by subsequent terrorist attacks in Bali, Madrid, Jakarta, London and, most recently, again in Bali. Since the attacks in 2001, Australia's national counter-terrorism alert level has remained assessed at the 'medium' threat level, meaning a terrorist attack within Australia could occur.
2. The Australian Government's response has been to strengthen and upgrade national security and the national counter-terrorism arrangements, involving the commitment of some \$5.6 billion in additional budget funding since 2001 (Table 1.1). State and Territory governments have also strengthened and upgraded their arrangements.
3. Under the Constitution of Australia, the State or Territory in which a terrorist incident occurs holds the primary operational responsibility for the management of that incident. The first responders will be the respective State/Territory police and emergency services. In planning to respond to a terrorist incident the Australian Government and States and Territories' roles interconnect under the coordination mandate of the National Counter-Terrorism Committee (NCTC).
4. Two Australian Government agencies represented on the NCTC also provide administrative and secretariat support to the ongoing operations of the other various counter-terrorism committees (refer Table 2.1). The Department of the Prime Minister and Cabinet (PM&C) has responsibility for the coordination of counter-terrorism policy, and the Attorney-General's Department (AGD) has responsibility for operational coordination of counter-terrorism, including the management of the NCTC's National Capability Development Exercise Programme¹ (the Exercise Programme). Both agencies also have a significant role in arranging for the ongoing process of evaluation of Australia's national counter-terrorism arrangements.
5. Evaluations, reviews or assessments of activities such as the counter-terrorism coordination arrangements, play an important role in aiding judgments about the performance of the activity and its appropriateness,

¹ The Exercise Programme seeks to test, maintain and strengthen counter-terrorism and consequence management capabilities, command and control and interoperability. The programme is delivered through four types of exercise—Tactical, Investigation and Consequence Management, Discussion and Multi-Jurisdictional. These exercise types are outlined in Chapter Three.

efficiency and effectiveness. The outcomes of evaluations can inform decision-making, form the foundation for continuing improvements and provide greater accountability. Given the significant funds committed, and efforts extended by all governments towards delivering the basic, viable nation-wide counter-terrorism capability, regular and structured evaluation should play a vital role in the improvement of, and accountability for, Australia's domestic counter-terrorism arrangements.

6. Thus, the focus of the audit was to review the main evaluation methods employed to assess the various aspects of the national counter-terrorism coordination arrangements. The key evaluation methods considered were:

- Australian Government commissioned evaluations or reviews;
- NCTC commissioned evaluations, reviews or assessments; and
- exercises conducted under the Exercise Programme.

7. The objectives of the audit were to:

- assess the effectiveness of the key evaluation methods used to review the efficacy of the Australian Government's national counter-terrorism coordination arrangements; and
- examine the effectiveness of the links between the key evaluation methods, and how the key evaluation methods contribute to the process of continuous improvement.

8. The audit criteria assessed:

- the strategic alignment between the key evaluation methods employed and the counter-terrorism coordination frameworks;
- aspects of the coverage of the key evaluation methods employed;
- the adequacy of the performance measures used for the evaluations;
- the available mechanisms for reporting the outcomes of the evaluations; and
- how the effectiveness of the national counter-terrorism arrangements is being increased through a formal process of continuous improvement.

9. The audit did not examine Australia's international counter-terrorism arrangements or the broader elements of national security. Nor did it attempt to assess the appropriateness of the current framework governing the coordination arrangements or the capability of participants to respond to a domestic terrorist incident.

Key findings

The framework for the national coordination of Australia's counter-terrorism arrangements (Chapter 2)

10. There are well defined frameworks in place for the coordination of both the Australian Government response and the national response for countering terrorism. Since September 2001 an increasing number of agencies at all levels of government, as well as the private sector, have been drawn into these frameworks.

11. The Australian National Audit Office (ANAO) concluded that the policy and operational coordination roles of PM&C and AGD respectively, for both the Australian Government and national frameworks, had been defined with respect to how the agencies would coordinate a response to any terrorist incident. Their roles in the provision of administrative and secretariat support to the ongoing operations of the various counter-terrorism committees (refer Table 2.1) established by the Australian Government or the NCTC had also been defined. With respect to the level of secretariat support provided by PM&C or AGD, the majority of agencies were highly positive, commenting that the agencies provided professional and proactive support. The ANAO noted the work underway to inform newly involved agencies with respect to the policy and operational coordination roles of PM&C and AGD as well as the national arrangements set out in the NCT Plan and Handbook².

12. Given the extensive agendas of the various counter-terrorism committees, the ANAO suggests that there would be benefit in the greater allocation of time for the committees to consider the strategic issues relating to the national counter-terrorism arrangements. The ANAO notes that, since audit fieldwork, specific meetings to consider strategic issues have recently commenced and that the review of the NCTC sub-committees offers further solutions that would afford the committees greater opportunity to focus on strategic issues.

13. The ANAO considers that there are opportunities for PM&C and AGD to further support the committees' greater focus on strategic directions through the provision of more coordinated reporting and analysis of the outcomes from the range of evaluations conducted. How this could be provided is addressed in detail in the subsequent chapters and recommendations.

² The Handbook supports the National Counter-Terrorism Plan. The purpose of the Handbook is to outline the coordination arrangements, procedures and protocols that assist the implementation and integration of counter-terrorism and emergency management arrangements in Australia.

Nature and extent of the key evaluation methods used (Chapter 3)

14. The ANAO concluded that the national counter-terrorism arrangements are subject to frequent, ongoing and multi-level evaluations, ranging from reviews of the implementation of policy initiatives through to operational reviews. The evaluations include a mixture of commissioned reviews into particular functional aspects, major reviews of the arrangements and the practical, operational testing under the Exercise Programme. The ANAO further concluded that there were sufficient avenues for evaluation of the national counter-terrorism arrangements.

Strategic alignment between the key evaluation methods used and the national counter-terrorism coordination frameworks (Chapter 4)

15. The ANAO found that the evaluation strategies were aligned with the Australian Government and national counter-terrorism frameworks that they were intended to review, and that the evaluations covered matters of capability, coordination and the effectiveness of the frameworks.

16. However, there was limited effort taken to correlate strategies or objectives across the key evaluation methods used. While recognising that a fully integrated, whole-of-government evaluation strategy would be difficult and time consuming to develop and implement, the ANAO considers that there are interim measures that could be applied to provide a greater whole-of-government perspective to the existing evaluation methods employed.

17. The ANAO concluded that AGD and PM&C could better coordinate and amalgamate the outcomes arising from the various reviews and exercises and should also provide greater strategic analysis of these outcomes and recommendations. Such analyses could be used to effectively underpin greater efficiency in the whole-of-government efforts to improve the counter-terrorism arrangements.

18. In addition, the ANAO concluded that there would be benefit in establishing a more strategic approach to the planning of the Exercise Programme to better ensure that priority areas are tested and that each of the exercises within the programme better contributes to the continuous improvement of the national arrangements. The ANAO further concluded that, for recall and accountability purposes, the decisions made in the setting of the programme should be documented.

Evaluation coverage (Chapter 5)

19. Generally, the major reviews undertaken to evaluate aspects of the counter-terrorism arrangements, whether commissioned by the NCTC or by the Australian Government, took into account, and consulted with, relevant agencies during the conduct of the evaluations.

20. Opportunities to participate in the Exercise Programme had initially not kept pace with the rapid expansion in the number of agencies involved in counter-terrorism and the broadened scope of the exercises, but the ANAO concluded that PM&C and AGD had identified this issue and were taking steps to encourage the newly involved agencies. The ANAO also noted the comments by AGD and PM&C that agencies do not always take up the opportunity to participate, but further concluded that a more structured approach to the planning and setting of the annual Exercise Programme, with advance specification of the scenarios and exercise objectives, would assist agencies to better plan their participation.

21. Although the Exercise Programme has a focus on coordination as well as capability, the mechanisms for effectively evaluating coordination and for assigning responsibility for subsequent corrective action have not been formalised to the same extent as those for the NCTC designated capabilities³.

22. The ANAO concluded that the national counter-terrorism arrangements would benefit from a greater focus on inter-agency coordination and the creation of more transparent and systematic mechanisms to facilitate taking coordination issues through a continuous improvement cycle model. The ANAO considers that the NCTC Exercise Lessons Learned Database being developed by the AGD would eventually be an important component in this regard.

23. The ANAO considers that, in light of the increased complexity and magnitude of the Exercise Programme, it could be difficult to sustain high levels of agency participation, and hence the degree of exercise coverage achieved to date. The ANAO concluded that there could be benefits in the use of more contemporary and varied training aids, which may allow for efficiencies and flexibility in the delivery of the programme and thus may contribute to an expanded coverage, and sustainability, of the programme. Such aids may include the use of computer-based simulations or videos. The AGD, in conjunction with the NCTC exercise management capability advisers, should explore options for the incorporation of such aids into the Exercise Programme.

³ The NCTC has 11 designated capabilities that are developed and maintained that contribute to the basic, viable nation-wide capability.

Performance measures used for evaluations (Chapter 6)

24. The ANAO observed that the exercises fulfil a multiplicity of valuable functions that include evaluating, testing, practising and training, the building of intra-agency and inter-agency relationships, providing a valuable opportunity to share information and increasing awareness of the roles and functions of the various other agencies. All of these are important factors that contribute to the ability of agencies to respond collectively in a crisis.

25. However, the ANAO considers that the work in progress to clarify the definition of the 'basic, viable nation-wide capability'⁴, and the development of operational plans to better specify how capability is to be achieved, would together provide an overarching 'common goal' for the counter-terrorism agencies to work towards in a whole-of-government context. The common goal would provide a framework against which agencies can measure and report in a whole-of-government context.

26. Greater alignment between the objectives and performance indicators of the participating agencies with the broad exercise objectives and indicators and those of other relevant participating agencies would:

- reduce the risk of issues of inter-agency performance being overlooked; and
- allow for a more tightly focussed assessment of agencies' ability to effectively deliver the aspects of the NCT Handbook being tested.

27. The ANAO concluded that the training and testing components within the exercises conducted under the Exercise Programme should be more clearly identified and differentiated. Training tends to target the performance of the staff and people involved and to be accompanied by a coaching approach, and testing and evaluation focuses on the effectiveness of the procedures and the capacity of the trained staff to deliver them. The identification and differentiation of the training and testing components would allow the exercises to be used more effectively as a means of evaluating the capability and coordination required to deliver the agreed, predetermined level of basic, viable nation-wide capability.

Mechanisms for reporting the outcomes of evaluations (Chapter 7)

28. The ANAO found that the reporting mechanisms for the reviews and exercises cater for the majority of government stakeholders involved in counter-terrorism. Similarly the ANAO noted that additional links have been

⁴ The 'basic, viable nation-wide counter-terrorism capability' is the NCTC term used to describe the base level of Australia's capability/preparedness to respond to terrorist incidents.

built, or are being built, to other coordination frameworks, such as the Australian Health Disaster Management Policy Committee and the Australian Emergency Management Committee.

29. The ANAO also found that formal reporting mechanisms were in place that generally allowed for the timely reporting of the costs and other outcomes of major reviews and exercises. However, for recall and accountability purposes, the ANAO considers that when a review is delayed, the reasons for these delays should be better documented.

30. The ANAO noted that the work being progressed by the NCTC combined with the more stringent setting, measuring, and hence reporting of performance against objectives and performance indicators, and greater data analysis, would allow for more comparable evaluations in the future.

Effective use of counter-terrorism evaluations as a basis for continuous improvement (Chapter 8)

31. The ANAO considers that, in accordance with the IGA, those involved in the delivery of counter-terrorism capability had, since 2001, exerted significant effort across a broad range of fronts to strengthen Australia's capability. New agencies have been brought into the arrangements. Numerous reviews and exercises have been conducted, all focussed on identifying areas for improvement, and aimed at continually strengthening the arrangements and the way the agencies work together.

32. The ANAO found that a process for continuous improvement, such as that outlined at Figure 1.1, was largely in place for the counter-terrorism arrangements, but that all elements of the process could benefit from further strengthening, better coordination or greater transparency.

33. The ANAO considers that strategic analysis of the recommendations arising from the reviews and exercises would facilitate a more streamlined approach for the agencies implementing the corrective actions, so that the current arrangements to respond to terrorist incidents reflect the accumulation of the best knowledge and experience available.

34. The ANAO further found that little was done to collectively track the implementation actions, but notes that the NCTC Exercise Lessons Learned Database being developed by the AGD will be of assistance in this regard. The ANAO concluded that the database should be expanded to allow for the integration of implementation actions arising from the exercises with those arising from the major reviews.

35. In addition, the ANAO considers that the database should be reviewed to ensure that its capacity is commensurate with the functions it will be required to perform. The ANAO further considers that it is important that

adequate priority and resources are assigned to the Evaluation Section within AGD and the development and management of the Lessons Learned Database.

Overall audit conclusion

36. Overall, the ANAO concluded that a range of strategies and processes were in place to evaluate the national counter-terrorism coordination arrangements and to ensure that the arrangements were subject to regular evaluation and continuous improvement. Since September 2001, the arrangements have undergone continuous and rapid evolution to embrace a widening circle of relevant agencies and organisations as well as continuous re-positioning to meet emerging risks and threats.

37. The policy and operational coordination functions undertaken by PM&C and the AGD are important contributions to the national coordination arrangements. Between them, the two agencies provide a wide range of services and support and, where necessary, guidance, to the counter-terrorism committees and the range of agencies across governments and jurisdictions.

38. The ANAO found that, generally, strategies and processes were in place for evaluation of the arrangements and the management of continuous improvement. The ANAO has identified some aspects of the evaluation strategy and the continuous improvement cycle that require strengthening, better coordination and greater transparency. To achieve this, PM&C and AGD will need to take a greater role in the management of evaluations and the strategic analyses required to use the outcomes to best effect.

39. The ANAO acknowledges that the effective measurement and evaluation of performance across multiple functions, jurisdictions and agencies represents a significant challenge. The ANAO has made nine recommendations arising out of this audit aimed at improving the efficiency and effectiveness of the key evaluation methods used to assess the national counter-terrorism coordination arrangements and their ongoing improvement.

Agency responses to the audit

Attorney-General's Department

40. The Department welcomes the report. The Department notes the ANAO's conclusion that since 2001, in accordance with the IGA, those involved in the delivery of counter-terrorism capability had exerted significant efforts across a broad range of fronts to strengthen Australia's capability. Effective measurement and evaluation of performance in this area is a significant challenge, and the Department welcomes the ANAO's finding that strategies and processes to evaluate the National Capability Development

Exercise Program and manage continuous improvement are generally effective.

41. The Department has worked hard internally and with stakeholders to put practices and procedures in place that address these challenges. Initiatives that will build upon existing processes include the lessons learned database, establishment of a dedicated evaluation unit, and development of a rolling four-year capability development exercise program. The recommendations made by the ANAO will be a valuable tool for the Department as it continues its efforts to improve performance in this area.

42. The full agency response is included at Appendix 1.

Department of the Prime Minister and Cabinet

43. The Department of the Prime Minister and Cabinet (PM&C) thanks the Australian National Audit Office (ANAO) for its report. PM&C notes that the report concludes that there are well-defined frameworks in place for the coordination of national response to terrorism and that the national counter-terrorism arrangements are subject to frequent, ongoing and multi-level evaluations. PM&C also notes that since September 2001, the national arrangements have undergone continuous and rapid evolution, and that strategies and processes were generally in place for evaluation of the arrangements and the management of continuous improvement. PM&C accepts the report's recommendations, noting that steps are being taken by both PM&C and the Attorney-General's Department (AGD) to address the issues identified by the report, including in relation to the national counter-terrorism exercise programme.

44. The full agency response is included at Appendix 2.

Recommendations

Set out below are the ANAO's recommendations, with abbreviated responses from the two audit agencies. Where the agencies have provided a more detailed response, this is shown in the body of the report, immediately after each recommendation.

Recommendation No.1
Para. 4.58

The ANAO recommends that, to provide better information to contribute to strategic assessments, decisions and reporting, the Attorney-General's Department, with input and guidance from the Department of the Prime Minister and Cabinet:

- a) centrally coordinate and amalgamate the issues and recommendations arising from the various reviews and exercises; and
- b) provide strategic analyses of this information.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

Recommendation No.2
Para. 4.71

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue the adoption of a more strategic approach to determining the National Capability Development Exercise Programme so that:

- a) the exercises conducted better address the areas of greatest priority and maximise their contribution to the enhancement of a basic, viable nation-wide capability;
- b) synergies with other exercises and reviews can be better taken into account; and
- c) the rationale for the setting of the programme, including the individual components, is clearly documented.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

**Recommendation
No.3
Para. 5.43**

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, seek to create systematic mechanisms for better targeting and evaluating inter-agency coordination within the National Capability Development Exercise Programme and continuous improvement cycle.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

**Recommendation
No.4
Para. 5.68**

The ANAO recommends that the Attorney-General's Department, in conjunction with the National Counter-Terrorism Committee's exercise management advisers, explore options for the incorporation of more contemporary and varied testing and training aids in the National Capability Development Exercise Programme.

Attorney-General's Department response: Agreed.

**Recommendation
No.5
Para. 6.32**

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue a more strategic and systematic approach to the measurement of performance via the National Capability Development Exercise Programme by:

- a) the setting of broad exercise objectives and supporting performance indicators that are aligned with the priority areas of the national arrangements to be tested;
- b) the consistent setting of objectives and performance indicators that allow for the measurement and reporting of performance over time; and
- c) encouraging agencies to set objectives and performance indicators that are more aligned with those of the broad exercise and those of other relevant participating agencies.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

**Recommendation
No.6
Para. 6.42**

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee:

- a) clearly distinguish between the testing/evaluation components and the training components for the exercises conducted under the National Capability Development Exercise Programme; and
- b) ensure that the National Capability Development Exercise Programme, and each of the exercises conducted, places sufficient emphasis on evaluation.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

**Recommendation
No.7
Para. 7.51**

The ANAO recommends that the Attorney-General's Department, in consultation with the National Counter-Terrorism Committee, strengthens the reporting on the National Capability Development Exercise Programme through:

- a) the provision of clearer guidance on, and monitoring of, the quality of reporting required for the exercises; and
- b) a review of the exercise umpiring process to maximise the contribution umpires make to effective performance measurement and reporting and hence to continuous improvement.

Attorney-General's Department response: Agreed.

**Recommendation
No.8
Para. 7.61**

The ANAO recommends that the Attorney-General's Department better monitor and account for the expenditure of individual exercise costs under the National Capability Development Exercise Programme, through:

- a) the provision of more detailed guidance on, and subsequent monitoring of, the financial reporting required for the exercises; and
- b) the provision of committed and actual cost reports for each exercise to the National Counter-Terrorism Committee to allow decisions to be made that will maximise the benefit of the exercise programme for the moneys expended.

Attorney-General's Department response: Agreed.

Recommendation
No.9
Para. 8.83

The ANAO recommends that, to ensure the outcomes of evaluations are effectively used to enhance the national counter-terrorism arrangements, the Attorney-General's Department and the Department of the Prime Minister and Cabinet take appropriate measures to ensure:

- a) the continuous improvement process for the counter-terrorism arrangements is strengthened and made transparent. Key areas for improvement in this regard include:
 - a more strategic approach to the determination of desired outcomes,
 - a more strategic and systematic approach to the setting of evaluation objectives and performance information and assessment mechanisms,
 - increased analysis of actual performance against objectives, and
 - a more systematic monitoring and follow-up of evaluation outcomes and recommendations; and
- b) sufficient and skilled resources are assigned to undertake the data management and analysis required.

Attorney-General's Department response: Agreed.

Department of the Prime Minister and Cabinet response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter provides the context for the audit and outlines the objectives, scope and methodology of the audit and the structure of the report.

Background

Measures taken to strengthen Australia's counter-terrorism arrangements in response to recent overseas terrorist attacks

1.1 The attacks on the World Trade Centre in New York and the Pentagon building in Washington on September 11, 2001 introduced a new and confronting dimension to the international security environment. This was reinforced by the terrorist attacks in Bali on 12 October 2002 and 1 October 2005, in Madrid on 11 March 2004, the bombing of the Australian Embassy in Jakarta on 9 September 2004 and the terrorist incidents in London on 7 July 2005. The national counter-terrorism alert level in Australia has remained assessed at the 'medium' threat level since September 2001, meaning that a terrorist attack in Australia could occur. The Australian Government White Paper *Transnational Terrorism: The Threat to Australia* and the complementary publication *Protecting Australia Against Terrorism*, released in 2004, provide an overview of the global threat and Australia's strategic policy and operational response.

1.2 The Australian Government's response has been to strengthen and upgrade the counter-terrorism arrangements, involving the commitment of almost \$5.6 billion in additional budget funding since 2001. State and Territory governments have also strengthened and upgraded their arrangements. The additional funding committed by the Australian Government to domestic security measures from 2001–02 to 2008–09 is detailed in Table 1.1.

Table 1.1**Australian Government additional budget funding commitment to domestic security: 2001–02 to 2008–09**

Capability	Funding commitment
Strengthening our intelligence capabilities	\$1250.1 million
Additional protective security	\$2310.2 million
Additional border security	\$849.8 million
Building our response capacity	\$901.9 million
Enhancing security capacity and cooperation in our region	\$251.7 million
Total	\$5563.7 million

Note: These are for commitments announced up to and including the Budget 2005–06. These figures reflect impact on total fiscal and underlying cash balances.

Source: Department of Finance and Administration.

1.3 Key features of the nation-wide upgrade include:

- the signing of an inter-governmental *Agreement on Australia's National Counter-Terrorism Arrangements* (the IGA) on 24 October 2002;
- the transition of the previous counter-terrorism committee, the Standing Advisory Committee on Commonwealth/State Cooperation for Protection Against Violence (SAC-PAV), to the National Counter-Terrorism Committee (NCTC), with a broadened mandate;
- the transition of the former Australian Government committee, the Standing Inter-Departmental Committee for Protection Against Violence (SIDC-PAV), to the Australian Government Counter-Terrorism Committee (AGCTC) and the establishment of the Australian Government Counter-Terrorism Policy Committee (AGCTPC);
- the allocation of the role of policy coordination for the Australian Government to the National Security Division in the Department of the Prime Minister and Cabinet, established in July 2003;
- the release in June 2003 of the NCT Plan (revised in September 2005) and the accompanying National Counter-Terrorism Handbook in September 2003 (revised in December 2004);
- enhancement of the National Counter-Terrorism Capability Development Exercise Programme;
- other government policy reviews into areas of identified need; and
- amendments to legislation and a further *Inter-Governmental Agreement on Counter-Terrorism Laws* signed on 25 June 2004.

1.4 The publication *Protecting Australia Against Terrorism* states that the Australian Government's national counter-terrorism strategy has three key strategic objectives:

- *maximum preparedness*—high-quality intelligence to prevent and disrupt attacks against Australians or Australian interests at home or abroad;
- *comprehensive prevention*—optimal strategies and arrangements in place to protect Australia's people, infrastructure and interests against the activities of terrorists; and
- *effective response*—the means to minimise the impact of a terrorist incident, should one occur⁵.

1.5 The NCT Plan and Handbook further detail the phases of 'prevention and preparedness', 'response' and 'recovery'. The NCT Plan and Handbook describe how the Australian Government and the States and Territories work together to deliver the basic, viable nation-wide counter-terrorism capability.

1.6 A significant number of additional measures and structures have been implemented to continually strengthen Australia's capability. However, broader and enhanced capability brings increased challenges of coordination and alignment.

Australia's revised counter-terrorism coordination framework

1.7 A special Leaders Summit on Terrorism and Trans-national Crime, involving the Prime Minister, Premiers and Chief Ministers, was convened in April 2002. Leaders agreed that a new national framework was needed to meet new challenges. They foresaw that the new framework would build on the existing arrangements but would add elements to enable Australia to respond more quickly and effectively to the new and emerging challenges. Consequently, the draft inter-governmental agreement on *Australia's National Counter-Terrorism Arrangements* was prepared, and this was finalised in October 2002, after the Bali bombings.

1.8 The IGA states that: 'the purpose of the agreement is to establish a framework to enhance Australia's counter-terrorism capability through a cooperative partnership between all jurisdictions'.

1.9 The IGA further states that the framework will enable:

- effective nation-wide prevention, response, investigation and consequence management arrangements based on best practice;

⁵ *Protecting Australia Against Terrorism*, Australian Government, Canberra, 2004. p. viii.

- a comprehensive and complementary legal regime across all jurisdictions; and
- effective cooperation, coordination and consultation between all relevant parties in all jurisdictions.

1.10 Under the Constitution of Australia the State or Territory in which a terrorist incident occurs holds the primary operational responsibility for the management of that incident. The first responders will be the respective State/Territory police and emergency services.

1.11 The NCT Plan uses the following definition of a terrorist act, abbreviated from the *Commonwealth Criminal Code Act 1995*:

A terrorist act is an act or threat intended to advance a political, ideological or religious cause by coercing or intimidating an Australian or foreign government or the public, by causing serious harm to people or property, creating a serious risk to the health and safety of the public, disrupting trade, critical infrastructure or electronic systems⁶.

1.12 The NCT Plan prescribes the roles of State and Territory governments as:

- maintain policies, legislation and plans within their jurisdictions;
- maintain counter-terrorism and consequence management capabilities in the agencies listed in Annex A to the NCT Plan (Agency Roles–States and Territories)
- have primary operational responsibility to respond to a terrorist situation in their jurisdiction;
- determine prevention strategies and operational responses to threats and may seek assistance from, or provide assistance to, other jurisdictions;
- actively consider the requirement for the declaration of a National Terrorist Situation⁷; and
- in a National Terrorist Situation contribute to the national strategy.⁸

1.13 The NCT Plan also provides further details on how the arrangements are to operate and specifies the role of the Australian Government as follows:

⁶ *National Counter-Terrorism Plan*, June 2003, Section 2, p. 2.

⁷ A National Terrorist Situation may be declared, by the Australian Government in consultation with the States and Territories, based on the scale and magnitude of the incident, whether more than one jurisdiction is involved, and the capacity of the States and Territories to manage the incident.

⁸ op. cit. *National Counter-Terrorism Plan*, Section 2, p. 2.

- maintain counter-terrorism capabilities with the agencies listed in Annex A (Agency Roles–Australian Government);
- maintain national policies, legislation and plans;
- determine Australian Government prevention strategies and Australian Government operational responses to threats;
- support the States/Territories in responding to terrorist situations in their jurisdictions;
- with the agreement of the affected States/Territories, declare a National Terrorist Situation; and
- in a National Terrorist Situation determine policy and broad strategies in close consultation with affected States/Territories.⁹

1.14 This division of responsibilities is an important factor underpinning the counter-terrorism coordination arrangements. Coordination is managed in a number of ways:

- across and between Australian Government agencies;
- across and between the States' and Territories' government agencies; and
- between the Australian Government agencies and the State and Territory government agencies.

1.15 The multi-layered approach to coordination is managed through a range of counter-terrorism committees and through the policy and operational coordination roles and responsibilities of the two primary coordinating agencies, PM&C and AGD.

1.16 PM&C manages the roles of supporting the Prime Minister and coordinating counter-terrorism policy at the broad level across the Australian Government as well as co-chairing the NCTC and driving and coordinating a range of work to report to and support the Council of Australian Governments (COAG)¹⁰.

1.17 AGD describes the primary role of the Protective Security Coordination Centre (PSCC) as: 'the central coordination of the operational response to

⁹ *ibid.* Section 2, p. 2.

¹⁰ PM&C paper, *The Role of the Department of the Prime Minister and Cabinet in Coordinating the National Counter-Terrorism Arrangements*, 31 January 2005.

terrorism within the Australian Government and between the Australian Government and the States/Territories'¹¹.

1.18 The roles and responsibilities of the various committees as well as the more detailed roles of PM&C and AGD are described more fully in Chapter Two.

Evaluations of Australia's counter-terrorism arrangements

1.19 Evaluations, reviews or assessments of activities such as the counter-terrorism coordination arrangements, play an important role in aiding judgments about the performance of the activity and its appropriateness, efficiency and effectiveness. The outcomes of evaluations can inform decision-making, form the foundation for continuing improvements and provide greater accountability. Given the significant funds committed, and efforts extended by all governments towards delivering the basic, viable nation-wide counter-terrorism capability, regular and structured evaluation should play a vital role in the improvement of, and accountability for, Australia's domestic counter-terrorism arrangements.

1.20 The IGA provides for the national counter-terrorism arrangements to be reviewed every three years, and further provides for this review to be managed by the NCTC¹².

1.21 The ANAO found that a variety of evaluation mechanisms were used to inform the counter-terrorism arrangements, including:

- Australian Government initiated reviews into specific aspects of counter-terrorism or as part of cabinet and budgetary processes;
- NCTC commissioned evaluations to measure progress across the counter-terrorism capability;
- exercises conducted under the NCTC Exercise Programme;
- agency-specific reviews of their own performance;
- specific agency or inter-agency exercises;
- on-the-job testing as part of daily counter-terrorism activities; and
- debriefs conducted post any terrorist/security-related incident.

¹¹ AGD submission to the ANAO, 4 February 2005.

¹² *An Agreement on Australia's National Counter-Terrorism Arrangements*, October 2002, p. 5.

Audit objectives and scope

1.22 It is important that the elements of the coordination framework are well designed, clearly articulated and that they are regularly tested and evaluated to ensure their effectiveness.

The objectives of the audit were to:

- assess the effectiveness of the key evaluation methods used to review the efficacy of the Australian Government's national counter-terrorism coordination arrangements; and
- examine the effectiveness of the links between the key evaluation methods, and how the key evaluation methods contribute to the process of continuous improvement.

1.23 The audit criteria assessed:

- the strategic alignment between the key evaluation methods employed and the counter-terrorism coordination frameworks;
- aspects of the coverage of the key evaluation methods employed;
- the adequacy of the performance measures used for the evaluations;
- the available mechanisms for reporting the outcomes of the evaluations; and
- how the effectiveness of the national counter-terrorism arrangements is being increased through a formal process of continuous improvement.

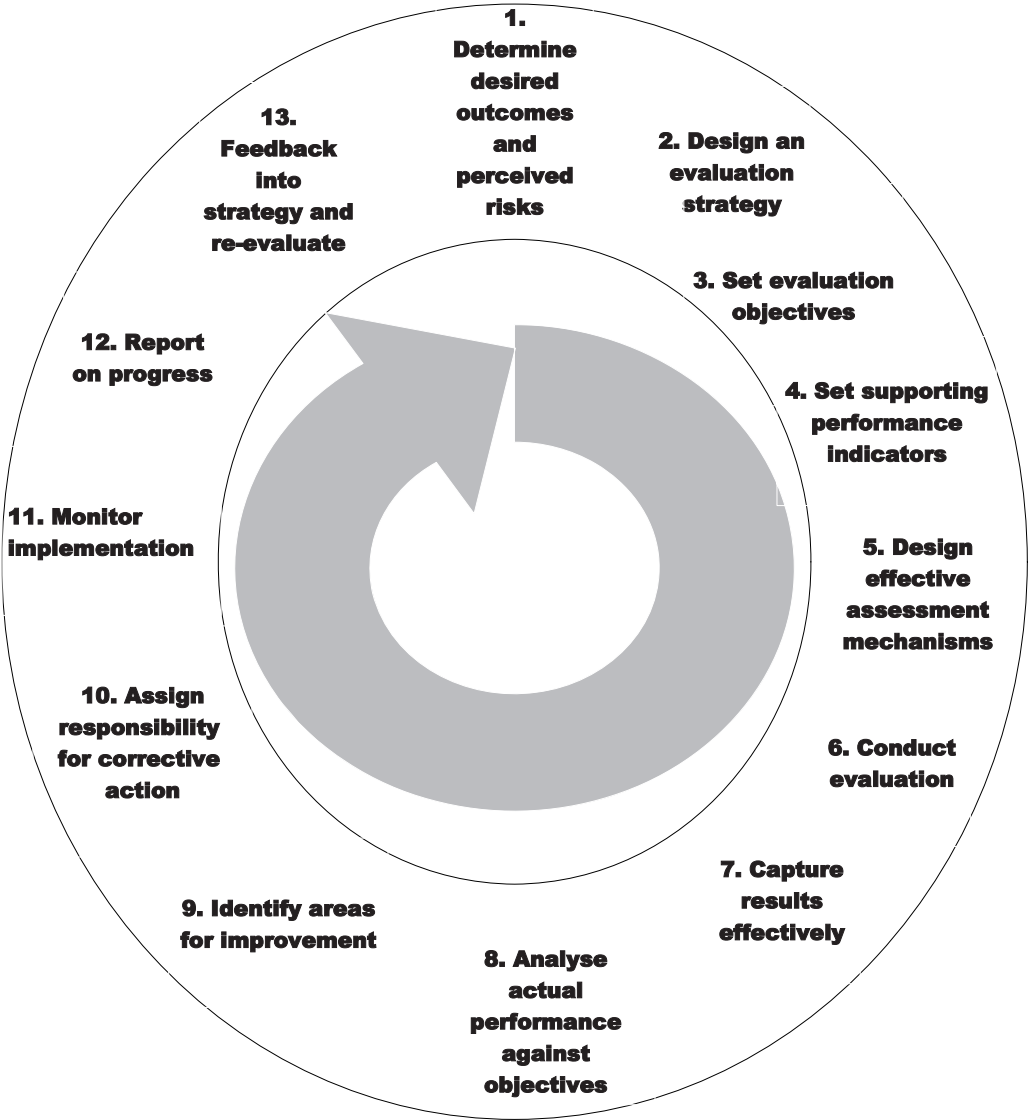
1.24 The coordination responsibilities of PM&C and AGD focus on Australia's domestic counter-terrorism arrangements. The coordination responsibility for Australia's international capability and the protection of Australians and Australian interests offshore resides with the Department of Foreign Affairs and Trade. The ANAO did not examine the international arrangements as part of this audit, nor did it examine the broader elements of national security, such as defence or border protection. The audit only considers matters relating to the evaluation and continuous improvement of the domestic counter-terrorism arrangements.

1.25 The following model¹³ for a continuous improvement cycle formed the basis for examination of evaluation methods for the national counter-terrorism arrangements. Figure 1.1 outlines the 13 phases of this particular model, and these phases are used as a basis for assessment in subsequent chapters.

¹³ The ANAO has adapted this model from continuous improvement cycles that assess risk management processes. The model has been modified so that it can be applied in an evaluation context.

Figure 1.1

A model for a continuous improvement cycle



Source: ANAO.

1.26 The ANAO examined the Australian Government commissioned evaluations, the NCTC commissioned evaluations and the exercises conducted under the Exercise Programme as part of the audit. The nature and extent of these evaluations and exercises is outlined in Chapter Three.

1.27 The two designated audit agencies were the Department of the Prime Minister and Cabinet (National Security Division), which holds primary responsibility for the coordination of counter-terrorism policy, and the Attorney-General's Department (the Protective Security Coordination Centre) which holds primary responsibility for operational coordination of counter-terrorism measures, including the management of the Exercise Programme.

Audit methodology

1.28 The audit methodology included:

- examination of key strategic documents and the summary meeting minutes from the three NCTC committees and the two Australian Government committees;
- examination of all the major reviews conducted into counter-terrorism since 2001 and the 1997 review of the exercise and training programme;
- examination of documentation relating to the Exercise Programme and the files relating to the national counter-terrorism exercises conducted during 2004;
- papers submitted by PM&C and AGD to the ANAO outlining their key roles and responsibilities;
- survey of all agencies that are members of the NCTC or that are listed in the NCT Plan to seek their views on the evaluation mechanisms and on the roles and responsibilities of PM&C and the AGD;
- attendance as observers during the conduct of two exercises and at four planning meetings for exercises to be held during 2005;
- consultation with key staff in the National Security Division (PM&C) and the Protective Security Coordination Centre–Counter-Terrorism Branch (AGD), other key Australian Government agencies with a role in counter-terrorism, the NSW Counter-Terrorism Branch, and an independent expert from the Australian Strategic Policy Institute.

1.29 The ANAO engaged Mr Chris Conybeare AO as a consultant to assist in the analysis of the current counter-terrorism arrangements and to provide advice on the general security environment.

1.30 The audit was conducted in conformance with ANAO auditing standards and cost some \$630 000.

Security classified material

1.31 The majority of the materials reviewed by the ANAO were security classified. Any direct quotes in this report are from unclassified documentation, such as the NCT Plan. Material from classified documents has been summarised as necessary, or referred to in general terms only.

Structure of the report

1.32 The report is structured as follows:

- Chapter Two—*The Framework for the National Coordination of Australia's Counter-Terrorism Arrangements*—provides an overview of the counter-terrorism coordination framework and the roles of PM&C and AGD within this framework;
- Chapter Three—*Nature and Extent of the Key Evaluation Methods Used*—provides an overview of the nature and extent of the evaluations conducted and the format and management of the Exercise Programme;
- Chapter Four—*Strategic Alignment Between the Key Evaluation Methods and the National Counter-Terrorism Coordination Frameworks*—examines the strategic alignment of the evaluations and exercises and links to the counter-terrorism framework;
- Chapter Five—*Evaluation Coverage*—examines the coverage of the evaluations and exercises in terms of whether all agencies are tested, the coverage of inter-agency coordination as well as capability, and whether the exercises challenge the participants;
- Chapter Six—*Performance Measures Used for Evaluations*—reviews the setting of objectives and terms of reference for the evaluations, the performance measurement criteria applied, and whether these provide a sound basis for continuous improvement and the monitoring of changes over time;
- Chapter Seven—*Mechanisms for Reporting the Outcomes of Evaluations*—reviews the processes for the reporting of the outcomes and lessons learned from major reviews of the national counter-terrorism arrangements and the Exercise Programme; and
- Chapter Eight—*Effective Use of Counter-Terrorism Evaluations as a Basis for Continuous Improvement*—examines how effectively the results of the evaluations are actioned through a continuous improvement cycle to ensure ongoing strengthening of the national counter-terrorism arrangements.

2. The Framework for the National Coordination of Australia's Counter-Terrorism Arrangements

This chapter identifies the features of the framework for counter-terrorism coordination, including the various counter-terrorism committees. It examines the roles of the National Security Division (PM&C) and Protective Security Coordination Centre (AGD) as the main whole-of-government and across-government coordination agencies. Their support to the counter-terrorism committees is also discussed.

Introduction

2.1 The ANAO examined the evaluation methods relating to the:

- Australian Government coordination arrangements;
- NCTC coordination of the national arrangements; and
- Exercise Programme.

2.2 The frameworks for Australian Government and national coordination are discussed below.

Australian Government coordination

2.3 The Australian Government's approach to national security, as articulated in *Protecting Australia Against Terrorism*, recognises the importance of leadership from the centre¹⁴. A number of measures have been put in place since September 2001 to strengthen central leadership. Key elements of this include:

- strengthening the role of the National Security Committee of Cabinet (NSC);
- improving the Government's counter-terrorism policy capacity and revitalising key national committee structures; and
- expanding the links across Australian Government agencies and between the Australian Government and the State and Territory governments.

¹⁴ op. cit. *Protecting Australia Against Terrorism*, p. 9.

Strategic coordination

2.4 At the highest level, the Australian Government's response is coordinated by the NSC. The NSC is the Australian Government's peak decision-making body on all domestic security issues, including defence, border protection, critical infrastructure protection, aviation, maritime and land transport security. As well as dealing with strategic issues and coordination at the Ministerial level, the NSC would undertake the chief decision-making role in any national crisis.

2.5 The NSC is supported by the Secretaries' Committee on National Security (SCNS), which is chaired by the Secretary of PM&C. SCNS has major coordination functions in national security, defence and intelligence.

2.6 The Attorney-General is a member of the NSC and is the Minister responsible for national security. The Attorney-General's portfolio contains a number of agencies (such as the Australian Security Intelligence Organisation and the Australian Federal Police) and divisions that contribute to national security and counter-terrorism capability. The PSCC is a division within the Attorney-General's Department.

Counter-Terrorism committees

2.7 At the agency level, the Australian Government has two committees to coordinate the development of counter-terrorism policy and operations. These are:

- the Australian Government Counter-Terrorism Policy Committee (AGCTPC); and
- the Australian Government Counter-Terrorism Committee (AGCTC).

2.8 The AGCTPC first convened in October 2002 and is the key inter-agency forum for the coordination of Australian Government strategic policy on counter-terrorism issues. It meets approximately every two months and its membership comprises senior level agency representatives.

2.9 The second committee, the AGCTC, is a revitalisation of the previous SIDC-PAV. It is intended to assist in the development of Australian Government policies and strategies as well as the arrangements to prevent, deter, respond to and manage the consequences of politically motivated violence or terrorism. This committee also:

- provides coordination in response to politically motivated violence or a terrorist incident through the formation of the Special Incident Task-Force;

- coordinates the protective security arrangements for Australian high office holders, visiting dignitaries, diplomatic and consular missions; and
- coordinates protective security arrangements for special events of national interest.

2.10 This committee meets monthly. One of its tasks is to review the national counter-terrorism alert level and to make a recommendation to the Attorney-General on the setting of the appropriate alert level for Australia for the next month. Any change to the level of alert requires Ministerial level agreement, including if possible, the Prime Minister, the Attorney-General and the Minister for Defence.

2.11 The AGCTPC and the AGCTC allow for a cohesive and integrated Australian Government approach to be taken forward to the NCTC and its sub-committees. The membership of all of the committees is shown in the following segment in Table 2.1.

National coordination

2.12 The Australian Government's strategy recognises the fundamental importance of close cooperation, coordination and integration across governments in the endeavours to combat terrorism.

National counter-terrorism committees

2.13 A different set of three committees provides for coordination of the national counter-terrorism arrangements between the Australian Government and the States and Territories of Australia.

2.14 The highest level committee is the NCTC. Its terms of reference, as incorporated into Annex A of the IGA¹⁵, are to: 'contribute to the security of the Australian community through the coordination of a nation-wide cooperative framework to counter-terrorism and its consequences'.

2.15 The NCTC includes police and premier's department representatives from all jurisdictions as well as representatives from a number of Australian Government agencies. It meets semi-annually, and is hosted by States and Territories on a rotational basis. The meetings are co-chaired by a representative from the host State and one from the Australian Government (a Deputy Secretary from PM&C).

¹⁵ op. cit. *An Agreement on Australia's National Counter-Terrorism Arrangements*, Annex A, National Counter-Terrorism Committee Terms of Reference.

2.16 The NCTC Executive Committee (NCTC EC) manages the business of the NCTC between sessions and provides strategic direction at the higher policy level. This committee meets approximately quarterly. Jurisdictional representation is shared between the police and premier's departments, and a lesser number of representatives attend from Australian Government agencies.

2.17 The NCTC Capability Sub-Committee (the CSC) is the operational sub-committee that meets semi-annually, in advance of the NCTC meeting. It advises the NCTC, through the EC, on national counter-terrorism capability and coordinates the preparation and implementation of the NCTC training, exercise and equipment programmes as well as the capability forums.

Table 2.1

Membership of the counter-terrorism committees

Agency	AGCTPC	AGCTC	NCTC	NCTC EC	NCTC CSC
PM&C	✓ Chair	✓	✓ Co-Chair ¹	✓ Chair	✗
AGD (PSCC)	✓	✓ Chair	✓	✓	Exec. Off.
AGD	✓	✓	✓	✓	✗
AGD (EMA)	✓	✓	✓	✓ (2/04)	✓
AFP	✓	✓	✓	✓	✓
ASIO	✓	✓	✓	✓	✓
DOTARS	✓	✓	✓	✓ (2/04)	Observer
ADF	✓	✓	✓	✓	✓
DIMIA	✓	✓	✗	✗	✗
ACS	✓	✓	✗	✗	✗
DOHA	✓	✓	Observer	✗	✗
DOCITA	✓	✗	✗	✗	✗
DAFF	✓	✗	✗	✗	✗
DITR	✓	✗	✗	✗	✗
Finance	✓	✓	✓	✗	✗
DFAT	✓	✓	✓	✗	✗
DEST	✓	✗	✗	✗	✗
ONA	✓	✓	Observer	✗	✗
AUSTRAC	✓	✗	✗	✗	✗
NSW Police	N/A	N/A	✓	✓	✓
NSW Premier's	N/A	N/A	✓	✗	✗
Vic Police	N/A	N/A	✓	✗	✓
Vic Premier's	N/A	N/A	✓	✓	✓
Qld Police	N/A	N/A	✓	✓	✓
Qld Premier's	N/A	N/A	✓	✗	✗
WA Police	N/A	N/A	✓	✗	✓
WA Premier's	N/A	N/A	✓	✓	✗
SA Police	N/A	N/A	✓	✗	✓ Chair
SA Premier's	N/A	N/A	✓	✓	✗
TAS Police	N/A	N/A	✓	✗	✓
TAS Premier's	N/A	N/A	✓	✓	✗
NT Police	N/A	N/A	✓	✓	✓
NT Premier's	N/A	N/A	✓	✗	✗
ACT Police	N/A	N/A	✓	✗	✓
ACT Justice & Community	N/A	N/A	✓	✓	✗

Notes: ✓ = committee member, ✗ = not a committee member, N/A = not applicable to be a committee member and

¹ the other co-chair of the NCTC Committee is either the premier's or police department representative of the State/Territory in which the meeting is being held.

Source: ANAO, based on analysis of the various committee meeting minutes.

Role of PM&C and AGD in Australian Government and national coordination

2.18 At the administrative level, key policy and operational coordination is assigned to two Australian Government agencies. Within PM&C, the National Security Division (NSD) largely undertakes the policy coordination role for counter-terrorism. Within AGD, operational coordination is assigned to the PSCC.

Role of PM&C

2.19 PM&C has advised the ANAO that, through the NSD, ‘it provides strategic advice to the Prime Minister and the government on counter-terrorism policy and broad level direction to counter-terrorism activity across government’¹⁶.

2.20 The NSD was established in July 2003 as one of the key initiatives to strengthen the government’s ability to meet the challenges of terrorism on a whole-of-government basis. The ANAO notes that PM&C is involved in almost all of the coordination levels of the counter-terrorism arrangements.

2.21 The PM&C paper outlines its range of functions as including:

- NSC—supports the Prime Minister as Chairman of the NSC by providing independent assessments of policy initiatives brought forward, takes the lead in coordinating major cross-portfolio submissions and monitors the implementation of major NSC decisions;
- SCNS—works with line agencies to ensure policy proposals are coordinated from a whole-of-government perspective before going forward for ministerial consideration, and coordinates reviews conducted by SCNS on behalf of the NSC;
- AGCTPC—Deputy Secretary chairs this committee to ensure that policy development is timely and coordinated from a whole-of-government perspective;
- AGCTC—as a member agency, briefs the committee on relevant PM&C activities and foreshadows items on up-coming NSC, SCNS and NCTC agendas;
- chairs, hosts or manages specific taskforces or inter-departmental committees relevant to counter-terrorism;

¹⁶ op. cit. *The Role of the Department of the Prime Minister and Cabinet in Coordinating the National Counter-Terrorism Arrangements*.

- coordinates a research and development programme in support of Australia's counter-terrorism agencies through the Science, Engineering and Technology Unit (SET);
- COAG—supports the Prime Minister as the Chairman of COAG, leads work on issues of national security significance on behalf of COAG and coordinates the NCTC's Annual Report to COAG;
- NCTC—co-chairs the meetings and provides secretariat support, including maintaining the NCTC forward work programme that monitors the implementation of actions arising from meetings;
- NCTC EC—chairs the meetings and provides secretariat support;
- convenes fortnightly teleconferences between First Ministers' Department NCTC Representatives to provide a regular forum for the informal discussion of key issues between the NCTC and NCTC EC meetings; and
- assists other agencies responsible for counter-terrorism to understand the national framework and the responsibilities of the various agencies.

2.22 This list is not exhaustive, and should a terrorist incident occur in Australia PM&C's role would include other functions such as chairing the National Crisis Committee and the Australian Government Counter-Disaster Task-Force.

Role of AGD

2.23 Within the AGD, the PSCC performs a wide-range of counter-terrorism support and operational coordination functions. The audit focussed on the role of the Counter-Terrorism Branch within the PSCC and the role of this branch in managing the Exercise Programme as well as providing support to the various counter-terrorism committees¹⁷. References to the AGD in this report should generally be taken to refer to the work of the Counter-Terrorism Branch within the PSCC.

2.24 In a paper provided to the ANAO, the AGD broadly articulated the main functions of the Counter-Terrorism Branch to be:

- AGCTC—the PSCC Executive Director chairs this committee and PSCC provides administrative and secretariat support for this committee to ensure that the whole-of-government approach to counter-terrorism is reflected in the arrangements implemented by all agencies;

¹⁷ Other areas within the PSCC include the Watch Office and the National Security Hotline. These areas perform valuable daily coordination tasks that were not examined during this audit.

- NCTC—administers the NCTC Special Fund, including the Exercise Programme and the provision of specialist equipment;
- the capability development programme—coordinates, manages and supports the NCTC counter-terrorism capability development programme through capability development forums, training courses and the Exercise Programme;
- NCTC Capability Sub-Committee (CSC)—provides executive and administrative support; and
- other steering committees and/or working groups—provides executive and administrative support to counter-terrorism working groups as required.

2.25 The AGD also has other functions, including an awareness and educational role to assist other Australian Government agencies and those in the jurisdictions to understand the national framework and the responsibilities of the various agencies.

2.26 In a similar manner to PM&C, the AGD would undertake additional coordination responsibilities in the event of a terrorist incident.

2.27 The role and resources of the AGD received attention in the early high-level reviews of the counter-terrorism arrangements. The 2003–04 Budget provided for a significant increase in staffing for the AGD. At the time of the audit, the additional positions were being filled. As part of a restructure, the AGD created a capability evaluation section in anticipation of an increased evaluation and monitoring role.

Costs of policy and operational coordination

2.28 Commensurate with the commitment of additional funds for countering terrorism, additional funds have also been allocated to the coordinating agencies.

2.29 When the NSD was established in July 2003, it was allocated 15 staff. At the start of 2005–06, NSD staffing had risen to 48.

2.30 The Counter-Terrorism Branch within the PSCC has also received additional resources, with staff levels rising from seven in 2000–01 to 17 in 2003–04 and projected to rise to 31 in 2005–06.

2.31 Table 2.2 shows the expenditure from 2003–04 to 2004–05 and the projected budget for 2005–06 for PM&C (NSD–Counter-Terrorism Branch) and the AGD (PSCC–Counter-Terrorism Branch). Also shown is the expenditure and budget for the NCTC Special Fund.

2.32 These figures do not reflect the total costs of coordination since other coordination functions and frameworks exist. Table 2.2 reflects the costs of PM&C–NSD Domestic Security Branch, AGD–PSCC Counter-Terrorism Branch and the NCTC Special Fund.

Table 2.2

Cost of coordination for 2003–04 to 2004–05 and 2005–06 budget allocation

	2003–04 expenditure	2004–05 expenditure	2005–06 budget
PM&C–NSD Domestic Security Branch ¹	\$1 884 000	\$2 554 238	\$2 196 485
AGD–PSCC Counter- Terrorism Branch	\$2 186 582	\$2 802 797	\$3 507 885
NCTC Special Fund	\$13 596 763	\$9 605 912	\$12 777 000
Total	\$17 667 345	\$14 962 947	\$18 481 370

Notes: ¹ PM&C–NSD Domestic Security Branch figures are an estimate only as PM&C financial systems are configured to provide divisional costs and not branch costs. The Department has estimated that the cost of its Domestic Security Branch comprises: 53 per cent of NSD's general operating expenditure (including resources received free of charge, e.g. seconded staff funded by their home agencies); SET Unit operating expenses and NCTC Secretariat administered funding. It should be noted that PM&C's Domestic Security Branch works on a range of domestic security issues including, but not limited to, counter-terrorism.

Funding administered by the SET Unit for projects under the SET Support for Counter-Terrorism Programme is not included in the coordination costs of the Domestic Security Branch. Actual expenditure for this function in 2004–05 was \$996 326 and the projected budget for 2005–06 is \$2 million.

Source: ANAO analysis of PM&C and AGD data.

Effectiveness of the national coordination framework

2.33 The coordination of the interconnecting Australian Government and national frameworks presents significant challenges to the two coordinating Australian Government agencies, PM&C and AGD. The counter-terrorism arrangements are delivered through a number of mechanisms that require integration, including:

- Australian Government coordination and nation-wide coordination;
- capability development and the development of effective coordination processes to deliver combined capability; and
- coordinated policy development and operational implementation.

2.34 In its examination of the various committee minutes, and through consultation with a number of agencies, the ANAO found that a large number

of projects and programmes were being progressed in accordance with the national strategy. These ranged from legislative changes, intelligence capability, research and development, preparation for significant events such as the Commonwealth Games in 2006 and APEC in 2007, the revision of core documentation such as the Handbook, the running of expanded exercise and training programmes as well as ongoing efforts to refine the strategy and frameworks.

2.35 In addition, agencies regularly respond to security incidents (whether small or large) as part of their daily business. The task of ensuring effective information flows as well as timely and coordinated responses on such a broad range of issues is complex and requires extensive management. This management includes the requirement that the roles and responsibilities of each agency are clearly articulated and understood by all other agencies, and that the way the parties are intended to work together is also clearly defined.

ANAO survey responses on the coordination framework

2.36 As part of the audit the ANAO conducted a survey of the counter-terrorism agencies. Part C of this survey sought agencies' views on the effectiveness of the national coordination arrangements and on the secretariat support for the committees provided by PM&C and the AGD.

2.37 In response to a question regarding whether agencies thought the roles and responsibilities of the various committees were clear, only 50 per cent agreed this to be the case. Some agencies stated that the roles were clear but required some rationalisation, and some agencies said the roles of the committees were only clear to those typically involved in them.

2.38 Overall, the agencies indicated that they considered the committees provided a sound over-arching framework for counter-terrorism, but that some of the roles required review and that meetings should be shorter and more sharply focussed on strategic issues.

2.39 The ANAO notes that at the time of the audit a review of the NCTC sub-committees was underway. Since audit fieldwork, the outcomes of this review have been reported to the NCTC in May and July 2005. PM&C has advised the ANAO that it will be looking at ways to implement the review recommendations in October 2005.

2.40 With respect to the level of secretariat support provided by PM&C or AGD, the majority of agencies were highly positive, commenting that the agencies provided professional and proactive support. A small number of agencies suggested that the distribution of papers could be more ordered and timely.

2.41 The ANAO's examination of the various committee's minutes noted much duplication of briefings from specific agencies as well as briefings regarding the activities of the other committees. In making this observation the ANAO further noted that some briefings were not supported by papers due to the sensitivity of the information. However, the requirement for significant information exchange, while important, reduces the time available for the strategic or operational progression of counter-terrorism issues.

2.42 The AGCTC minutes reflected that aside from the recommendation regarding the alert level, all items were briefings from the Australian Government counter-terrorism agencies.

2.43 The AGCTPC minutes also reflected mainly an imparting of information from the coordinating agencies to other Australian Government agencies. PM&C, who provide the secretariat support for this committee, confirmed that the primary purpose of the committee is to impart information regarding the national strategy from NSC and SCNS. The committee also shares policy information across the member agencies for the respective portfolios to factor into their own policy initiatives or to follow up on any identified linkages or synergies.

2.44 The ANAO considered that a greater allocation of time for the committees to consider the overarching strategy and the overall effectiveness of the efforts extended to date would be a useful supplement to the ongoing work of the various committees.

2.45 The ANAO notes that the greater allocation of time for the consideration of strategic issues was also identified as part of the NCTC sub-committee review. The review considered that 'there is scope for refining some of the NCTC's operating procedures to allow greater time to be devoted to the consideration of strategic issues at NCTC and NCTC EC meetings'.

2.46 The review also recommended that a Capability Steering Group be established to assist the NCTC EC in providing strategic guidance to counter-terrorism capability development. The ANAO considers the creation of the Capability Steering Group to be a important initiative.

2.47 PM&C has advised the ANAO that it will be looking at ways to implement all the review recommendations in October 2005.

2.48 The ANAO notes that during the audit the need for greater strategic oversight had been recognised by PM&C and AGD, and that the Australian Government agencies met for a strategically focussed meeting in early 2005. At the time of the audit, more strategically focussed meetings for the NCTC were being arranged. Subsequent to audit fieldwork, the first of this type of meeting was held in July 2005 and will be planned as required to consider the future strategic directions of the NCTC.

Effectiveness of the PM&C and AGD coordination roles

2.49 The PM&C focus is on strategic policy and the coordination of government, agency and across government policies, whereas the AGD focus is on operational policy and the development of capability. The complex network required to deliver an effective basic, viable nation-wide capability relies on a systematic and effective integration of all the components and the links between them.

2.50 The ANAO considers that PM&C and AGD are important policy and process drivers to facilitate integration and to support coordinated priority setting and decision-making. The coordination roles of the two agencies during a terrorist incident are defined in the NCT Plan and Handbook. As noted earlier, the two agencies were visiting the other relevant agencies during the time of the audit to further increase awareness regarding the national arrangements and their coordination.

2.51 The ANAO considers that the roles of PM&C and AGD are defined. However, given the shift to a greater strategic focus by the committees, the ANAO considers that the two agencies may need to take into account how they will best work together to deliver the secretariat and administrative support to meet any emerging requests from the strategic sub-committees. PM&C and AGD could consider how they will deliver the range of information, reporting and analysis that the committees may need as the basis for whole-of-government strategic consideration.

2.52 A number of the recommendations in this report relate to an increased role for the AGD, supported by PM&C, in the setting of objectives and performance indicators for future evaluations and the provision of coordinated evaluation outcomes, including strategic analysis of the data. The increased evaluation role should assist AGD, with guidance and support from PM&C, to provide much of the information and analyses that the committees may require.

Conclusion

2.53 There are well defined frameworks in place for the coordination of both the Australian Government response and the national response for countering terrorism. Since September 2001 an increasing number of agencies at all levels of government, as well as the private sector, have been drawn into these frameworks.

2.54 The ANAO concluded that the policy and operational coordination roles of PM&C and AGD respectively, for both the Australian Government and national frameworks, had been defined with respect to how the agencies would coordinate a response to any terrorist incident. Their roles in the

provision of administrative and secretariat support to the ongoing operations of the various counter-terrorism committees (refer Table 2.1) established by the Australian Government or the NCTC had also been defined. With respect to the level of secretariat support provided by PM&C or AGD, the majority of agencies were highly positive, commenting that the agencies provided professional, proactive and excellent support. The ANAO noted the work underway to inform newly involved agencies with respect to the policy and operational coordination roles of PM&C and AGD as well as the national arrangements set out in the NCT Plan and Handbook.

2.55 Given the extensive agendas of the various counter-terrorism committees, the ANAO suggests that there would be benefit in the greater allocation of time for the committees to consider the strategic issues relating to the national counter-terrorism arrangements. The ANAO notes that, since audit fieldwork, specific meetings to consider strategic issues have recently commenced and that the review of the NCTC sub-committees offers further solutions that would afford the committees greater opportunity to focus on strategic issues.

2.56 The ANAO considers that there are opportunities for PM&C and AGD to further support the committees' greater focus on strategic directions through the provision of more coordinated reporting and analysis of the outcomes from the range of evaluations conducted. How this could be provided is addressed in detail in the subsequent chapters and recommendations.

3. Nature and Extent of Key Evaluation Methods Used

This chapter examines the nature and extent of the evaluations conducted. It details the Australian Government initiated reviews as well as the NCTC commissioned reviews. The planning, conduct and management of the exercise component of the National Counter-Terrorism Capability Development Training and Exercise Programme (the Exercise Programme) is also discussed.

Introduction

3.1 The national counter-terrorism coordination arrangements are multi-layered, complex, and constantly evolving as new agencies are identified as having a role to play, new threats are uncovered and new or enhanced capabilities are developed. In such a fast-paced and multi-faceted environment, evaluations, if used effectively, can be a strategic tool to highlight areas of particular vulnerability and thus most requiring attention. The outcomes of evaluations can be used to form part of the risk assessment framework and the subsequent determination of priorities and/or allocation of resources.

3.2 In a better practice model, the results of evaluations would be effectively built into a cycle for ongoing learning and continuous improvement. The results could also be used to enhance the robustness of reporting on progress achieved and outcomes delivered, and in this way lead to improved overall accountability.

3.3 Given the significant funds committed, and the efforts extended by all governments towards delivering the basic, viable nation-wide counter-terrorism capability, focussed and structured evaluations should play a vital role in the continuous improvement of, and accountability for, these efforts. The design of an evaluation programme for such a large whole-of-government initiative presents significant challenges.

3.4 *Protecting Australia Against Terrorism* recognises the ongoing nature of the terrorist threat and the significant challenges that will continue to be presented. In this regard the paper states that:

The Australian Government will continue to review Australia's national security policies and arrangements. It will do this in a number of ways. Australia's national arrangements will be continuously monitored and assessed by the National Security Committee of Cabinet, the National

Counter-Terrorism Committee and the National Security Division of the Department of the Prime Minister and Cabinet¹⁸.

The broad framework for evaluation

3.5 A wide and continuous range of evaluation activity has been undertaken since 2001. The broad strategy for evaluation of the counter-terrorism programmes comprises:

- NSC commissioned reviews;
- PM&C commissioned reviews;
- NCTC commissioned reviews; and
- the NCTC Exercise Programme.

3.6 The key objectives of the various reviews are indicated in Table 3.1 below.

Table 3.1

Framework for the evaluations of counter-terrorism

Australian Government arrangements	Objectives
NSC commissioned reviews	Review areas of identified risk Review significant budget funded initiatives
PM&C commissioned reviews	Follow up on the implementation of significant budget funded initiatives Review areas of need identified across agencies
National arrangements	Objectives
NCTC commissioned reviews	Overarching reviews of capability, coordination and the NCTC framework
NCTC National Capability Development Exercise Programme	‘Test’ and ‘validate’ the arrangements in the NCTC Handbook

Source: ANAO analysis of key documentation and reviews.

3.7 The role of the two coordination agencies, PM&C and AGD, is to undertake key roles in the management and follow-up of evaluation activities. The ANAO examined the effectiveness of the PM&C and AGD roles in this regard.

¹⁸ op. cit. *Protecting Australia Against Terrorism*, p. 62.

Audit approach

3.8 The ANAO examined the major reviews commissioned by the Australian Government as well as those commissioned by the NCTC, including the conduct of the Exercise Programme. The ANAO also reviewed the effectiveness of the incorporation of the results of the evaluations into the counter-terrorism arrangements via a continuous improvement cycle model.

3.9 The ANAO survey sought agency views on the effectiveness of the reviews as well as on the clarity and robustness of the procedures for implementing review outcomes.

3.10 The ANAO also examined the conduct and management of the Exercise Programme. The ANAO reviewed the key documents relating to the programme as well as the files for the six exercises conducted during 2004. The audit included observation of:

- the conduct of two exercises;
- two planning meetings for the next multi-jurisdictional exercise; and
- a policy meeting and a planning meeting for future exercises.

Reviews commissioned by the Australian Government

3.11 PM&C advised the ANAO that a variety of factors drive the higher-level evaluations, including reviews of:

- cabinet decisions and budget allocations, which are scheduled periodically;
- matters relating to the budget;
- responses to an incident;
- responses to identified risks; and
- responses to ASIO threat assessments.

3.12 By way of example, major reviews were commissioned after September 11 2001, after the Bali bombings in 2002, after the Madrid rail bombings in 2004, and after the London bombings in 2005. A review has also been undertaken to assess the plans for the continuity of government in the event of a national security emergency as well as a review into a specific aspect of transport security.

Budget related reviews

3.13 The ANAO found that a number of reviews were conducted to provide a coordinated view of recent developments and to provide the basis for

decisions on funding allocations, as part of the budget process. Comprehensive reviews were undertaken in association with the 2003–04 budget submissions (coordinated by the AGD) and the 2004–05 budget submissions (coordinated by PM&C). In conjunction with the 2004–05 budget submissions PM&C undertook a review of agencies' progress to date in implementing previous and ongoing budget measures.

3.14 The outcomes of these reviews formed the basis for funding decisions against specified criteria.

3.15 The progress of implementation is monitored by the Cabinet Implementation Unit (CIU) and the National Security Division in PM&C to inform future budget years.

SCNS reviews

3.16 The Secretaries Committee on National Security (SCNS) also commissions reviews on behalf of the NSC, mainly in response to significant incidents or into areas of identified risk or vulnerability. The ANAO examined a number of SCNS reviews.

3.17 These reviews were conducted by Australian Government task forces or inter-departmental committees. The ANAO notes that the findings and recommendations of these reviews usually received high implementation priority and that significant resources and funding were provided to enable this.

3.18 The progress of implementation of these reviews is subject to quarterly monitoring by either the CIU or by NSD.

Other Australian Government reviews

3.19 The ANAO also examined a number of Australian Government initiated reviews that were focussed on specific areas of counter-terrorism.

3.20 The ANAO found that PM&C and the AGD managed the processes for these reviews between them. Often steering committees and/or working groups were established to progress the reviews, and these were frequently chaired by either PM&C or the AGD.

3.21 Given that a key element of the national counter-terrorism arrangements is the retention of responsibility by the portfolio Minister, individual Australian Government agencies may also commission reviews into their own internal functions relating to counter-terrorism capability. The ANAO did not examine any of these agency reviews.

Reviews commissioned by the NCTC

3.22 In addition to the reviews initiated by the Australian Government, the NCTC also commissions evaluations, reviews or assessments, usually at set time intervals, and usually addressing the arrangements as a whole.

3.23 The NCTC Terms of Reference, as detailed in the IGA, provide for an over-arching review of the counter-terrorism arrangements to be conducted every three years. The predecessor to the NCTC, the SAC-PAV, also commissioned periodic reviews of capability or of the arrangements.

3.24 The ANAO found that the NCTC commissioned reviews had significant impact on the counter-terrorism arrangements, with numerous recommendations being made.

3.25 During the audit PM&C advised the ANAO that the issue of the three-year review of the national counter-terrorism arrangements was currently being considered. The ANAO notes that at the NCTC May 2005 meeting, the NCTC agreed to recommend to COAG that due to extensive other review activity it would not be necessary to conduct another over-arching review.

Annual reporting to COAG

3.26 In addition to commissioned reviews, the NCTC provides an Annual Report to COAG for the purposes of:

- reporting to heads of government on Australia's counter-terrorism preparedness and capability;
- reporting on NCTC activities during the year;
- identifying issues that may require consideration by heads of government; and
- proposing NCTC priority areas for the following year.

3.27 The ANAO examined the NCTC Annual Report to COAG for 2002–03 and 2003–04. The Annual Report is coordinated and prepared by PM&C, in consultation with NCTC members, as part of the secretariat function to the NCTC.

State and Territory commissioned reviews

3.28 State and Territory agencies may also commission reviews of their own capability. In jurisdictions' responses to the ANAO survey the majority of police services indicated that they undertook periodic reviews. The ANAO

notes that each jurisdiction provides an overview report on progress to the semi-annual NCTC meetings. The audit did not examine any of these reports.

Reviews of the National Capability Development Exercise Programme

3.29 A specific review of the Exercise Programme was undertaken in 1997. This was an extensive review, culminating in some 78 recommendations, a number of which were agreed to by the former SAC-PAV.

3.30 The ANAO found that all three of the over-arching reviews of capability commissioned by the NCTC made comments and recommendations addressing the methodology for the adoption of lessons learned from the exercises as well as the conduct of the Exercise Programme.

3.31 Within the conduct of the Exercise Programme itself, recommendations that relate to exercise management arise and are captured to provide suggestions for improvement. This is commented on further under the section on the exercises.

The National Capability Development Exercise Programme as an evaluation tool

3.32 The Exercise Programme has been in operation since the establishment of SAC-PAV some 30 years ago, and has continued under the auspices of the NCTC.

3.33 To date, Australia has not been subject to a major terrorist incident onshore. Although aspects of the counter-terrorism capability have been tested through Australia's assistance in overseas disasters and terrorist incidents, or through jurisdictions response to disasters or criminal activity, the national domestic preparedness, response and recovery capability has not been fully activated. *Protecting Australia Against Terrorism* recognises the need for the arrangements to be well tested and practised, and to this effect part of the national strategy provided for additional funding for the NCTC Exercise Programme of \$15.6 million over four years, commencing in 2003–04. Some of this funding was committed for the enhancement of the Exercise Programme¹⁹.

3.34 The current Exercise Programme seeks to test, maintain and strengthen counter-terrorism and consequence management capabilities, command and

¹⁹ Of the \$15.6 million, \$12.4 million was allocated directly to the NCTC Special Fund. A further \$3.2 million was allocated for administrative costs incurred by AGD and ASIO in coordinating and contributing to the Exercise Programme.

control and interoperability. The Exercise Programme is built upon the NCT Plan requirement that:

States, Territories and the Commonwealth will maintain counter-terrorism and consequence management capabilities to respond to terrorist incidents...based as far as possible on the all hazard emergency management principle²⁰.

3.35 The NCTC acknowledges that, in addition to this national programme, jurisdictions will conduct additional exercises and training as required.

3.36 The Exercise Programme is managed in conjunction with related training courses and capability forums. The ANAO's examination did not review in detail the training courses or forums. The ANAO did, however, examine the processes by which the outcomes and recommendations arising from the exercises are actioned through a continuous improvement cycle (including links to the training and forums) and thus lead to systematic improvements to the arrangements.

3.37 The NCTC maintains the national counter-terrorism capability and oversees the preparation and implementation of the NCTC training, exercise, capability development forum and equipment programmes. The NCTC has delegated responsibility to the AGD to 'coordinate' the exercise and training programmes.

Funding of the National Capability Development Exercise Programme

3.38 The Australian Government funds the NCTC Special Fund, which was established for the purpose of maintaining and developing the basic, viable nation-wide capability. The AGD administers the Special Fund through the NCTC Financial Guidelines, which indicate areas of appropriate expenditure for training and exercises.

3.39 The NCTC Special Fund is intended for the 'enhancement' of the basic, viable nation-wide capability through the provision of equipment, training and exercising, and is to supplement existing policing and emergency management capability that is funded by the States and Territories, as well as supplementing the existing operations of relevant Commonwealth agencies.²¹

3.40 In addition to the \$12.4 million in funding for the NCTC Special Fund, the Australian Government also provided an additional \$1 million per year over four years commencing in 2004–05 for the conduct of six specific exercise scenarios and the associated staffing.

²⁰ op. cit. *National Counter-Terrorism Plan*, Section 3, p. 5.

²¹ *NCTC Financial Guidelines*.

3.41 Table 3.2 shows the overall increase in expenditure for the counter-terrorism training and development programme since 2002–03.

Table 3.2

Funding for the National Capability Development Training and Exercise Programme 2002–03 to 2005–06

Type of activity	2002–03 expenditure	2003–04 expenditure	2004–05 expenditure	2005–06 budget allocation
Exercises	\$678 000	\$1 046 379	\$2 705 199	\$2 912 000
Training	\$149 000	\$585 060	\$471 629	\$834 000
Capability Development Forums and Overseas Study Tours	\$210 000	\$361 925	\$194 700	\$764 000
Additional specific exercise scenarios			\$673 000	\$491 000
Total	\$1 037 000	\$1 993 364	\$4 044 528	\$5 001 000

Source: NCTC committee papers and AGD information.

The setting of the NCTC National Capability Development Exercise Programme

3.42 The AGD, in consultation with the States and Territories, proposes a rolling three-year programme of exercises to the NCTC for approval. The programme details the host States, the dates and the types of exercises to be conducted. The programme is then refined in consultation with the States and Territories and following consideration of up-coming major events that may be potential targets for a terrorist incident, such as the Commonwealth Games 2006.

3.43 Consistent with the previous arrangements under SAC-PAV, the exercises are rotated throughout the States and Territories. The Commonwealth of Australia, as a jurisdiction, participates in the multi-jurisdictional exercises (MJEX).

3.44 A more detailed annual programme is prepared at the commencement of each financial year. The annual programme of exercises is designed to be in accordance with the following plan:

- **two** *Investigation and Consequence Management Exercises (ICMEX)*: a new type of exercise designed to test and develop the capability to investigate and manage the consequences of threats and acts of terrorism. This type of exercise is conducted at the operational/tactical level;
- **two or three** *Tactical Response Exercises (TACREX)*: designed to develop and maintain the capability of police to coordinate and exercise interoperability with ADF elements, including the two Tactical Assault Groups and the Incident Response Regiment, in response to a terrorist incident. These are conducted at the operational and tactical levels; and
- **a number of** *Discussion Exercises (DISCEX)*: designed to bring together decision-makers from a number of relevant agencies to discuss how these agencies would coordinate and manage their response to a simulated terrorist situation. Usually, these exercises are conducted as part of the above-mentioned exercises and are conducted at both the operational and strategic level.

3.45 In addition, a *Multi-Jurisdictional Exercise (MJEX)* is held approximately every eighteen months. This exercise is strategic in nature and involves concurrent participation by several jurisdictions as well as the Australian Government, employing a common National Terrorist Situation scenario. It also includes participation by Ministers. A mixture of the other exercise types is included to form an MJEX.

3.46 The exercises conducted during 2004, reviewed as part of this audit, are detailed below.

Table 3.3

Exercises conducted during 2004

Exercise	Type of Exercise	Primary Jurisdiction(s)
<i>Bold Endeavour II</i>	TACREX	ACT
<i>Baseline</i>	TACREX	WA
<i>Line Breaker</i>	TACREX	QLD
<i>Explorer</i>	ICMEX	NSW
<i>Heavy Metal</i>	ICMEX	VIC
<i>Mercury 04</i>	MJEX	NT, TAS, SA, VIC and the Commonwealth of Australia

Source: ANAO analysis of AGD information.

Planning, conducting and evaluating individual exercises (other than a Multi-Jurisdictional Exercise)

3.47 Once the NCTC has approved the three-year and annual Exercise Programmes, the AGD and the respective host state or territory convene some six months or so prior to the exercise to plan it. The initial meeting, typically referred to as a policy meeting, is to agree on the exercise objectives. The policy meeting is also a mechanism to inform participants on the administrative arrangements for the exercise. The main output of this meeting is the initial development of exercise 'General Instructions'.

3.48 With the exception of an MJEX, the exercises are led by the host jurisdiction with support from the AGD. The respective State or Territory, in consultation with AGD, is responsible for determining what is to be tested and which agencies need to participate. The role of the AGD is to provide advice on the formulation of exercise objectives and advice on the management of the exercise as well as to be a liaison point for the involvement of any Australian Government agencies. The AGD also coordinates the administrative support and the provision of funds from the NCTC Special Fund.

3.49 Exercise Directors are appointed to provide senior level oversight of the exercise. These are usually senior representatives (SES or equivalent) from the AGD, the State police force, State Premier's department (if ICMEX) and the ADF (if TACREX).

3.50 Subsequent to agreement on the exercise objectives, the State/Territory holds a series of planning meetings to discuss the individual agency objectives, to develop the exercise scenario and to decide on the arrangements for the management and development of the exercise, such as the appointment of an exercise steering/management committee and of writing teams. The writing teams develop the detail of the exercise scenario, including the 'control documents'²² to be used during the exercise. Writing teams include representatives from Australian Government agencies.

3.51 Exercise coordination meetings are held to integrate the participation of the State and Territory agencies and any Australian Government agencies. The AGD attends these.

3.52 The exercise is then conducted in the host jurisdiction. Sometimes combined training is conducted prior to or after the exercise. The duration of exercises range from a few days to several weeks.

²² Control documents contain information that is fed into the exercise at specific times so that the exercise runs according to plan and so that agencies are able to test their objectives effectively.

Planning, conducting and evaluating a Multi-Jurisdictional Exercise

3.53 The first MJEX to be conducted was *Mercury 04* in March 2004. Involving five jurisdictions and a number of complex scenarios over a three-week period, *Mercury 04* was a strategic exercise that tested all levels of involvement in a terrorist incident, including up to the Prime Minister and the Governor-General.

3.54 In accordance with the increased complexity and participation of a far greater number of agencies, the planning process for an MJEX is different. At the time of the audit, the planning processes for *Mercury 05*, to be conducted in October 2005, had already commenced, some 15 months in advance of the exercise.

3.55 *Mercury 04* had nine Joint Exercise Directors, a Police Deputy Commissioner and a Director from the Premier's Department from each of the four participating States and Territories and the Executive Director of the AGD, representing the Australian Government. To support the Exercise Directors representatives from the AFP, ASIO and the ADF were 'key appointments' and Chief Controllers and Deputy Controllers were appointed from each participating jurisdiction.

3.56 Exercise Directors meetings were held to determine the national strategic exercise objectives for *Mercury 04*. Five strategic objectives were set, which focussed on 'exercising and validating' high-level aspects of the counter-terrorism arrangements. The participating agencies provide their own objectives. This issue is examined further in Chapter Six.

3.57 Numerous meetings were held to fully develop the MJEX scenarios. Within the AGD seven staff were appointed as National or State Coordinators to help manage and coordinate the various elements.

3.58 *Mercury 04* was conducted successfully, and was considered by all the participants to be a major achievement. The recommendations arising from the exercise formed the basis for revisions to the Handbook.

3.59 The introduction of an MJEX into the Exercise Programme, although resource intensive, is considered by all to have added significant value to the Programme and to agencies' ability to test their capability.

Evaluation of exercises

3.60 As part of the exercise processes detailed above, a number of evaluation methods are built into the conduct of the exercises to measure whether the exercise objectives were achieved. These include:

- ‘hot’ debriefings, especially after the deployment phase;
- post-exercise debriefings;
- the use of umpires during the exercise;
- participant evaluations, especially after a DISCEX;
- a final exercise report presented to the CSC that combines the reports from agencies, umpires and jurisdictions; and
- an annual report to the CSC on exercise management by the capability adviser²³.

3.61 The effectiveness of these methods is examined in subsequent chapters.

Conclusion

3.62 The ANAO concluded that the national counter-terrorism arrangements are subject to frequent, ongoing and multi-level evaluations, ranging from reviews of the implementation of policy initiatives through to operational reviews. The evaluations include a mixture of commissioned reviews into particular functional aspects, major reviews of the arrangements and the practical, operational testing under the Exercise Programme. The ANAO further concluded that there were sufficient avenues for evaluation of the national counter-terrorism arrangements.

²³ The NCTC has 11 designated capabilities (such as intelligence or negotiation) and capability advisers and deputy capability advisers are appointed through nominations from the States and Territories.

4. Strategic Alignment Between the Key Evaluation Methods and the National Counter-Terrorism Coordination Frameworks

This chapter examines the extent to which commissioned reviews and the Exercise Programme are aligned with the strategic frameworks for the national counter-terrorism arrangements. This chapter also looks at how well the various reviews and exercises are coordinated with each other to allow for synergies of evaluation as well as collective information for strategic evaluation and reporting.

Introduction

4.1 For evaluations, reviews or assessments to be most effective there should be clear alignment with the strategic framework and directions of the programme/initiative or, in the case of joint delivery of outcomes, the collective programmes/initiatives. Without mechanisms for aligning evaluation activity in a complex delivery of programmes/initiatives, such as the national counter-terrorism arrangements, there is a risk that evaluation efforts will not be focussed on the areas of greatest significance or need. There is also a risk that some areas will be missed.

4.2 An aligned and systematic strategy of evaluation also provides accountability and transparent reporting of achievements and progress made, as well as allowing for the identification of further gaps and revised priorities for continued improvement.

4.3 The United States of America Government Accountability Office (GAO) Report *Combating Terrorism: Observations on National Strategies Related to Terrorism* states that²⁴:

... a national strategy should provide a clear statement about what the nation hopes to achieve ... a national strategy should establish goals, objectives, priorities, outcomes, milestones and performance measures ... in essence, a national strategy ... requires federal agencies to set strategic goals, measure performance, and report on the degree to which goals are met.

4.4 The GAO Report comments further that in a complex programme such as national security or counter-terrorism, the over-arching strategy should be supported by a series of hierarchical national strategies from the various

²⁴ United States of America Government Accountability Office Report GAO-03-519T, *Combating Terrorism: Observations on National Strategies Related to Terrorism*, Washington, USA, 3 March 2003.

functional components that are linked and integrated to the overall goals and objectives. The Report states that even these strategies themselves do not guarantee a strategy-driven, integrated and effective set of programmes.

4.5 The ANAO considers that a supporting strategy of evaluation is a critical tool for assisting in this regard. In assessing the alignment of the counter-terrorism evaluations, the ANAO acknowledges that the mechanisms for effective whole-of-government programmes and, by extension, the evaluation of their collective delivery, remains a work in progress, with the elements of better practice still being identified. Although there is an abundance of material relating to better practice evaluation of programmes, there is much work yet to be done to adequately address the issue of the coordinated delivery of a wide range of programmes.

4.6 In the case of counter-terrorism, this is particularly complex since the arrangements involve coordination of:

- agencies at a whole-of-government level (i.e. across the Commonwealth of Australia and the State and Territory jurisdictions); and
- the delivery of capability by individual agencies where, although there are some core/common elements, the function and manner of delivery may vary significantly.

4.7 As the basis for assessment, the ANAO considered how well the evaluations conducted were aligned with the overall strategic directions for national counter-terrorism, by examining whether:

- the reviews commissioned by the Australian Government were aligned with the strategic framework for the Australian Government response;
- the major reviews commissioned by the NCTC were aligned with the framework for the national counter-terrorism arrangements;
- the exercises conducted under the Exercise Programme were aligned with the national counter-terrorism arrangements;
- the various evaluations were effectively coordinated, and evaluating the roles of AGD and PM&C in this regard; and
- the Exercise Programme is effectively coordinated.

The alignment of reviews commissioned by the Australian Government with its strategic framework

The Australian Government counter–terrorism framework

4.8 The Australian Government counter-terrorism programmes are delivered by a number of portfolio agencies, each retaining responsibility for their functional components and for developing the policies and accompanying strategies. The publication *Protecting Australia Against Terrorism* best articulates the cumulative strategies of these programmes within the strategic framework and how they contribute to the overall strategy of maximum preparedness, comprehensive prevention and effective response. The key components outlined in this publication are:

- vigilance on all fronts;
- the national coordination arrangements;
- increased international and regional engagement;
- counter-terrorism legislation;
- intelligence;
- law enforcement;
- protecting Australians at home and abroad;
- protecting Australia’s national critical infrastructure;
- border security;
- transport security;
- science and technology support; and
- our response capabilities.²⁵

4.9 The publication details some of the key tasks under each area and the major achievements that had been delivered at the time of the publication in June 2004 through the additional Australian Government funding provided since 2001.

²⁵ op. cit. *Protecting Australia Against Terrorism*, p. viii-x.

Alignment with the Australian Government strategic framework

4.10 The ANAO has assessed that, to date, the drivers of the Australian Government reviews are centred on the budget processes or are triggered in response to a specific incident or identified risk and the need for an evaluation of current capability.

4.11 In relation to the budget processes, reviews are undertaken of past measures and funding in order to form the basis for future funding proposals and decisions, or are built into the work of the CIU, which monitors the effectiveness and timeliness of implementation. Twelve-month post-implementation reviews are also conducted.

4.12 The NSC may also commission reviews into areas of continuing risk or concern, and these fall within the core elements listed under the national strategy, for example, transport security. PM&C also commissions reviews into areas of identified need, for example the continuity of government arrangements, government communications during a crisis or surface transport, as was the case after the terrorist bombings in London.

4.13 The ANAO found that a number of reviews had been commissioned across a broad range of topics. All of the reviews examined were consistent with the key strategic objectives identified in the publication *Protecting Australia Against Terrorism*. The ANAO noted that the majority of reviews related to discrete functions, such as aviation security or protective security.

4.14 The ANAO further notes that the focus on particular measures or strategies means it may be difficult to assess progress in the delivery of the cumulative strategies. In making this observation, the ANAO acknowledges that to those working daily in counter-terrorism and who participate in the various committees, progress towards the achievement of the combined outcomes may be more readily apparent.

4.15 In preparation for the 2004–05 Budget, PM&C undertook an over-arching review of measures implemented since September 2001, based on inputs from the respective portfolio agencies. PM&C advised that there was no plan to repeat this process for 2005–06, but stated that a review of this nature could be of benefit.

4.16 The ANAO considers that such periodic reviews of cumulative progress to date, whether associated with the budgetary processes or conducted separately, are a valuable tool that could assist in the reporting of achievements against the higher-level strategies as well as informing funding decisions.

The alignment of NCTC commissioned major reviews with the national framework

NCTC framework

4.17 The IGA and the NCTC terms of reference are to ensure effective cooperation and coordination between the Commonwealth of Australia and the States and Territories to deliver a basic, viable nation-wide counter-terrorism capability.

4.18 The NCTC has the mandate to review the national counter-terrorism arrangements, and it does this through the commissioning of over-arching reviews of capability and through running the Exercise Programme.

4.19 A clear and agreed definition of basic, viable nation-wide capability and the identification of the individual components and how these contribute to it, would provide the 'common goal' identified by the GAO as important in whole-of-government performance measurement. While the need for an agreed and clearly understood description of what a basic, viable nation-wide capability included had been recognised by the NCTC, a definition was not in place at the commencement of the audit.

4.20 In response to the ANAO survey that asked agencies whether they considered there was a consistently understood view of basic, viable nation-wide capability, two-thirds of the agencies replied in the negative. A number of agencies suggested that this had traditionally been interpreted to mean the first response capability, and that the term had not kept pace with the expanding environment and the need to account for all phases in the security continuum.

4.21 PM&C stated in its response to this survey question that the term was often used in a number of different contexts, including to refer to the totality of the arrangements as well as to refer to operational capabilities such as those involved in responding to a terrorist incident. The AGD commented that interpretation varied among the States and Territories and non-government organisations.

4.22 At the time of the audit, the NCTC was progressing a refinement to the strategic framework, and at the December 2004 meeting it endorsed *The Strategic Framework for the Development of Nation-wide Counter-Terrorism Capability*. The NCTC further tasked the CSC to prepare terms of reference for the determination of a basic, viable nation-wide counter-terrorism capability. The terms of reference will form an important part of the *Nation-wide Operational Counter-Terrorism Capability Development Plan* being developed by the CSC for consideration by the NCTC.

4.23 The ANAO considers that, once finalised, these documents should assist in providing a clearer strategic direction and should facilitate an agreed understanding of what is intended by the concept as well as providing a defined common goal for agencies to work towards. In turn, the articulation of the higher strategic goals will enable agencies to set clearer objectives and performance indicators for use in measuring their own progress towards the delivery of the common goal, and hence, ensure their participation in the Exercise Programme, or internal reviews commissioned by them, are effectively aligned with the national framework.

Alignment with the national framework

4.24 While the higher-level documents are being developed, the ANAO found that NCTC evaluations were commissioned to report on progress in relation to the arrangements set out in the NCT Plan, the Handbook and the designated NCTC capabilities.

4.25 The ANAO examined the three major reviews conducted since 2001.

The 2002 Review of the SAC-PAV

4.26 The ANAO notes that *The 2002 Review of the SAC-PAV* was commissioned early in 2001, in accordance with a programme of targeted five-yearly reviews of the operations of SAC-PAV. The timeframe for the review was extended to take account of the events of September 2001. The review examined the ongoing relevance and effectiveness of the national coordination framework and it also evaluated the effectiveness of the basic, viable nation-wide counter-terrorism capability.

4.27 The review made 19 recommendations that ranged from comments on the framework to specific aspects of particular programmes. The outcomes of this review were taken into account in the drafting of the IGA and in reconstituting the SAC-PAV committee as the NCTC, with the accompanying broadening of the committee's mandate.

Counter-Terrorism Capability Assessment Review

4.28 The terms of reference for the *Counter-Terrorism Capability Assessment Review* of October 2002, conducted by Deloitte Consulting, were to:

- assess Australia's counter-terrorism capabilities from a whole-of-government perspective, and to identify gaps in the current arrangements;
- provide a common view of this approach;
- develop a baseline for determining future counter-terrorism capability in Australia; and

- provide a platform for guiding future counter-terrorism capability in Australia.

4.29 The review endeavoured to assess the state of readiness of 14 Australian Government agencies and 22 State and Territory agencies across the key phases of prevention, preparedness and response. The review also mapped the state of readiness of agencies to respond to specific threat targets, for example the transportation sector or the banking sector.

4.30 The *Counter-Terrorism Capability Assessment Review* identified eight key areas requiring further attention. The findings were directed at improving capability as well as highlighting perceived gaps in the way the agencies worked together.

The Report on the Reassessment of Counter-Terrorism Capability

4.31 In 2004, the NCTC commissioned The RM Company to undertake another broad review of the national counter-terrorism arrangements. The *Report on the Reassessment of National Counter-Terrorism Capability* (the final report was being prepared at the time of the audit) conducted a follow-up assessment of the eight key areas identified in the *Counter-Terrorism Capability Assessment Review* and then identified further areas requiring attention in order to strengthen the counter-terrorism capabilities.

4.32 The reassessment report found that the previously identified gaps had largely been overcome or significant progress had been made. The report further commented that it had been a challenge for The RM Company to follow up on the previous review due to the considerable evolution in the arrangements.

4.33 The report made a further 23 recommendations to enhance the national arrangements.

ANAO assessment

4.34 The ANAO considers that *The 2002 Review of the SAC-PAV* was clearly aligned with the SAC-PAV Plan and Handbook in force at the time, and the ANAO found numerous references to the arrangements in the review analysis and findings. In a similar manner, the *Report on the Reassessment of National Counter-Terrorism Capability* also makes findings regarding the framework as articulated in the NCT Plan and the Handbook. The *Counter-Terrorism Capability Assessment Review* made few references to the then National Anti-Terrorist Plan (NATP) and SAC-PAV Handbook, but ANAO noted that the agencies consulted were the core counter-terrorism agencies at that time, and that the lines of enquiry correlated to the capabilities and identified areas of key concern.

Alignment of the National Capability Development Exercise Programme with the NCTC framework

The framework—the NCT Plan and Handbook

4.35 The main objectives of the Exercise Programme are to ‘test and validate’ the arrangements set out in the NCT Plan and the Handbook. The NCT Plan was published in June 2003 and the Handbook in September 2003. A revised version of the Handbook was released in December 2004, and the NCT Plan was being reviewed at the time of the audit.

4.36 The CSC appoints exercise umpires to assess the performance of the exercise participants against the NCTC designated counter-terrorism capabilities as set out in the Handbook, such as police forward command, negotiators, intelligence and tactical response.

4.37 The exercises, particularly MJEX, endeavour to test some of the intersections between jurisdictions as well as between the Australian Government and jurisdictions, for example Defence call-out procedures, joint intelligence and investigation or specialist advice and support in the case of, say, a radiological incident.

Alignment with the framework

4.38 The ANAO surveyed the NCTC member agencies and other agencies listed in the NCT Plan for their views on the Exercise Programme. In their responses to the ANAO survey the agencies commonly agreed that the purposes of the exercises were to:

- test the Handbook and national arrangements;
- test agency performance in the context of counter-terrorism;
- test inter-agency cooperation and coordination; and
- increase awareness of the national arrangements and inform participants of each others’ processes.

4.39 Some agencies identified additional purposes, commenting that the exercises also:

- provide a valuable public demonstration of Australia’s counter-terrorism capability and build public confidence;
- facilitate awareness of legislation and planning processes between agencies;
- allow engagement of the relevant Minister’s Office and industry;

- provide an opportunity to enhance team development in responders; and
- provide exposure and allow development of key personnel to aid succession planning.

4.40 The outcomes of the first multi-jurisdictional exercise, *Mercury 04*, were used as the basis for extensive revision to the Handbook, with the revised version endorsed by the NCTC at the meeting in December 2004.

4.41 With respect to alignment with the national framework, the majority of agencies surveyed agreed that the Exercise Programme is strategically managed and linked to the NCT Plan.

ANAO assessment

4.42 The ANAO considers that the Exercise Programme is aligned to the NCT Plan and the Handbook, and hence the NCTC framework for the national arrangements.

Effective coordination of the various evaluation activities

4.43 The development of national capability is an expensive, complex and demanding process that deals with a multiplicity of strategic, policy and technological issues. The ANAO examined the extent to which the identified strands of evaluation were coordinated with each other to maximise the benefit of the collective evaluations. The ANAO also reviewed the extent to which PM&C and the AGD facilitated this coordination.

4.44 The ANAO considers it is important that evaluation activities are effectively coordinated to:

- minimise the risk of areas not being evaluated;
- avoid duplication of evaluation;
- maximise the synergy of evaluations so that recommendations/ findings can be leveraged off each other; and
- facilitate overall reporting of the 'health' of the arrangements and the cumulative progress in refining capability and coordination.

4.45 The evaluations are conducted under different frameworks, but they address overlapping areas of counter-terrorism performance and capability that are required to function effectively across the frameworks. The Commonwealth of Australia is a jurisdiction that contributes to the basic, viable nation-wide capability as well as having an articulated coordination role to facilitate the national counter-terrorism arrangements.

4.46 Paragraph 4.22 details the range of initiatives under development to define the basic, viable nation-wide capability and to deliver a better-integrated strategic and operational approach. The ANAO considers an effective strategy of supporting and coordinated reviews and exercises, with strategic analysis of the outcomes, would be valuable in assisting the NCTC EC in its strategic oversight.

4.47 The AGD and PM&C, between them, coordinate the various reviews and the Exercise Programme, and the outcomes are reported to the various counter-terrorism committees. The ANAO found that the information was retained and reported against the specific evaluation and there was little evidence of synthesis and amalgamation of the collective findings or assessment of the cumulative impact.

4.48 The ANAO considers there would be benefit in, at a minimum, strategic coordination and analysis of the recommendations and the actions required to address them arising from the various evaluations. This could also assist in ensuring that future evaluations are more targeted towards areas of greatest need.

Strategic coordination of recommendations

4.49 The exercises and evaluations undertaken in 2004 have cumulatively generated a significant volume of recommendations. The number of recommendations arising from the three main NCTC reviews and the national exercises conducted during 2004 are shown in Table 4.1 below.

Table 4.1

Recommendations arising from NCTC reviews and the 2004 National Capability Development Exercise Programme

Evaluation/Exercise	Number of recommendations
Recommendations from the three NCTC major reviews	50
Mercury 04	176—against the strategic objectives
Recommendations from the five ICMEX and TACREX exercises	232 ¹
Total recommendations	458

Note: ¹ Most recommendations are at the operational level and specific to individual capabilities or agencies. This may partly reflect the method of assessment.

Source: ANAO analysis of evaluation and exercise documentation.

4.50 The ANAO noted the considerable effort extended by all agencies towards addressing the recommendations arising from the various evaluations. In addition to the recommendations detailed in the table above, there are also recommendations arising from the various reviews commissioned by the Australian Government, some of which may impact upon jurisdictional capability in the way that they interact with Australian Government agencies.

4.51 However, the ANAO further noted that although the reviews address similar areas of the basic, viable nation-wide capability and arrangements, the recommendations are not necessarily correlated with each other, and it was difficult to tell whether all the areas of potential need for the respective capabilities had been addressed. It was also difficult to determine which areas had been 'fixed'. This could be in part due to the broad nature of many of the recommendations, as well as the rapid development of capability along a number of fronts. The ANAO found it difficult to determine the potential impact that the recommendations may have on related areas of capability or coordination, and hence which recommendations should receive priority relative to the others.

4.52 To test this, the ANAO examined the correlation between the findings on one particular capability in the *Counter-Terrorism Capability Assessment Review* and its subsequent reassessment in *Report on the Reassessment of National Counter-Terrorism Capability*. The ANAO also examined the recommendations related to this capability in a national exercise.

4.53 The ANAO found that the respective findings in relation to this particular capability varied, and the resultant recommendations proposed different courses of action. While the findings and recommendations were clearly relevant and useful, it was difficult to ascertain what progress had been made towards the delivery of this capability, what remained to be done, how the recommendations contributed to effective delivery and how important any particular recommendation was relative to the other recommendations. The ANAO noted that the desired outcomes were not clearly articulated and that the recommendations tended to be activity-based.

4.54 In addition, the Exercise Programme continues to test this particular capability and to generate further recommendations. The ANAO, in its examination of the minutes of the counter-terrorism committee meetings, also found numerous references to the progression of other related programmes and plans.

4.55 The ANAO considered that it must be difficult for the multiple agencies to efficiently progress so many recommendations without the support of a systematic methodology for:

- identifying common themes;
- identifying inter-dependencies between functions, programmes and agencies;
- providing data as the basis for appropriately targeted action strategies; and
- assisting to determine the priorities for improvement.

4.56 In February 2005, AGD created an Evaluation Section within the Counter-Terrorism Branch and, at the time of the audit, was overseeing the development of the NCTC Exercise Lessons Learned Database (the Lessons Learned Database). The ANAO considers that these are important steps towards the development of the capacity to undertake more structured coordination and analysis.

4.57 The ANAO further considers that it will be important that sufficient resources and priority are assigned to this function within the AGD, and that PM&C and the NCTC provide effective strategic direction and oversight.

Recommendation No.1

4.58 The ANAO recommends that, to provide better information to contribute to strategic assessments, decisions and reporting, the Attorney-General's Department, with input and guidance from the Department of the Prime Minister and Cabinet:

- a) centrally coordinate and amalgamate the issues and recommendations arising from the various reviews and exercises; and
- b) provide strategic analyses of this information.

Attorney-General's Department response

4.59 Agreed. The AGD has established a database for all recommendations and lessons learned from exercises for further analysis and reporting, including consideration in future exercise design. Recommendations from reviews are considered by the NCTC.

Department of the Prime Minister and Cabinet response

4.60 Agreed. PM&C accepts this recommendation and notes that the AGD is addressing this issue through the establishment of a Capability Evaluation Section within the Counter-Terrorism Branch of the Protective Security Coordination Centre (PSCC) and the creation of a Lessons Learned Database to strengthen central coordination and amalgamation of issues and recommendations arising from counter-terrorism exercises and related

reviews. PM&C will continue to work closely with AGD to assist in providing strategic analysis of this information.

Effective coordination of the National Capability Development Exercise Programme

4.61 The strategic priorities for the NCTC are identified in its Annual Report to COAG and in the *Strategic Framework for the Development of Nation-wide Counter-Terrorism Capability*. A further six priorities were identified by the Prime Minister, and additional funding was provided for the Exercise Programme to test these. Since it is not feasible for the exercises to test everything, careful analysis and planning is required to ensure that appropriate selections of what is to be tested are made from the various priority lists.

4.62 In their survey returns, and during discussions with the ANAO, a number of agencies, while supporting the enhanced Exercise Programme, indicated that the level of resource commitment would be difficult to sustain. For agencies to continue to support a programme of increased exercising, it will be increasingly important that the exercises address priority areas and their contribution to the enhancement of a basic, viable nation-wide capability is maximised.

4.63 The documentation viewed by the ANAO that related to the planning of the Exercise Programme did not record decisions beyond the allocation of exercises by the type of exercise and the host jurisdiction (on a rotational basis). The programme is adjusted to allow for timely testing in the host jurisdiction of high profile events, such as the Commonwealth Games.

4.64 Further, the files examined by the ANAO relating to the individual exercises did not articulate the basis upon which the exercise scenario had been decided and how the participating agencies were determined. The exercise planning meetings observed by the ANAO demonstrated that the respective jurisdictions' priorities were discussed, and potential national priorities were also raised, but the files did not record the rationale for the decisions on the particular scenario agreed.

4.65 Although the AGD was involved in the coordination of each exercise, there did not appear to be a strategic role whereby the exercises were designed to deliver a cumulative effect, or to systematically address a range of priorities²⁶. Thus, while the individual exercises clearly address areas of need,

²⁶ The planning processes for an MJEX are more comprehensive and the MJEX tests a greater range of issues and priorities. However, it is still important that the 'jurisdiction' exercises contribute to maximum effect, and cumulatively, to the improvement of the national arrangements.

and the enhancement of jurisdictional capability contributes to the enhancement of the basic, viable nation-wide capability, the ANAO was unable to determine whether the Exercise Programme was being used to maximum effect.

4.66 The ANAO found that the need for a more strategic approach had been raised previously, in the 1997 Milnet Consulting Group *Evaluation of Counter-Terrorism Exercises and Training Program for SAC-PAV*, in the *Counter-Terrorism Capability Assessment Review* and in the *Report on the Reassessment of National Counter-Terrorism Capability*.

4.67 The drivers for a more strategic planning approach to the Exercise Programme could include advice from the:

- National Threat Assessment Centre on areas of likely threat;
- States and Territories on both the likely threats and particular vulnerabilities pertaining to their respective jurisdictions;
- NCTC capability advisers on aspects of capability most requiring testing;
- Australian Government agencies on the functions and inter-relationships most requiring evaluation;
- private industry bodies on perceived risks; and
- PM&C/AGD on the priority outcomes of their strategic analysis from evaluations and previous exercises (as proposed in Recommendation No.1).

4.68 The ANAO suggests that, for accountability purposes, the factors taken into account and the decisions made regarding the structure and content of the forward Exercise Programme should be documented. This would provide assurance to the NCTC and the Australian Government that the moneys expended from the Special Fund, and the extensive resources contributed by participating agencies, have been used effectively to target priority areas.

ANAO assessment

4.69 The ANAO considers that the planning for the Exercise Programme would benefit from an approach that demonstrates that areas of national importance are addressed and effectively built upon, i.e. that a strategic approach is employed.

4.70 The ANAO envisages that AGD would propose and progress this approach in consultation with PM&C and the NCTC. The ANAO notes that the greater strategic oversight proposed for the NCTC EC and the proposal to establish an executive level Capability Steering Group appear to provide ready avenues for the implementation of this strategic approach.

Recommendation No.2

4.71 The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue the adoption of a more strategic approach to determining the National Capability Development Exercise Programme so that:

- a) the exercises conducted better address the areas of greatest priority and maximise their contribution to the enhancement of a basic, viable nation-wide capability;
- b) synergies with other exercises and reviews can be better taken into account; and
- c) the rationale for the setting of the programme, including the individual components, is clearly documented.

Attorney-General's Department response

4.72 Agreed. The AGD has developed a comprehensive rolling four-year capability development exercise program that was accepted by the NCTC EC in August 2005. This includes a schedule of exercises and matrix of priority areas to be exercised to ensure that all exercises are in the context of developing the national counter-terrorism arrangement.

Department of the Prime Minister and Cabinet response

4.73 Agreed. PM&C accepts this recommendation and notes that it will need to be implemented via the National Counter-Terrorism Committee (NCTC), which oversees the national counter-terrorism exercise programme. The NCTC has recently agreed to create a Capability Steering Group to provide greater executive-level oversight of counter-terrorism capability development. This group will assist in strengthening the strategic-level management and oversight of the national counter-terrorism exercise programme to ensure that it addresses key areas of risk, vulnerability and priority, and provides a strong basis for sustained capability development.

Conclusion

4.74 The ANAO concluded that the evaluation strategies were aligned with the Australian Government and national counter-terrorism frameworks that they were intended to review, and that the evaluations covered matters of capability, coordination and the effectiveness of the frameworks.

4.75 However, there was limited effort taken to correlate strategies or objectives across the key evaluation methods used. While recognising that a fully integrated, whole-of-government evaluation strategy would be difficult and time consuming to develop and implement, the ANAO considers that there are interim measures that could be applied to provide a greater whole-of-government perspective to the existing evaluation methods employed.

4.76 The ANAO also concluded that AGD and PM&C could better coordinate and amalgamate the outcomes arising from the various reviews and exercises and should also provide greater strategic analysis of these outcomes and recommendations. Such analyses could be used to effectively underpin greater efficiency in the whole-of-government efforts to improve the counter-terrorism arrangements.

4.77 In addition, the ANAO concluded that there would be benefit in establishing a more strategic approach to the planning of the Exercise Programme to better ensure that priority areas are tested and that each of the exercises within the programme better contributes to the continuous improvement of the national arrangements. The ANAO further concluded that, for recall and accountability purposes, the decisions made in the setting of the programme should be documented.

5. Evaluation Coverage

This chapter examines the coverage of the major reviews and the Exercise Programme. It looks at whether the evaluations cumulatively involved all the necessary agencies, whether the coordination aspects were as adequately covered as the capability aspects, and whether the exercises challenged the participants.

Introduction

5.1 As the national counter-terrorism arrangements continue to evolve and to identify more agencies as participants, the comprehensiveness and extent of coverage in any evaluation activity becomes increasingly important.

5.2 Under the broadened mandate of the NCTC, a number of new linkages have been forged, bringing additional participants into the framework. By way of example, the *Counter-Terrorism Capability Assessment Review*²⁷ of October 2002 consulted with 14 Australian Government agencies and 22 State and Territory agencies that were deemed to be the core counter-terrorism agencies at the time. The revised NCTC Handbook, endorsed in December 2004, lists some 33 Australian Government agencies as having a role in the counter-terrorism arrangements as well as a range of State and Territory agencies. The revised Handbook further identifies a number of committees and specialist advisory groups who also contribute to the arrangements.

5.3 In order to determine the coverage of the reviews and exercises the ANAO examined the following:

- whether all the relevant government agencies were involved;
- the adequacy of the coverage of coordination as well as capability; and
- the extent to which the exercises challenged the participants.

Involvement of all the relevant government agencies

5.4 Evaluations are likely to be most beneficial if all the parties relevant to the programme/initiative or issue are included. Cross-agency coordination of policy and processes is also likely to be most effective if all parties are kept advised of the outcomes and of any recommendations for programme or process improvement.

²⁷ *Counter-Terrorism Capability Assessment Review*, Deloitte Consulting, Canberra October 2002, p. 3

Reviews commissioned by the Australian Government

5.5 The ANAO considered the terms of reference and methodology for the reviews commissioned by the Australian Government that were reviewed during the audit. Generally, the ANAO found that the terms of reference were clear and that the evaluations involved the relevant government agencies and also consulted with the key industry stakeholders. Often a cross-agency task force or inter-departmental committee (IDC) was formed. By way of example, the IDC for the 2003 SCNS *Review of the Adequacy and Appropriateness of Australia's Aviation Security Policy Settings* included 12 relevant Australian Government agencies.

5.6 Sometimes the reviews were quite specific, for example the *Review of the Air Security Officer Programme* conducted by the Signet Consulting Group. However, the ANAO found that the methodology for the more specific reviews also involved consultation with the relevant Australian Government agencies and consultations in each State and Territory as well as discussions with the aviation industry.

5.7 The ANAO considered that all relevant parties appear to have been either involved or consulted during the reviews commissioned by the Australian Government.

Reviews commissioned by the NCTC

5.8 The ANAO examined the methodology for the broader counter-terrorism reviews commissioned by the NCTC. These were the 2002 *Review of the SAC-PAV*, the *Counter-Terrorism Capability Assessment Review* and the *Reassessment of National Counter-Terrorism Capability*. In each case the list of agencies and people consulted was detailed in the report or was provided as an attachment.

5.9 The ANAO considered that all relevant parties appear to have been consulted during the conduct of these evaluations.

The National Capability Development Exercise Programme

5.10 The ANAO examined the extent to which all the relevant government counter-terrorism agencies were included in the relevant exercises conducted under the Exercise Programme. As noted in Chapter Four, the exercises are rotated around host jurisdictions. With the exception of MJEX, the decisions regarding which government agencies will participate in an exercise are made at the State and Territory level during the planning for the exercise.

5.11 The ANAO survey asked agencies about their participation in the Exercise Programme. Almost all agencies indicated some involvement in the NCTC Exercise Programme, although six agencies indicated no involvement to date. With respect to involvement in the different types of exercises, 12 agencies had participated in the full range of exercises, eight agencies had only participated in an MJEX and 11 agencies had participated in some exercises.

5.12 The ANAO survey also sought agency views on whether they considered they had been offered sufficient opportunity to participate. The majority of respondents agreed that there were sufficient opportunities to participate in the Exercise Programme. However, six Australian Government agencies and two State government agencies responded that there had not been sufficient opportunity for them to participate. Six other agencies commented that they should have had greater involvement in the range of exercises.

5.13 PM&C commented in their survey return that 'it is the responsibility of these agencies, supported by the AGD, to maximise opportunities to ensure they have well-tested arrangements in place'²⁸. The AGD responded in their survey return that although adequate opportunity was provided, not all agencies take it up. PM&C also commented that the NCTC was responsible for identifying which non-NCTC agencies should be given opportunities to participate in the exercises.

5.14 A number of agencies whose participation has been limited to date commented that future participation was planned, and commented further that generally the opportunities for participation were improving under the expanded Exercise Programme.

5.15 The ANAO notes that responsibility for the state of preparedness rests with the respective portfolio agencies and the individual States and Territories, but considers that, given the broad nature of the exercise objectives, it may sometimes be difficult for the non-core and newer counter-terrorism agencies to ascertain the relevance of any given exercise to them. A more structured approach to the setting of the annual Exercise Programme with advance specification of the scenarios and objectives, and hence identification of the relevant agencies, would assist agencies to better plan their participation. The setting of exercise objectives and the overall planning for the annual Exercise Programme is discussed in more detail in Chapter Six.

5.16 The *Report on the Reassessment of National Counter-Terrorism Capability* recommended an induction programme and greater awareness training in the national arrangements. At the time of the audit, PM&C and AGD both

²⁸ PM&C response to the ANAO survey, dated 21 December 2004.

indicated that they were taking steps to address this. In the AGD restructure the responsibility for the education and awareness of relevant agencies was assigned to the Policy Section within the Counter-Terrorism Branch of the PSCC. PM&C advised that senior staff from both coordinating agencies were visiting relevant agencies in the Australian Government as well as the States and Territories to explain the revised NCTC Handbook and the general national arrangements.

5.17 The ANAO noted the comments by AGD and PM&C that agencies do not always take up the opportunity to participate in the Exercise Programme. However, it was also noted that the majority of appropriate government agencies were involved and that measures were being taken to progressively involve those whose participation had been more limited to date. This had resulted in increased coverage of agencies, with additional agencies to participate in *Mercury 05*.

Coverage of coordination and capability

5.18 For the basic, viable nation-wide counter-terrorism capability to be fully effective, not only must each of the agencies involved be able to deliver their functional capability, but the way that the agencies work together to deliver coordinated capability must also be effective. To this end, it is important that the evaluations of counter-terrorism also measure the efficiency and effectiveness of the inter-agency coordination and that any identified deficiencies are adequately addressed through a continuous improvement cycle methodology.

5.19 Some of the measures of effective coordination could include:

- identification and inclusion of all the relevant parties (examined previously in this chapter);
- clear articulation of the roles and functions/responsibilities of each party;
- where any functions/responsibilities intersect or overlap, clear guidance on how the parties are to work together;
- the timely passage of information between relevant parties;
- the information is provided in an appropriate format and provides the receiving party with what it needs to know to conduct its actions; and
- information passed, or interactions between the parties is in accordance with any agreed standard operating procedures and any standards specified for these.

Reviews commissioned by the NCTC

5.20 The ANAO survey sought agency views regarding whether the reviews conducted catered for the strategic and long-term management of counter-terrorism capability. Some fifty per cent of the agencies agreed that the reviews catered for the strategic development of the arrangements.

5.21 In their survey returns PM&C and the AGD commented that overarching reviews such as the *Counter-Terrorism Capability Assessment Review* and the *Report on the Reassessment of National Counter-Terrorism Capability* have been very useful, but added that reviews can quickly become dated and can only provide a snapshot at a point in time.

5.22 The ANAO survey also asked agencies whether there were any areas of counter-terrorism that had not been reviewed that they considered should have been. Another question asked whether there were any areas that were slower to improve. Among the areas multiple-listed were some twelve areas that related to 'the national...' or 'the integration between...' or 'the interface between...', which the ANAO considered to be issues of coordination.

5.23 The ANAO survey question regarding whether the counter-terrorism arrangements should take any new directions also drew responses related to coordination.

5.24 The ANAO noted the number of responses relating to issues of inter-agency coordination and considered that to address issues of coordination can be more complex, and hence slower, than to address issues of capability or functional improvement.

5.25 In its examination of the recommendations arising from the three main NCTC Reviews, the ANAO assessed how many of the recommendations related to matters of coordination.

5.26 The ANAO found that for each review at least 50 per cent of the recommendations either related to, or touched upon, matters of coordination, as follows:

- *The 2002 Review of the SAC-PAV-9* of the 16 recommendations addressed matters of coordination;
- *Counter-Terrorism Capability Assessment Review-7* of the 8 recommendations related to coordination as well as capability; and
- the *Report on the Reassessment of National Counter-Terrorism Capability-11* of the 23 recommendations touched on matters of coordination.

5.27 The ANAO considers that the reviews adequately raise issues related to coordination as well as those related to capability. However, the agency

survey responses suggest that the mechanisms for addressing the coordination issues identified are less robust than those for addressing capability issues.

5.28 The ANAO considers that the NCTC reviews have an appropriate focus on coordination as well as capability, but also considers that the mechanisms for effectively evaluating issues of coordination and progressing them through a continuous improvement cycle model could be further improved.

The National Capability Development Exercise Programme

5.29 The Exercise Programme is the key ongoing tool, in between the major reviews, for practically testing whether identified gaps have been amended and, if not, for clarifying the particular areas that require further revision and/or training. In this context, the ANAO assessed the effectiveness of the Exercise Programme in addressing issues of coordination.

5.30 As detailed in Chapter Three, the Exercise Programme received additional funding and has been enhanced over the past two years. Part of the rationale for the additional funding was that the Exercise Programme had attracted criticism from some counter-terrorism agencies in prior reviews for being largely focussed on the 'response' phase of the security continuum.

5.31 The previous SAC-PAV, and the early NCTC Exercise Programmes, were based on the minimum activities necessary for the preparation of jurisdiction and agency capabilities, had little cross-jurisdictional coordination and no multi-jurisdiction activity. The exercise scenarios were focussed on tactical assaults and the response phase of the security continuum. Due to these perceived limitations, in December 2003, COAG agreed to enhance the Exercise Programme. The NCTC Exercise Programme was enhanced in 2003–04 to enable it to better test across the security continuum.

The enhanced National Capability Development Exercise Programme

5.32 In its submission to the ANAO, the AGD advised that under the enhanced Exercise Programme it is responsible for coordinating, developing, managing and reviewing a range of new counter-terrorism exercises, namely the Multi-Jurisdictional Exercises (MJEX) and the Investigation and Consequence Management Exercises (ICMEX). Both of these exercise types aim to provide greater opportunity to test inter/intra-agency coordination.

5.33 The ANAO sought agency views on whether the revised NCTC Exercise Programme had changed since the previous SAC-PAV programme. Seven agencies were unable to comment due to limited involvement in the exercises, the remaining agencies all agreed that the revised programme was a significant improvement and commented that the exercises had increased in complexity, frequency and relevance as well as drawing in a greater number of participants. The agencies surveyed were very supportive of the Exercise

Programme and also acknowledged the extent of the challenge faced by the AGD to effectively manage the enhanced programme.

5.34 In this context, the effective testing and measuring of the coordination arrangements becomes more complex, but also more critical. The ANAO found that a clear framework for the measurement of capability existed, but further found that this did not appear to be repeated for issues of coordination. The framework for the measurement of capability is described below.

Exercise measurement of capability

5.35 The AGD coordinated the initial MJEX and the two ICMEX in 2004. The other three exercises were tactical response exercises (TACREX). The primary measurement aids are the umpires, appointed to comment on the performance of the participants in relation to the NCTC designated capabilities. The umpires' reports are collated into an exercise report that goes to the CSC, which then reports to the other NCTC committees.

5.36 A formal continuous improvement cycle exists for the NCTC designated capabilities through the appointment of capability advisers (by the CSC), the conduct of capability forums and capability-specific training courses. The capability umpire reports are fed into these processes.

5.37 The MJEX is designed to comprehensively test the national arrangements and the coordination between the Commonwealth of Australia and the other jurisdictions. For *Mercury 04* an umpire was appointed to provide comment on the performance of the 'national arrangements'.

5.38 ICMEXs are the next most comprehensive test of the national arrangements. The deployment phase is supported by a range of discussion exercises that focus on issues of coordination and non-deployment issues such as investigation and recovery. The ANAO notes that the umpires for the 2004 ICMEXs were capability umpires. TACREXs traditionally only appoint capability umpires, although the ADF has its own umpires.

5.39 With the exception of the MJEX, the ANAO examination of the recommendations arising from the 2004 exercises found that issues of capability as well as coordination were mixed together under each capability umpire's report.

5.40 The ANAO considers the following risks are associated with this approach:

- coordination issues that may be need to be addressed nationally may not be recognised as such;
- all parties relevant to the coordination issue may not be consulted;
- the flow-on effects to other capabilities may not be recognised;

- it may be difficult to determine the most appropriate action area/s; and
- the solution applied in one jurisdiction may not be adopted in other jurisdictions, leading to a divergence of the national arrangements.

5.41 The ANAO considered that a more formal approach to the identification, and subsequent addressing of, issues of coordination would be beneficial. The appointment of an umpire for the 'national arrangements' with the charter to comment on inter-agency coordination, among other things, appeared to work well for *Mercury 04*. The appointment of umpires to assess the inter-agency coordination for the other exercises should be considered.

5.42 Other mechanisms to better target issues of coordination and to ensure they are fully taken through the continuous improvement cycle could include:

- the setting of inter-agency or coordination related exercise objectives with corresponding performance indicators;
- formal processes for measuring performance, such as the appointment of inter-agency umpires;
- identification of any coordination issues raised and the subsequent recommendations in the Lessons Learned Database being developed by AGD;
- the establishment of clearer mechanisms for tracking the progress of implementation of changes relating to coordination;
- the establishment of processes for the systematic re-testing of issues of coordination;
- formal processes for agreeing when coordination issues have been 'fixed'; and
- the clearer identification of, and reporting on, improvements to coordination in formal reports on exercise outcomes and the corresponding strengthening of the basic, viable nation-wide capability.

Recommendation No.3

5.43 The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, seek to create systematic mechanisms for better targeting and evaluating inter-agency coordination within the National Capability Development Exercise Programme and continuous improvement cycle.

Attorney-General's Department response

5.44 Agreed. Inter-agency coordination is recognised by the NCTC as a critical element in any response to a terrorist incident and therefore is included in all training and exercise activities and is assessed by umpires in exercises. AGD recognises the need for a systematic approach in this area and has therefore identified inter-agency coordination as a priority in the evaluation program.

Department of the Prime Minister and Cabinet response

5.45 Agreed. PM&C accepts this recommendation, noting that the Australian Government strongly emphasises the importance of a whole-of-government approach in all aspects of managing the national counter-terrorism framework, and that there has been significant progress since September 2001 in developing national, whole of government approaches to meeting the key challenges presented by terrorism.

5.46 A number of well-established and effective mechanisms—notably the National Security Committee of Cabinet, the Council of Australian Governments (COAG) and NCTC—exist at the strategic level to ensure that whole-of-government considerations are brought to bear in decision-making. The national programme of counter-terrorism exercises and subsequent evaluations of lessons learned (including through the newly established PSCC Evaluation Section and the Lessons Learned Database) also help to promote integrated, national approaches to counter-terrorism capability development and evaluation. It is envisaged that the proposed NCTC Capability Steering Group will help give greater emphasis to identifying, targeting and addressing issues of inter-agency coordination in the context of the national counter-terrorism exercise programme.

Exercises challenge the participants

5.47 As part of the review of coverage, the ANAO examined the extent to which the national exercises stretch the agencies involved with challenging scenarios.

Agency views on whether exercises are challenging

5.48 The ANAO survey sought agency views on whether the exercises were sufficiently challenging. The majority agreed, however some with qualification, noting that the exercises:

- were becoming too large to address factors comprehensively;
- are too frequent to allow for proper take-up of the lessons learned and issues;

- were difficult to sustain as they were a significant resource commitment; and
- required greater involvement from private industry to better analyse the impact on them and the economy.

5.49 In response to a question regarding whether the exercises appropriately targeted areas of risk, 50 per cent agreed this to be the case, 17 per cent did not know and 33 per cent disagreed. The comments included observations on:

- the need to focus on the weaker capabilities and stop exercising the strengths, as well as the need to address real scenarios such as a large bomb in a vehicle, mass suicide bombers and mass casualties;
- exercises may not enable proper testing of coordination arrangements and determination of broader vulnerabilities;
- greater focus on intelligence and the aftermath of bomb blasts; and
- border security, which warrants attention in the lead-up to the 2006 Commonwealth Games.

5.50 A number of agencies expressed concern regarding the sometimes notional testing of some areas rather than the design of an exercise component at a deployment level to allow for real testing.

5.51 The ANAO considered that the exercise scenarios appear to be challenging in the areas that they target, especially since the introduction of the MJEX. Since the capabilities required have become more complex, and the inter-agency relationships so close, the ANAO acknowledges it is difficult for the Exercise Programme to test all aspects with sufficient frequency and rigour.

NCTC commissioned review comments on exercises

5.52 The ANAO found that the Exercise Programme had been examined in each of the three NCTC commissioned major reviews, as well as the specifically commissioned *Evaluation of Counter-Terrorism Exercises and Training Programs for SAC-PAV* conducted by the Milnet Consulting Group in 1997.

5.53 Each of these reviews, while generally positive about the benefits of the Exercise Programme, made comments about the efficiency and effectiveness of various aspects of the programme.

5.54 The ANAO noted that the two earlier reviews both recommended that AGD consider the use of a greater range of training aids, including methodologies such as computer based training, videos and simulations. The *Evaluation of Counter-Terrorism Exercises and Training Programs for SAC-PAV* proposed that these should be considered for purposes of efficiency as well as to provide the basis for more systematic and objective evaluation of

participants' performance. This review acknowledged that the apparently limited consideration of alternative methodologies was possibly due to resource pressures faced by AGD in managing the ongoing Exercise Programme.

5.55 The ANAO found that a similar recommendation was made in the *2002 Review of the SAC-PAV*. Recommendation 1(a) proposed that SAC-PAV should:

Broaden its training and exercise programs to fully embrace training and exercising capabilities to meet the new or emerging threats; exploit vigorously new technologies available in training; pursue more funding and apply professional assistance to develop this area of SAC-PAV's operations.

5.56 In following up in relation to this recommendation, the *Counter-Terrorism Capability Assessment Review* did not comment on whether greater uptake was evident, but stated that the CSC was addressing a review of the exercises²⁹.

5.57 The *Report on the Reassessment of National Counter-Terrorism Capability* considered that the Exercise Programme had been enhanced through additional funding and further commented that in addition to focusing on appropriate threat scenarios there was an emphasis on national coordination and control arrangements³⁰. The *Report on the Reassessment of National Counter-Terrorism Capability* report did comment, however, on the need for greater use of specialised training arrangements, particularly in relation to succession planning³¹.

5.58 The ANAO noted the increase in complexity and magnitude of the Exercise Programme, especially with the introduction of an MJEX and a greater range of exercise scenarios, but did not observe the use of the contemporary training aids proposed by the earlier reviews in the exercises conducted during 2004.

5.59 In making this observation the ANAO acknowledges that the AGD had only recently recruited the extra resources provided for by the additional funding and may not have had the resources to simultaneously design, plan and implement an MJEX as well as to explore the use of more contemporary training techniques, such as computer-based training aids or videos.

5.60 Given the comments by agencies on the sustainability of the enhanced Exercise Programme, the ANAO considers that there could still be benefits in

²⁹ op. cit. *Counter-Terrorism Capability Assessment Review*, p. 96.

³⁰ *Report on the Reassessment of National Counter-Terrorism Capability*, The RM Company, Canberra, December 2004. p. 30.

³¹ *ibid.* p. 4.

exploring the uptake of a greater range of contemporary training and exercise aids. Such aids may allow AGD and the NCTC exercise management capability advisers to:

- simulate challenging scenarios that would be too costly to play out as a real deployment (e.g. bio-terror attack or mass casualty);
- streamline the delivery of exercise components that require repeating in a number of States and Territories or to a range of agencies;
- support the existing exercises and DISCEX through more interactive aids such as role plays, videoed simulations or computer based learning;
- deliver exercise and training components to a small audience, e.g. new staff or agencies, without the need to plan a whole exercise;
- more precisely align aspects of training with exercising and testing; and
- generate specific or focussed tests/exercises that allow for objective measurement of participants' knowledge and learning based on established procedures.

5.61 Once developed, the use of a greater range of more contemporary training aids, such as computer-based training and testing, could result in resource savings as well as allowing for more flexibility in the delivery of the overall National Training and Exercise Programme.

5.62 The ANAO also found that issues of training versus testing were not well separated in the Exercise Programme. The development of a greater range of aids may assist in separating the training of staff from the testing of procedures. This issue is discussed further in paragraphs 6.35 to 6.41.

5.63 The ANAO considers that further enhancements to the Exercise Programme, such as the greater use of contemporary aids, would be consistent with the enhanced evaluation role recommended for the AGD.

Exercise management capability adviser

5.64 The ANAO notes that one of the NCTC capabilities is 'exercise management', with the corresponding appointment of a capability adviser and deputy capability adviser. It was unclear to the ANAO how the AGD and these advisers were expected to work together or to progress issues such as exploring the use of more contemporary training methods, including the use of technology.

5.65 The ANAO further notes that a number of recommendations from the reviews, and also from the exercises themselves, relate to suggested improvements for the Exercise Programme. The ANAO considers that there would be benefits in a clarification of the respective roles of the AGD as managers and coordinators of the Exercise Programme and the roles of the exercise management capability advisers.

ANAO assessment

5.66 The ANAO considers that the exercises held to date have adequately challenged the participants. However, the ANAO also considers that it could be difficult for the Exercise Programme to continue to provide the extent of coverage now required by the range of potential threats and scenarios, and at the same time to allow all the relevant agencies to participate with sufficient frequency and involvement.

5.67 The ANAO consequently considers that there could be scope to incorporate more contemporary and varied training aids, which may allow for efficiencies and greater flexibility in the delivery of the Exercise Programme and thus may facilitate expanded coverage.

Recommendation No.4

5.68 The ANAO recommends that the Attorney-General's Department, in conjunction with the National Counter-Terrorism Committee's exercise management advisers, explore options for the incorporation of more contemporary and varied testing and training aids in the National Capability Development Exercise Programme.

Attorney-General's Department response

5.69 Agreed. The AGD has existing processes in place to ensure suggestions for improvement are sought from and considered by the NCTC national capability advisers. Annual national capability specific forums are held, national and international subject matter experts are consulted and relevant conferences are attended.

Conclusion

5.70 Generally, the major commissioned reviews, whether initiated by the NCTC or by the Australian Government, took into account, and consulted with, relevant agencies during the conduct of the evaluations.

5.71 Opportunities to participate in the Exercise Programme had initially not kept pace with the rapid expansion in the number of agencies involved in counter-terrorism and the broadened scope of the exercises, but the ANAO concluded that PM&C and AGD had identified this issue and were taking

steps to encourage the newly involved agencies. The ANAO also noted the comments by AGD and PM&C that agencies do not always take up the opportunity to participate, but further concluded that a more structured approach to the planning and setting of the annual Exercise Programme, with advance specification of the scenarios and exercise objectives, would assist agencies to better plan their participation.

5.72 Although the Exercise Programme has a focus on coordination as well as capability, the mechanisms for effectively evaluating coordination and for assigning responsibility for subsequent corrective action have not been formalised to the same extent as those for the NCTC designated capabilities.

5.73 The ANAO concluded that the national counter-terrorism arrangements would benefit from a greater focus on inter-agency coordination and the creation of more transparent and systematic mechanisms to facilitate taking coordination issues through a continuous improvement cycle model. The ANAO considers that the NCTC Exercise Lessons Learned Database being developed by the AGD would eventually be an important component in this regard.

5.74 The ANAO considers that, in light of the increased complexity and magnitude of the Exercise Programme, it could be difficult to sustain high levels of agency participation, and hence the degree of exercise coverage achieved to date. The ANAO concluded that there could be benefits in the use of more contemporary and varied training aids, which may allow for efficiencies and flexibility in the delivery of the programme and thus may contribute to an expanded coverage, and sustainability, of the programme. The AGD, in conjunction with the NCTC exercise management capability advisers, should explore options for the incorporation of such aids into the Exercise Programme.

6. Performance Measures Used for Evaluations

This chapter examines the extent to which the evaluations of the national counter-terrorism arrangements are supported by the setting of clear objectives and correlating performance indicators to facilitate consistent assessment as well as the monitoring of changes in performance over time.

Introduction

6.1 Effective performance measurement of a whole-of-government initiative, such as the national counter-terrorism arrangements that involve multiple agencies across jurisdictions as well as a broad range of functions, represents a significant challenge. The ANAO *Better Practice Guide on Performance Information in Portfolio Budget Statements* states that:

Measuring progress in a whole-of-government initiative requires a 'lead' agency, board or committee to be vested with the responsibility for the measurement of the overall effectiveness of the outcome. As well, each agency involved should be able to distinguish its particular contribution to the joint achievement of the outcome.³²

6.2 With respect to the measurement of the national counter-terrorism arrangements, the NCTC is the 'lead' body that oversees evaluation with administrative support from PM&C and the AGD.

6.3 In order to manage the evaluation of such a multi-layered, and sometimes overlapping, delivery of programmes/initiatives there needs to be a mechanism for clearly articulating the components that contribute to the overall outcomes. To itemise the various components contributing to the end result of the 'basic, viable nation-wide capability', the ANAO considers that the NCTC appears to examine the arrangements from the perspectives of the:

- designated counter-terrorism capabilities;
- functional roles and responsibilities of the various agencies involved;
- contribution of each of the jurisdictions; and
- specific threats or scenarios.

6.4 The ANAO observed that the NCTC commissioned reviews and the Exercise Programme endeavour to address a combination of all of these

³² *Better Practice Guide on Performance Information in Portfolio Budget Statements*, ANAO, Canberra, May 2002. p. 7.

components. The challenge lies in setting meaningful objectives and accompanying performance indicators for each of these components, and then in establishing the linkages between them, given their inter-dependence.

6.5 Another challenge lies in preparing an overarching strategy to effectively tie all the elements together and to provide a common goal for the collective efforts and contributions.

Definition of the ‘basic, viable nation-wide capability’

6.6 The NCT Plan and the Handbook identify all the agencies involved in delivering a counter-terrorism capability and list their main functional responsibilities in this regard. The Handbook identifies who is involved in the phases of the security continuum and recognises that a number of agencies contribute across the phases.

6.7 According to the NCT Plan, ‘the PSCC will organise a national exercise program that tests, maintains and strengthens counter-terrorism and consequence management capabilities, command and control and interoperability’³³. The Exercise Programme is built upon the NCT Plan requirement that:

States, Territories and the Commonwealth will maintain counter-terrorism and consequence management capabilities to respond to terrorist incidents...based as far as possible on the all hazard emergency management principle.³⁴

6.8 The Exercise Programme provides the most realistic and current real-time indicator of the effectiveness and ‘health’ of Australia’s counter-terrorism capability and arrangements. Ideally, as well as assessing whether agencies are conforming to the arrangements identified in the Handbook, the exercises should evaluate the contribution that the arrangements make towards the delivery of a basic, viable nation-wide counter-terrorism capability. In the absence of such a focus in the exercise evaluation it is difficult to measure progress in the various areas between one exercise and the next. Additionally, the ability of reporting agencies to use the outcomes of specific exercises to advise on quantifiable progress in particular aspects of counter-terrorism is made more difficult.

6.9 The definition of the common goal and the specification of the contributions that the various agencies make to deliver it should, in turn, assist agencies in the setting of their own correlating objectives and performance indicators. A common goal would also provide a framework against which the

³³ op. cit. *National Counter-Terrorism Plan*, Section 3, p. 5.

³⁴ *ibid.* Section 3, p. 5.

agencies can measure and report in a whole-of-government context. This is important in light of the significant effort and resources devoted to the counter-terrorism capability by so many agencies.

Measurement of performance

6.10 In the meantime, while the definition of the basic, viable nation-wide capability and the operational plans are being progressed, exercise objectives and performance indicators have been, and continue to be, set against a combination of capability and/or functions as listed in the NCT Plan and the Handbook.

6.11 The setting of well-defined objectives and supporting performance indicators are key phases in any continuous improvement cycle since these provide the platform for measurement and subsequent reporting. Effective objectives and indicators also allow for the measurement and reporting of changes in performance over time.

6.12 The ANAO examined the processes for the setting of both broad and agency exercise objectives, the setting of the accompanying performance indicators and the procedures for the measurement of participating agencies' performance. The ANAO examined the documentation for the six exercises conducted in 2004 and also observed the policy and planning coordination meetings for three up-coming NCTC exercises.

Broad exercise objectives and performance indicators

6.13 As discussed in Chapter Three, the annual Exercise Programme is determined on the basis of rotation by type of exercise and host State. The objectives are set on an individual exercise basis, depending on what the host jurisdiction wants to test. Views from the participating agencies are taken into account and are discussed at the initial policy coordination meeting.

6.14 The broad parameters of the exercise are also discussed at the policy coordination meeting such as: the 'general idea' or scenario for the exercise (e.g. bio-terrorist attack or a chemical incident); available and appropriate sites to hold the exercise; exercise budgets and details for the forward administrative arrangements.

6.15 The main output of the policy coordination meeting is the production of 'General Instructions'. The General Instructions are intended to provide the information necessary for agencies to participate in the exercise and to prepare them for all general aspects of their role-play. The instructions describe the exercise purpose, aims, objectives and scope as well as listing the participating agencies and their performance indicators, where supplied. The instructions also provide information on administrative aspects of the exercise.

6.16 The General Instructions are to be cleared by Joint Exercise Directors before the conduct of the exercise. The ANAO was unable to determine whether the exercise General Instructions were signed-off by the Joint Exercise Directors since the cover sheets to the Instructions did not reflect the signatures of the Directors and the files did not contain any minutes evidencing sign-off.

6.17 As indicated in Chapter Five, the ANAO considers that a more strategic approach could be brought to the setting of individual exercise objectives through the setting of strategic programme objectives that allow for a more systematic coverage of identified national priorities and by then assigning these priorities to exercises in advance.

6.18 The ANAO notes that the processes for the setting of objectives for the MJEX are different to the processes used for the other exercises. The MJEX objectives are better aligned with national priorities.

6.19 The ANAO attended two of the planning meetings for *Mercury 05* and observed the level of attention paid to the adoption of lessons learned from the conduct of *Mercury 04*. Some of the lessons observed as being applied were the need for clearer performance indicators and a more detailed briefing of the exercise umpires regarding the focus of what was being tested. The ANAO found that for *Mercury 05* 'strategic performance indicators' have been set for the strategic exercise objectives.

6.20 The observations below relate mainly to the non-MJEX exercises.

Participating agency objectives and performance indicators

6.21 The individual agencies participating in the exercise form their own objectives and performance indicators in line with their functional responsibilities. These are listed separately in the General Instructions and do not appear to be centrally correlated to the broad exercise objectives and performance indicators.

6.22 In their responses to the ANAO survey, most agencies indicated that exercise objectives were developed through an internal consultation process. Some agencies canvas external opinions. The ANAO notes that the NCTC Exercise Management course contains a module on the setting of objectives.

6.23 PM&C commented in their ANAO survey return that sign-off of the objectives should be at the level of a Deputy Secretary or equivalent. Agency survey returns indicated that this was not always the case, and that sign-off occurred at varying levels, ranging from First Assistant Secretary to Deputy Commissioner or Chief Executive Officer.

6.24 The ANAO found significant variation in the resulting agency objectives and performance indicators. Some of the variations observed by the ANAO included:

- a lack of clarity about how the agency objectives were to contribute to the national arrangements;
- a tendency for the objectives to be so broad that performance measurement would be difficult;
- not all agencies listed their objectives in the General Instructions;
- not all agencies listed supporting performance indicators;
- where agency objectives were listed they were not necessarily consistent with all of the broader exercise objectives and were not necessarily linked to the objectives of the other agencies;
- a tendency for objectives to be activity focussed ('identify' or 'discuss') rather than outcome focussed to test/evaluate the effectiveness of arrangements specified in the Handbook; and
- some of the objectives related to evaluation; others focussed on training and identifying issues.

6.25 For example in one exercise examined, only two-thirds of the participating agencies had listed their objectives in the General Instructions. Of the agencies that did list their objectives, only some 25 per cent of these listed performance indicators as well.

6.26 In one exercise that contained an investigation DISCEX, there did not appear to be any formal correlation of the exercise objectives and subsequent performance indicators for the various police agencies in attendance, even though the scenario involved sequential as well as joint investigative processes.

6.27 The ANAO identified two key issues in this regard:

- a lack of alignment between the objectives and performance indicators of the participating agencies with those of the overall exercise or with other relevant agencies; and
- a lack of separation between the objectives related to training and those related to testing.

Lack of alignment of agency objectives and performance indicators

6.28 For the non-MJEX exercises, consistent with the expectation that individual agencies are responsible for determining the extent to which they participate in an exercise, and for negotiating what elements of their function they wish to practise or test, the individual agencies set their own performance indicators. However, the ANAO observed that, at the time of the audit, there did not appear to be any formal processes by which the agency performance indicators could be aligned in areas where the agencies' functions would intersect or overlap.

6.29 The ANAO further found that the quality and precision of the performance indicators set by agencies varied. Some agencies were able to set detailed indicators, particularly where they identified that they would be testing standard operating procedures. These tended to be the 'response' agencies that would be involved in any field deployment, such as the Australian Defence Force or emergency services. In these cases, the umpires assigned to report on performance would provide a further level of precision since these umpires would know the specific requirements for the designated capabilities.

6.30 Other agencies appeared to set high-level performance indicators, such as the effectiveness of response and support activities. The ANAO notes that although a 'facilitator' is often assigned to manage the non-deployment exercise components such as the DISCEX, the outcomes reported tend to focus on issues raised rather than to comment on the meeting of performance indicators. Individual agencies must self-evaluate whether they met their own indicators.

6.31 Without identification of the links between the participating agencies and recognition of these links in the agencies' objectives and performance indicators, there is a risk that the inter-agency performance will not be measured. The risk increases given the absence of formal established processes for the progression of issues of inter-agency coordination as noted in Chapter Five.

Recommendation No.5

6.32 The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue a more strategic and systematic approach to the measurement of performance via the National Capability Development Exercise Programme by:

- a) the setting of broad exercise objectives and supporting performance indicators that are aligned with the priority areas of the national arrangements to be tested;
- b) the consistent setting of objectives and performance indicators that allow for the measurement and reporting of performance over time; and
- c) encouraging agencies to set objectives and performance indicators that are more aligned with those of the broad exercise and those of other relevant participating agencies.

Attorney-General's Department response

6.33 Agreed. These activities are already undertaken, however AGD recognises that a more strategic approach is necessary. AGD has implemented new initiatives to facilitate this happening such as establishing a national lessons learned database in late 2004 and completing a rolling four-year capability development exercise program that includes a matrix of exercise priorities.

Department of the Prime Minister and Cabinet response

6.34 Agreed. PM&C accepts this recommendation and notes that this is already being implemented, and will be further addressed via the NCTC Capability Steering Group and the newly established PSCC Evaluation Section.

Training versus testing

6.35 The ANAO considers that part of the problem for agencies in setting meaningful performance measures is that agencies tend to view the exercises as a major training tool as well as a testing tool. This is reflected in the variation across exercise objectives, some of which refer to 'practise' or 'discuss', whereas others refer to 'test' or 'evaluate'.

6.36 The lack of distinction between the testing and training aspects not only affects the setting of performance indicators but also influences the nature of the issues identified and their subsequent treatment. Training tends to target the performance of the staff and people involved and to be accompanied by a coaching approach, whereas testing and evaluation focus on the effectiveness

of the procedures and the capacity of the trained staff to deliver them. It is difficult to measure the two simultaneously, and it is even more difficult to ascertain how well the procedures/processes are working if the staff testing them are not adequately trained.

6.37 While the exercises clearly provide a valuable training opportunity, the ANAO considers there needs to be an appropriate balance between training and testing. Too much of a focus on training provides reduced opportunity to measure progress and/or contributions towards the basic, viable nation-wide capability.

6.38 The ANAO considers that ideally the training and testing/evaluation functions within each exercise would be clearly differentiated to allow for:

- the outcomes of training to be systematically tested at identified intervals; and
- an appropriate focus on the efficiency and effectiveness of the procedural and coordination arrangements as provided for in the Handbook.

6.39 The NCTC framework would appear to provide for a distinction between training and testing since the NCTC Special Fund provides a budget to cover training courses and forums for each of the designated capabilities as well as a budget for the Exercise Programme. The ANAO notes that the exploration of contemporary training aids proposed in Recommendation No.4 may assist in the design of exercises and training where the training is clearly distinguishable from the testing.

6.40 The ANAO notes that the NCT Plan states that ‘the PSCC will organise a national exercise program that tests, maintains and strengthens counter-terrorism and consequence management capabilities, command and control and interoperability’³⁵. This implies an evaluative focus on the effectiveness of the arrangements.

6.41 A clearer identification of the testing/evaluation components would allow for better measurement of performance and the progress of the national arrangements towards the effective delivery of the basic, viable nation-wide capability. As outlined above, the ability to report on overall progress performs a valuable role in the whole-of-government context.

³⁵ *ibid.* Section 3, p. 5.

Recommendation No.6

6.42 The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee:

- a) clearly distinguish between the testing/evaluation components and the training components for the exercises conducted under the National Capability Development Exercise Programme; and
- b) ensure that the National Capability Development Exercise Programme, and each of the exercises conducted, places sufficient emphasis on evaluation.

Attorney-General's Department response

6.43 Agreed. The AGD recognised the need for improvement in this area and established an evaluation unit in late 2004 to enhance evaluation of the National Capability Development Exercise Program. This Unit has developed an evaluation framework that was accepted by the NCTC CSC. An evaluation reference group of subject matter experts and capability proponents has been established to oversee the development and implementation of the evaluation program.

Department of the Prime Minister and Cabinet response

6.44 Agreed. PM&C notes that to make the most efficient use of resources, counter-terrorism exercises should be used for both the training of personnel and the evaluation of processes. However, PM&C agrees that there would be benefit in more clearly distinguishing the training and evaluation of components of the exercise programme and will work with AGD and the NCTC, including via the Capability Steering Group, in this regard.

Conclusion

6.45 The ANAO observed that the exercises fulfil a multiplicity of valuable functions that include evaluating, testing, practising and training, the building of intra-agency and inter-agency relationships, providing a valuable opportunity to share information and increasing awareness of the roles and functions of the various other agencies. All of these are important factors that contribute to the ability of agencies to respond collectively in a crisis.

6.46 However, the ANAO considers that the work in progress to clarify the definition of the 'basic, viable nation-wide capability', and the development of operational plans to better specify how capability is to be achieved, would together provide an overarching 'common goal' for the counter-terrorism agencies to work towards in a whole-of-government context. The common goal

would provide a framework against which agencies can measure and report in a whole-of-government context.

6.47 Greater alignment between the objectives and performance indicators of the participating agencies with the broad exercise objectives and indicators and those of other relevant participating agencies would:

- reduce the risk of issues of inter-agency performance being overlooked; and
- allow for a more tightly focussed assessment of agencies' ability to effectively deliver the aspects of the NCT Handbook being tested.

6.48 The ANAO concluded that the training and testing components within the exercises conducted under the Exercise Programme should be more clearly identified and differentiated. Training tends to target the performance of the staff and people involved and to be accompanied by a coaching approach, and testing and evaluation focuses on the effectiveness of the procedures and the capacity of the trained staff to deliver them. The identification and differentiation of the training and testing components would allow the exercises to be used more effectively as a means of evaluating the capability and coordination required to deliver the agreed, predetermined level of basic, viable nation-wide capability.

7. Mechanisms for Reporting the Outcomes of Evaluations

This chapter reviews the mechanisms for the reporting of the outcomes and lessons learned from major reviews of the national counter-terrorism arrangements and the Exercise Programme. The reporting format for the major commissioned reviews is discussed. For the Exercise Programme, the umpire reports and the final exercise reports were examined, as well as the reporting on the costs of the exercises.

Introduction

7.1 Formal and effective reporting mechanisms are important to ensure that any lessons learned, actions to be taken, or assessments of the effectiveness of the national arrangements are brought to the attention of all the relevant stakeholders.

7.2 Effective reporting relies on:

- identification of all the relevant stakeholders and the establishment of formal processes for the relaying of information to them;
- making sure that this is done in a timely manner; and
- presentation of the information in a clear and relevant format that allows the ready uptake of what the reader needs to know.

7.3 Reporting on whole-of-government programmes/initiatives provides additional challenges due to the wide range of functions, the multiplicity of stakeholders involved and the different types and large amounts of information that may require reporting. In particular, reporting on practicable and useful themes for the outcomes of multiple activities and their inter-relationships can be difficult.

7.4 Effective reporting is also a key step in any continuous improvement cycle. If the results of evaluations are not captured effectively and then reported to stakeholders in an efficient and effective manner, the results cannot be used optimally to feed into ongoing improvements.

7.5 In their secretariat and coordination roles, the main onus for coordinating and managing the reporting on the national counter-terrorism arrangements resides with PM&C and the AGD.

Identification of stakeholders and formal reporting mechanisms

Identification of stakeholders

7.6 As outlined in Chapters Two and Three of this report, much effort has been extended towards the identification of the relevant stakeholders in Australia's counter-terrorism arrangements. At the time of the audit, the majority of Australian Government agencies and the core agencies from the States and Territories were represented on at least one counter-terrorism committee. The membership of the various committees expanded as new stakeholders were identified, and a number of other committees had been established to address particular areas of counter-terrorism.

7.7 Links have been, and continue to be, built to and from other coordination frameworks, for example the Australian Health Disaster Management Policy Committee and the Australian Emergency Management Committee. A review of the effectiveness of these links and the identification of any remaining gaps was included in the terms of reference for the review of the NCTC sub-committees that was underway at the time of the audit.

Formal reporting mechanisms

7.8 The outcomes of reviews commissioned by the Australian Government are reported back to SCNS and the NSC. Portfolio Ministers inform relevant line areas of items for attention. Information is also disseminated by PM&C and AGD across the other Australian Government agencies through the AGCTPC and the AGCTC.

7.9 The outcomes of NCTC commissioned reviews are reported to the various NCTC committees, initially the NCTC EC, and usually by PM&C or AGD. The NCTC produces an Annual Report to COAG that includes information about any major reviews as well as the outcomes of the Exercise Programme.

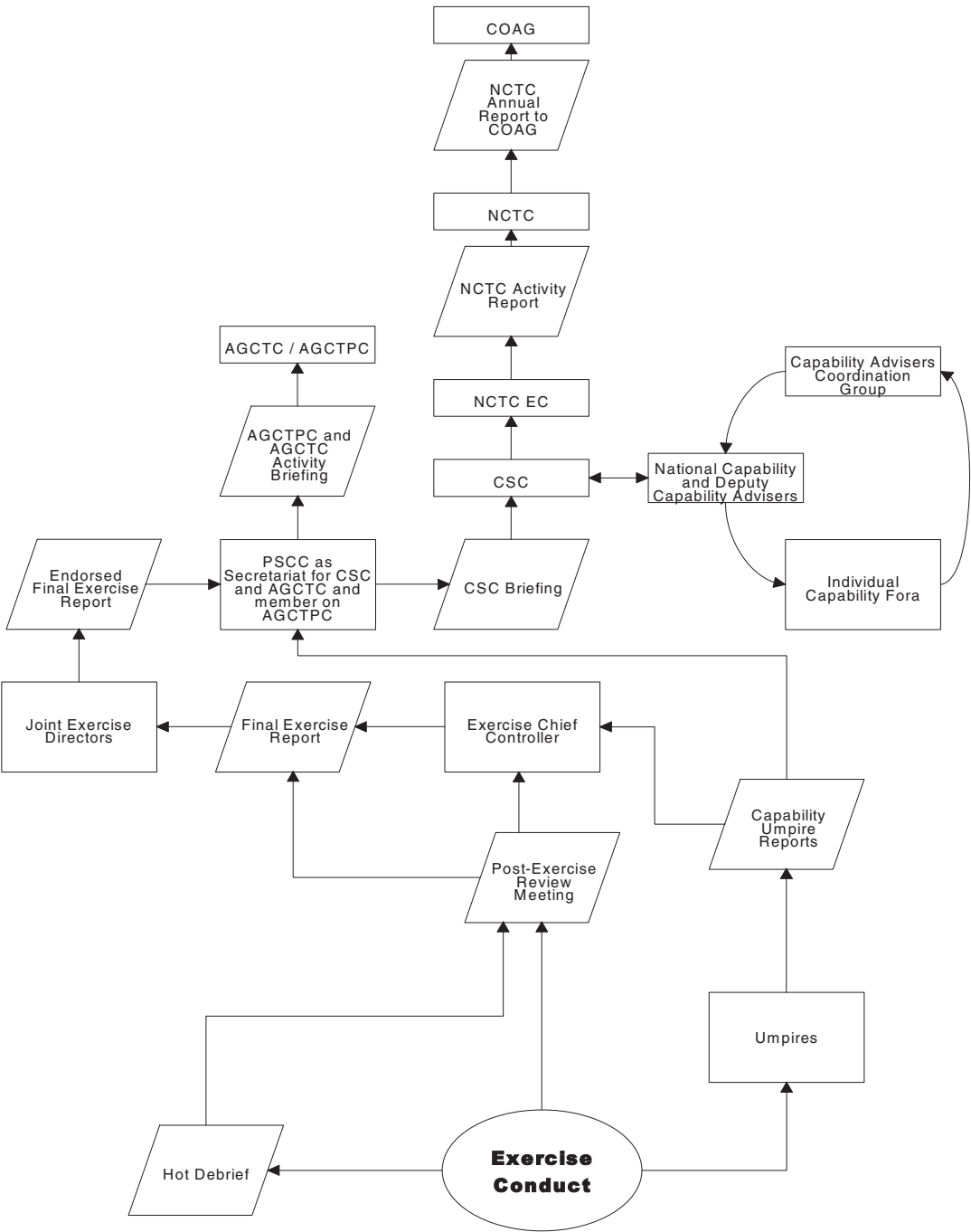
7.10 As representatives of their agency, the NCTC and Australian Government committee members are expected to disseminate the information to any other relevant areas within their home agency and portfolio as appropriate.

7.11 With respect to the Exercise Programme, a final exercise report is provided to the CSC. The CSC then provides a summary report to the NCTC.

7.12 The framework for reporting on the Exercise Programme is shown in Figure 7.1 below.

Figure 7.1

The National Capability Development Exercise Programme reporting framework



Source: ANAO analysis.

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7.13 The national counter-terrorism arrangements are continually evolving, and the coordinating agencies of PM&C and the AGD appear to be proactively managing a comprehensive framework. The ANAO considered that the formal reporting frameworks were in place and concluded that efforts had been directed towards identifying the relevant stakeholders.

Timeliness of reporting

7.14 With the need to be able to evolve capability rapidly, counter-terrorism agencies rely on the prompt provision of information, particularly if it identifies areas requiring action.

7.15 Given that the formal reporting processes are mainly through the various counter-terrorism committees, the frequency of the committee meetings could become a factor influencing the timeliness of reporting. For example, the CSC and the NCTC meet semi-annually, so that if an exercise report was not finalised in time for the next meeting it could be up to nine months before the outcomes are formally reported.

7.16 The ANAO noted that the timing of the committee meetings could be problematic, but also noted that other mechanisms were in place to allow for the rapid relay of information that was deemed important, for example the consideration of important items out-of-session or the provision of briefings to relevant committees in advance of final reports. The ANAO found that the longest time for the results of a 2004 exercise to be reported to the CSC was some five months.

7.17 The ANAO considered that a number of mechanisms were in place to allow for the timely reporting of the outcomes of major reviews as well as the outcomes of the national exercises. The ANAO found one exception that did not appear to be adequately covered by these procedures.

Report on the Reassessment of National Counter-Terrorism Capability

7.18 During the audit one exception to timely reporting was noted. In its examination of the NCTC commissioned reviews, the ANAO noted that the final report for the *Reassessment of National Counter-Terrorism Capability* was extended significantly beyond its originally anticipated timeframe. At the time of the commissioning of the review it was envisaged that a report would be provided to the NCTC in May 2004.

7.19 In their responses to questions in the ANAO survey that sought views on whether review outcomes were brought to their attention in a timely manner, almost 50 per cent of the agencies replied that this was not the case, and a number of agencies specifically cited the *Reassessment of National Counter-*

Terrorism Capability as an example. Some of the agencies interviewed by the ANAO during the audit also commented on the length of time since The RM Company had consulted with them as part of the report methodology, and expressed concern that the delays to the report would reduce its potential usefulness.

7.20 At the time of the audit fieldwork, the *Report on the Reassessment of National Counter-Terrorism Capability* had not yet been finalised. The draft report was considered by the report Steering Committee during February 2005, and the final report went to the NCTC in May 2005. The ANAO notes that steps were taken to inform agencies of the likely findings from the delayed report.

7.21 PM&C advised the ANAO that The RM Company had been asked to extend the review findings to take account of recent initiatives that were relevant to the report, and further commented that the structure of the report had required some streamlining. The ANAO found limited documentation on the files relating to this consultancy. It was unclear what additional work had been requested and the rationale and decision for this additional work to be performed. The AGD raised a purchase order in December 2004 for additional services under the contract. The RM Company advised that notwithstanding the additional work and the consequent delay in reporting that it had continued to brief the NCTC, the NCTC EC and other coordinating committees.

7.22 The ANAO considered that the steps taken to offset the delayed report appear not to have diminished agency concerns, expressed in their survey responses, regarding the delay in timing of its delivery. Given that any review can only provide a 'snapshot at a point in time', PM&C and AGD, and any other governance structures employed such as a steering committee, should ensure that timely progression is sustained. Delays due to the take-up of new developments, while enhancing pertinent areas of the review, are potentially offset by the greater passage of time before the agencies can act on the other issues identified.

7.23 The ANAO also considered that the reasons for the delays in finalising the review could have been better documented.

ANAO assessment

7.24 The ANAO considers that mechanisms are in place to allow for the timely reporting of the outcomes of major reviews and the national exercises. However, the ANAO did note that *The Report on the Reassessment of National Counter-Terrorism Capability* was an exception.

7.25 The ANAO also considers that, for accountability purposes, the reasons for delays in major reviews should be better documented.

In-built processes for timely reporting of exercise results

7.26 With respect to the Exercise Programme, given the highly operational focus of the exercises, it is important that lessons learned and issues for attention are identified and acted upon promptly. In recognition of this, the conduct of the exercises allows for built-in processes to facilitate timely feedback. These are described in Table 7.1.

Table 7.1

Timeliness of lessons learned in exercises

Tool	Purpose	Timing
Hot-debriefs	Provide initial feedback to participants and managers on the conduct of the exercise as well as the areas for improvement.	While conducting the exercise or shortly after completion of the exercise.
Post-exercise debriefs	Provide an opportunity for agency representatives to discuss umpire assessments and propose other areas for improvement. The outcomes from these meetings are fed into the final exercise report.	Debriefs are usually held within one month of completion of the exercise.
Umpire reports	Provide an assessment focussed on capability against the agency objectives. Umpires are used for deployment exercises.	Umpire reports are due within one month of the end of the exercise and form the basis for the final exercise report.
Participant evaluation	Provide feedback on the conduct of the exercise and main learning areas. These are usually conducted for DISCEX.	At the completion of the DISCEX.
Final exercise report	Provide NCTC committees with a report on the aspects of the exercise that went well and identifies the areas for improvement. Umpire reports are usually attached.	The final report is submitted to the CSC—usually some months after the completion of the exercise.

Source: ANAO analysis of AGD exercise documentation and observation of two exercises.

ANAO assessment

7.27 Overall, the ANAO considers that the frameworks for reporting outcomes to the counter-terrorism stakeholders are generally sound. Individual exercises have effective mechanisms built in to ensure that the participants are promptly made aware of the lessons learned. The ANAO also considered that reporting on national issues identified in the exercises may be slower, but noted the existence of opportunities to report to the committees out-of-session on specific or important matters.

Appropriate presentation of the outcomes

7.28 For reports to be most useful, the information should be presented in a clear and relevant way that is easily absorbed by the intended readers and covers what the readers need to know.

NCTC commissioned reviews

7.29 The reports for the major NCTC evaluations that were reviewed by the ANAO generally followed a standard reporting format with an Executive Summary, Key Findings and Recommendations sections.

7.30 The *Counter-Terrorism Capability Assessment Review* followed a complex matrix format that presented the information from a variety of perspectives (phase of the security continuum, capability and identified threats, such as chemical, biological or radiological). Whilst this report arguably meets the original terms of reference, the ANAO considered that the report may have been more beneficial if the terms of reference had required the report to provide more detailed analysis and explanatory narrative regarding the review findings. However, the report appears to have served the intended purpose of setting benchmarks from which further capability reviews could be commissioned.

7.31 The ANAO noted that the formats used for each review were different, making it less easy to track progress over time. This is an area where the setting of higher-level objectives and the clearer articulation of the desired outcomes would enable, in future, major commissioned reviews to be better structured so that progress over time can be more easily gauged.

Exercise umpire reports

7.32 The ANAO reviewed the final reports for the six exercises conducted during 2004. The main body of the final reports generally comprise the reports from the exercise umpires, which contain recommendations for the designated capabilities tested during the exercise. The AGD provides the respective capability umpires with a template to use for reporting on individual exercises.

7.33 The ANAO found that the umpire template was broad and did not encourage the umpires to clearly convey the basis of their assessments. The ANAO also found that the approach adopted by the umpires varied. Some umpires provided an assessment rating, such as 'very good', 'good' or 'poor'. The level of detail supplied also varied.

7.34 While accepting that the umpires are subject matter experts, who should be relied upon to assess performance professionally, the ANAO considers that the broad nature of the reporting, and the generality of some

recommendations, make it difficult to form precise assessments of performance as well as to measure the achievement of the exercise objectives. It is also probable that different umpires will be engaged to assess the same capability in different exercises, and that differences in reporting format will also occur within the same capability.

7.35 The ANAO considers that this makes it difficult for comparison across exercises, and also confounds the measurement of improvement between one exercise in that jurisdiction and the next one. The umpire reports, and hence the exercise reports, would benefit from greater consistency if they are to form the foundation stone for continuous improvement.

7.36 The ANAO further considered that there was scope for the umpire reports to be better aligned with the exercise objectives and performance indicators to facilitate both effective reporting and continuous improvement to the national arrangements. Although the AGD briefs the umpires prior to the commencement of any exercise, the approach requires a stronger performance measurement focus. The ANAO noted that the issue of aligning umpire assessments with the performance indicators was raised in the planning meeting for *Mercury 05*, but considers that all exercises would benefit from the adoption of this practice.

7.37 Additionally, as discussed in Chapter Five (paragraphs 5.29 to 5.43), the ANAO has recommended that a more formal approach to the identification of, and subsequent addressing of, issues of coordination should be adopted and suggested that the appointment of umpires to assess the effectiveness of inter-agency coordination should be considered.

7.38 The ANAO notes that exercise umpires are appointed for each exercise a few months in advance of the exercise. Release has to be agreed by the home jurisdiction for the respective umpires. Given that umpires are operational staff, unexpected issues can lead to a selected umpire no longer being available. The AGD advised that umpires also require training in exercise management and how to report against exercise objectives.

7.39 The ANAO considers that the contribution the umpires make to the national exercises and to the continuous improvements of Australia's national counter-terrorism arrangements is of fundamental importance. The umpires are the primary assessors of performance, the writers of the main components of exercise reports and also the main providers of feedback to the participating agencies.

7.40 The ANAO further considered that this essential aspect of the Exercise Programme would benefit from a more formal and strategic approach. Exercise umpires should be appointed well in advance and should be provided with appropriate training and briefings to allow them to align their reports to

the exercise objectives and performance indicators. Greater consistency of umpire reports should also be encouraged.

ANAO assessment

7.41 The ANAO considers that AGD, as the designated coordinator of the Exercise Programme on behalf of the NCTC, had significant scope to strengthen the umpiring process and to tighten the reporting focus of the exercises on performance measurement. This is particularly important given the role of the capability advisers and the need for these advisers to be able to use data arising from the umpire assessments. The importance of the umpires and capability advisers and their contribution to continuous improvement is addressed further in Chapter Eight.

7.42 The ANAO recognises that this will require agreement and support from the NCTC and the agencies participating in the Exercise Programme. The ANAO considers that PM&C, as the policy coordinator and co-chair of the NCTC, should assist AGD by ensuring that this important issue is given due attention by the committees and that options are explored for a more formal and structured management of the umpiring process.

Exercise summary reports

7.43 The reports for each of the six exercises conducted during 2004 contained a brief summary report of the exercise, and a comment on whether the exercise objectives were met. The summary reports were prepared by either the Joint Exercise Directors or the Exercise Chief Controller.

7.44 The ANAO found that the exercise summary reports also varied in approach. Some of the summary reports provided more analysis of performance against each of the exercise objectives compared to others. One exercise referred to the development of an issues register with options on how the State-based recommendations may be best managed.

7.45 The ANAO considered that the summary reports containing more analysis and a clear identification of the more important issues were likely to be of more use to the NCTC and other decision-makers. The issues register is considered to be a sound approach, and one that will work well in conjunction with the Lessons Learned Database to provide a structured way of identifying the issues and tracking subsequent actions so that they can be managed to an appropriate closure.

7.46 The ANAO notes that one of the roles for the Evaluation Section established within the AGD will be to examine options for strengthening performance management and reporting. The ANAO considers this to be appropriate, and notes that PM&C, as co-chair and chair of the NCTC and the

NCTC EC, will be in a prime position to help encourage NCTC member agencies to improve the quality of reporting on the exercises.

ANAO assessment

7.47 The ANAO considers that the exercise summary reports would benefit from the systematic inclusion of an issues register as a means of effectively categorising the issues and identifying the appropriate action agency or agencies.

7.48 The ANAO also considers that the exercise summary reports would benefit from greater analysis, and should be designed to work in conjunction with the Lessons Learned Database.

7.49 The ANAO considers that the reporting on the Exercise Programme would benefit from a more rigorous management approach.

7.50 In particular, the ANAO considers that the umpiring process required review and that adoption of a more formal and strategic approach to this essential aspect of the Exercise Programme warranted consideration.

Recommendation No.7

7.51 The ANAO recommends that the Attorney-General's Department, in consultation with the National Counter-Terrorism Committee, strengthens the reporting on the National Capability Development Exercise Programme through:

- a) the provision of clearer guidance on, and monitoring of, the quality of reporting required for the exercises; and
- b) a review of the exercise umpiring process to maximise the contribution umpires make to effective performance measurement and reporting and hence to continuous improvement.

Attorney-General's Department response

7.52 Agreed. The PSSC reports on the National Capability Exercise Program directly to the NCTC and through the CSC. AGD recognises the need to strengthen this reporting and has therefore included reporting as a key component of the evaluation program. The umpire program is also being reviewed with a view to refining the selection and training of umpires as well as enhancing the assessment templates used by umpires with a view to strengthening objectivity.

Reporting of exercise costs

7.53 The NCTC Special Fund provides a budget for the running of the Exercise Programme and notional budgets are assigned for each type of exercise. The NCTC Guidelines indicate what constitutes appropriate expenditure for training and exercises³⁶.

7.54 As the designated coordinator of the Exercise Programme, the training courses and the capability forums, the AGD administers the NCTC Special Fund and is responsible for monitoring and accounting for the funds allocated to and expended by the jurisdictions.

Reporting of individual exercise costs

7.55 The ANAO found that the final exercise reports did not always cover the costs of the conduct of the exercise. While recognising that the final accounts for the components of the exercise may not have been submitted in time to be taken into account when the final exercise report was prepared, the ANAO considers that at, minimum, an indication of the expenditure committed should be provided. In analysing the exercise expenditure for the six exercises conducted in 2004, the ANAO found that when the actual expenditure was compared to the notional exercise budgets, the former ranged from 85 per cent under notional budget to 20 per cent over notional budget.

7.56 The ANAO recognises that the budgets are notional, based on the type of exercise, and that it may be difficult to forecast the likely costs of an exercise prior to decisions regarding the location and design of the scenario and confirmation of the participating agencies. However, with the degree of variance found, timely and accurate reporting of the committed and actual costs of each exercise should be required.

7.57 Without this, it is likely to be difficult for the AGD and the NCTC committees to monitor the expenditure against the NCTC Special Fund and for decision-makers to ascertain whether there are funds available that may be re-assigned or, conversely, if the budget for a future exercise needs to be reduced to account for an over-spend. There is a risk that the perception of funds not being available may lead jurisdictions to curtail scenarios or particular aspects of an exercise.

³⁶ Exercise expenditure includes direct costs incurred by a State or Territory in participating in NCTC endorsed counter-terrorism exercises and may include: fares and travelling allowances; overtime, meal and refreshment costs of participants; hire of essential equipment; printing and stationery; and additional special items directly attributable to the exercise.

7.58 The allocation of, and accounting for, exercise funds will become more important given the increased funding for additional exercises, the increased complexity of the exercises, the requirement to balance various priorities and the anticipated shift towards a more strategic approach to the Exercise Programme, combined with a greater focus on its use as an evaluation tool.

7.59 The ANAO observed that the AGD provides briefings on expenditure against the NCTC Special Fund to the NCTC and CSC on a semi-annual basis and at one NCTC EC meeting a year. The Exercise Programme is reported at a programme level and not at an individual exercise level. This makes it difficult for decision-makers to allocate under/over-spends or re-prioritise funding from one exercise or related training course to another.

ANAO assessment

7.60 The ANAO considers that the monitoring and reporting of the expenses relating to each exercise would benefit from a more rigorous approach, and that the AGD could exert greater effort in ensuring that the accountability requirements for each exercise are adequately addressed.

Recommendation No.8

7.61 The ANAO recommends that the Attorney-General's Department better monitor and account for the expenditure of individual exercise costs under the National Capability Development Exercise Programme, through:

- a) the provision of more detailed guidance on, and subsequent monitoring of, the financial reporting required for the exercises; and
- b) the provision of committed and actual cost reports for each exercise to the National Counter-Terrorism Committee to allow decisions to be made that will maximise the benefit of the exercise programme for the moneys expended.

Attorney-General's Department response

7.62 Agreed. The report acknowledges that (paragraph 7.59) financial reports are provided twice yearly to the NCTC following consideration by the CSC and endorsement by the NCTC EC. AGD acknowledges the suggestions provided by the ANAO and will implement them to enhance financial management and cost effectiveness of the National Capability Development Exercise Program.

Total costs of the National Capability Development Exercise Programme

7.63 The ANAO also observed that the total costs of running the Exercise Programme do not appear to be measured since:

- the direct costs of the Australian Government agencies involved in the exercises are not reported;
- the AGD staff devoted to the management of the Exercise Programme would expend a significant portion of the budget for the Counter-Terrorism Branch in the AGD, but this is not reported as such; and
- NCTC funding does not cover the full costs of the participation of staff in the agencies of the States and Territories, and the actual time and cost does not appear to be reported to the NCTC.

7.64 As a result, the total cost of administering and participating in the exercises is not known at the whole-of-government level. The ANAO acknowledges that effective measurement of the whole-of-government effort would require agreement of what activities are involved, and cooperation from each of the participating agencies and jurisdictions. Although this would be difficult, without it the agencies, collectively, are not well placed to determine the total value of the Exercise Programme and to make informed judgments about whether the efforts extended are justified by the outcomes. The ANAO suggests that the implementation of Recommendation No.8 would allow consideration of the reporting of total costs at a whole-of-government level. The provision of this data might also allow analysis to be undertaken to determine potential efficiencies in the delivery of the Exercise Programme.

ANAO assessment

7.65 The ANAO noted the rapid expansion of the Exercise Programme and the increase in complexity through the involvement of a greater range of agencies and functionalities, the introduction of an MJEX and the rise in competing demands for the testing and assessment of functions and coordination arrangements in a wide array of threat and risk contexts.

7.66 The ANAO considers that, in time, the AGD should consider the implementation of total cost reporting for the Exercise Programme.

Conclusion

7.67 The ANAO concluded that the reporting mechanisms for the reviews and exercises cater for the majority of government stakeholders involved in counter-terrorism. Similarly, the ANAO noted that additional links have been built, or are being built, to other coordination frameworks, such as the Australian Health Disaster Management Policy Committee and the Australian Emergency Management Committee.

7.68 The ANAO also concluded that formal reporting mechanisms were in place that generally allowed for the timely reporting of the costs and other outcomes of major reviews and exercises. However, for recall and accountability purposes, the ANAO considers that when a review is delayed, the reasons for these delays should be better documented.

7.69 The ANAO noted that the work being progressed by the NCTC combined with the more stringent setting, measuring, and hence reporting of performance against objectives and performance indicators, and greater data analysis, would allow for more comparable evaluations in the future.

8. Effective Use of Counter-Terrorism Evaluations as a Basis for Continuous Improvement

This chapter examines the strategic management of the evaluations of the national counter-terrorism arrangements through a model for the continuous improvement cycle. Also examined is whether the evaluation outcomes are used effectively to maintain and improve the arrangements, and the roles of AGD and PM&C in this regard.

Introduction

8.1 The main purpose of evaluations and performance measurement is to identify strengths and weaknesses and to provide an objective assessment that can be used as the basis for ongoing improvements to the subject or programme that was reviewed. The outcomes of evaluations are often used as the trigger for assigning priorities and for considering the need for additional resources.

8.2 A formal and effective continuous improvement cycle is important to ensure that the results of evaluations, and any lessons learned from them, are used optimally to maintain and enhance the arrangements under review. Without a comprehensive and systematic cycle for continuous improvement there is a risk that the evaluations will not be used to best effect. The methods for evaluation and the cycle for continuous improvement should ideally be designed to complement each other to provide synergies in, and efficiency of, approach.

8.3 As described in Chapter Four, the agencies involved in the delivery of counter-terrorism capability readily review incidents overseas, the major commissioned reviews and the Exercise Programme to analyse the effectiveness of the current arrangements, to identify issues and to generate actions for improvement. The willingness of the agencies to embrace avenues for improvement was clearly evident to the ANAO during the audit.

8.4 The various evaluation activities generate a significant number of issues and accompanying recommendations. In this context, assessment against a systematic and effective continuous improvement cycle would be valuable. The ANAO applied a model for a continuous improvement cycle, as shown in Figure 1.1, to the national counter-terrorism arrangements and assessed their effectiveness against this model. The ANAO also reviewed the extent to which the evaluation methods applied were consistent with, and complemented, a model of the continuous improvement cycle.

Continuous improvement cycle for the national counter-terrorism arrangements

8.5 Phases one through six of the Figure 1.1 continuous improvement cycle have already been discussed in this report, such as the setting of clear objectives and supporting performance information.

8.6 Phases seven to 13 relate to the:

- effective capture of results;
- analysis of the lessons learned so that the captured information is easily used by decision-makers and allows for efficiencies in the corrective actions;
- clear assignment of responsibility for implementing the required actions;
- systematic and coordinated monitoring of the implementation of these actions; and
- further assessment to ensure the ongoing effectiveness of the arrangements as well as measuring the impact of the introduction of new elements.

Effective capture of results

8.7 Phase seven in the Figure 1.1 model for the continuous improvement cycle is to make sure that all the issues identified, the lessons learned, and the resultant recommendations are effectively captured.

8.8 The ANAO survey sought agency views on whether the lessons learned from the Exercise Programme were effectively captured. Twenty-five per cent of agencies agreed this to be the case, 25 per cent disagreed, and the remainder assessed this as adequate and improving. A number of agencies differentiated between the processes for the MJEX compared to the other exercises. Most thought the MJEX approach was successful, but considered there was more to be done to better capture the results of the other exercises. One agency commented that the results from the exercises could be better used to 'accelerate national learning'.

8.9 As noted in Chapter Seven, the exercise debriefs provide an immediate capture of exercise results and the umpire reports capture the umpire assessments and comments, and these are incorporated into the final exercise reports.

8.10 The ANAO observed that the umpire reports vary in presentation, even with the use of a reporting template. Some umpires only provided narrative

comments, whereas others provided narrative and a rating. Generally, the criteria and basis for the ratings was not disclosed. While the ANAO acknowledges that the umpires are subject matter experts, in the absence of transparent and consistent performance indicators it was difficult to ascertain the focus of the assessment, and hence how effectively the results had been captured.

8.11 The ANAO further noted that although the individual results of reviews and exercises were captured, these were all held separately, making collective analysis difficult.

8.12 The ANAO considers the Lessons Learned Database under development to be an important initiative that should provide a centralised platform for the effective drawing together of the combined results/outcomes from the Exercise Programme as well as other reviews. AGD advised that the counter-terrorism agencies will eventually be able to access this database.

Analyse actual performance against objectives

8.13 Phase eight in the Figure 1.1 model for the continuous improvement cycle is to analyse actual performance against objectives. Phase nine is to identify the areas for improvement, based on this analysis. As detailed in Chapter Four, there were 458 recommendations resulting from the 2004 Exercise Programme and the NCTC major reviews. There may also be un-finalised recommendations from previous reviews.

8.14 The ANAO noted the goodwill among the counter-terrorism agencies and the considerable efforts extended to act upon these recommendations. The ANAO considers that strategic analysis of the recommendations would facilitate a more streamlined approach for the agencies implementing the corrective actions, so that the current arrangements to respond to terrorist incidents reflect the accumulation of the best knowledge and experience available.

8.15 Analysis of the recommendations would be beneficial to identify:

- similar recommendations;
- repeat recommendations—either across jurisdictions or agencies that may need to be considered as a national issue;
- previous recommendations that may not have been fixed;
- linkages between recommendations and the actions required;
- areas of greater urgency or priority; and
- the agencies who should be assigned responsibility for the implementation actions.

8.16 In addition to identifying potential efficiencies of action, strategic analysis of the recommendations is important to determine actual performance against the stated objectives. The ANAO notes that the broad exercise objectives of 'practise and validate' do not facilitate the analysis of performance against desired outcomes. The ANAO has made recommendations aimed at the setting of clearer exercise objectives supported by more precise performance indicators.

8.17 The ANAO considers that it is difficult to determine true progress in a capability without analysis of performance in relation to the stated objectives and desired outcomes. Additionally, without strategic analysis of the collective performance against outcomes it is difficult to determine true progress towards the delivery of the basic, viable nation-wide capability.

8.18 Analysis of the performance gap and the subsequent actions taken to address the recommendations can also provide accountability and better enable the reporting of tangible achievements and progress.

8.19 The ANAO considered that there is scope for AGD and PM&C to increase their strategic analysis of the results of the exercises and to analyse the actual performance against objectives. Given the establishment of an Evaluation Section within the AGD and the development of a Lessons Learned Database, the AGD would carry operational responsibility for the systematic collection of quality and comparable data and its subsequent analysis, under strategic direction from PM&C and the relevant NCTC committees.

8.20 The roles of the Evaluation Section and the NCTC Exercise Lessons Learned database are discussed in more detail in paragraphs 8.72 to 8.82.

Assignment of responsibility

8.21 Phase 10 of the Figure 1.1 model for the continuous improvement cycle is to assign responsibility for any corrective actions.

Reviews of the Australian Government arrangements

8.22 Recommendations arising from reviews of the Australian Government agencies and functions involved in counter-terrorism are progressed by the portfolio agency. Where appropriate, inter-departmental committees or working groups are formed. The audit did not examine the assignment of responsibility or the implementation processes for these reviews.

Evaluation of the national counter-terrorism arrangements

8.23 At the national level, the NCTC, through the CSC and the AGD, has the role of monitoring the implementation of national level recommendations that arise from reviews and exercises. The relevant jurisdiction is responsible for taking up any required actions relating to their jurisdiction.

8.24 The ANAO noted that the recommendations arising could refer to either:

- an area of functionality (for example, aviation security or emergency first response)—and these can be the responsibility of either an Australian Government agency or a jurisdictional agency;
- a designated NCTC capability (intelligence, media management or police command); or
- a coordination issue (hand-over and hand-back between the police and ADF after ADF call-out, or joint investigation procedures).

Recommendations relating to functionality

8.25 Recommendations relating to functionality are generally assigned to the home agency responsible for the function. Progress is reported back through the relevant counter-terrorism committees.

Recommendations relating to capability

8.26 The CSC has responsibility for the development of the basic, viable nation-wide counter-terrorism capability as well as the designated capabilities.

8.27 The ANAO notes that the CSC representative from each State and Territory is responsible for passing relevant recommendations from the exercise reports to any capability adviser or deputy capability adviser in their State or Territory. The exercise umpire reports form the basis for consideration of changes to procedures or standards relating to the capabilities.

8.28 The ANAO was advised by the AGD that the exercise reports are to go to the respective capability advisers, who would progress any required changes to the capability through the capability forums and would then refer matters back to the CSC if necessary (Figure 7.1 shows this reporting loop).

8.29 The ANAO examined the minutes from the CSC and found that the CSC tended to 'note' the exercise reports. The ANAO considered that this might be because many of the recommendations relate to jurisdictional issues. However, many of the recommendations also relate to the NCTC designated capabilities.

8.30 During interviews held as part of the audit, some capability advisers advised the ANAO that they did not systematically receive exercise reports. The ANAO notes that there did not appear to be a mechanism for tracking whether the advisers had received the exercise reports.

8.31 Given the fundamental importance of capability advisers being made aware of issues affecting their capability, the ANAO considers that a centralised mechanism should be incorporated into the continuous improvement cycle to ensure that this step becomes mandatory and can be easily monitored.

Recommendations relating to exercise management

8.32 The ANAO notes that one of the designated NCTC capabilities is exercise management, and that a capability adviser and deputy capability adviser have been appointed.

8.33 In the context of the enhanced AGD roles in evaluation and the management of the Exercise Programme being recommended in this paper, the respective roles and responsibilities of the AGD and the exercise management advisers may need to be reviewed, and the way they are to work together may need to be redefined (also recommended in this report at paragraph 5.65).

Recommendations relating to coordination or national issues

8.34 The ANAO noted that two exercises generated a summary table of recommendations with a column showing the designated lead agency for the progression of each recommendation. After the MJEX, specific working groups were created to progress areas for improvement. The recommendations were also passed to the NCT Handbook revision working groups for the agreed new procedures to be incorporated into the revised Handbook.

8.35 For the other exercises conducted in 2004, the ANAO found it more difficult to discern how any 'national issues' identified were to be progressed. The ANAO observed that the CSC referred some issues to the NCTC, for example a proposed model of a combined police and emergency service command centre. However, there were limited references to other national issues raised. The ANAO was unable to ascertain whether these issues were picked up by other committees or by the capability forums.

8.36 The ANAO has recommended (Recommendation No.3) the establishment of more systematic mechanisms for better targeting and evaluating inter-agency coordination through the Exercise Programme and continuous improvement cycle. This should provide a means for better coordination of the progression of recommendations relating to matters of coordination and/or national importance.

8.37 The ANAO considered the practice of generating an issues register, which includes the identification of a lead agency or capability adviser responsible for the implementation of recommendations, to be sound, and further considers that this practice should be adopted for all exercises. The issues registers could form an important foundation for the data to be included in the Lessons Learned Database as well as providing the basis for a 'running tally' for the subsequent monitoring of implementation.

ANAO assessment

8.38 The ANAO considers that the processes for managing the issues identified, and the recommendations relating to these, require a more systematic and transparent approach. Consistent use of an exercise issues register in the exercise summary reports would be a useful tool to assist in this regard. Although the cumulative progression of the various actions relies on cooperation and goodwill and there is no one 'directing' agency, it is important that the collective efforts are agreed, known and tracked. Without this, there is a risk that the delivery of the basic, viable nation-wide capability will be progressed and reported as a series of simultaneous activities rather than in an integrated manner.

8.39 The ANAO also considers that, as the policy and operational coordinators, PM&C and the AGD need to ensure that phase 10 of the model for the continuous improvement cycle, the assignment of responsibility, is complete and transparent.

Monitoring of implementation action

8.40 Phase 11 of the Figure 1.1 model for the continuous improvement cycle is the monitoring of the implementation of corrective actions. Without this, there is a risk that some recommendations may inadvertently remain unaddressed.

Monitoring of Australian Government implementation

8.41 The CIU in PM&C monitors the actions arising from Australian Government reviews that were commissioned by the NSC, or through the budget processes. The CIU seeks quarterly progress reports from the responsible line agencies. The audit did not examine these procedures in detail.

Monitoring of implementation under the national arrangements

8.42 The NCTC Secretariat Unit within PM&C monitors actions arising from the NCTC commissioned major reviews. An update is sought for each NCTC meeting when a stocktake of reviews and a running tally of progress is

presented as a standing agenda item. This stocktake is maintained in the form of a basic table.

8.43 The CSC monitors the implementation of recommendations from the Exercise Programme. The ANAO observed that there did not appear to be a collective running report on progress of the Exercise Programme recommendations like the spreadsheet prepared by PM&C to track the recommendations from the NCTC reviews.

8.44 The AGD advised the ANAO that currently there are no mandatory requirements for individual jurisdictions or agencies to report on the implementation of exercise recommendations. The AGD further advised the ANAO that no agency or body has the charter to monitor the implementation of exercise recommendations in individual jurisdictions or agencies, whether Australian Government or State/Territory. Therefore, individual jurisdictions need to be consulted with to ascertain the progress of implementation of the various recommendations.

8.45 The ANAO observed that the representing members from agencies and jurisdictions usually provide an update brief to the respective committees that they attend. In this way, all the counter-terrorism agencies should be generally aware of the progress being made by each other. Given this, the ANAO considers that the goodwill exists to report more precisely on actions taken in response to specific recommendations.

8.46 In the absence of more systematic tracking and reporting, agencies are provided with an abundance of information, but without a reference framework or context. There is also a risk that some recommendations may be inadvertently overlooked.

8.47 The ANAO considers that without a structured monitoring system it is difficult to track any decisions not to proceed with particular recommendations and also to determine when action is complete and any recommendations are agreed to be 'closed'.

8.48 The ANAO considers that a system for monitoring the collective implementation of the specific recommendations arising from each of the exercises should be developed, and that there would be further benefits if this could be aligned with or correlated with the implementation of recommendations arising from major reviews.

8.49 The ANAO further considers that the NCTC Exercise Lessons Learned Database being developed at the time of the audit could be used as a key tool for keeping centralised track of the recommendations arising from the various exercises and reviews and the collective implementation actions that are leading to enhanced basic, viable nation-wide capability.

ANAO assessment

8.50 The ANAO considers that there are appropriate measures in place to track the progress of actions taken in response to the recommendations from commissioned reviews. However, the ANAO noted that similar mechanisms did not currently exist, but considers they should be adopted, for the outcomes of the Exercise Programme.

Reporting on collective progress

8.51 Phase 12 of the Figure 1.1 model for the continuous improvement cycle is to report on progress. Chapter Seven examines in detail the mechanisms for the reporting of the outcomes and lessons learned from major reviews of the national counter-terrorism arrangements and the Exercise Programme.

8.52 In addition to the existence of robust reporting frameworks and mechanisms for effective reporting of results, for whole-of-government initiatives it is also important that strategic reporting endeavours to bring together the collective outputs of the Commonwealth of Australia and the State and Territory jurisdictions. This level of reporting is useful for measuring overall progress towards the achievement of the objectives articulated in the IGA and other strategic documents.

8.53 Collective reporting also provides a context for the sum of the individual agency efforts and can assist higher-level decision-makers in their consideration of strategic directions and the accompanying allocation of priorities and resources.

8.54 However, whole-of-government reporting is a challenge, particularly where the agencies involved cover a diverse range of functions and contributions, such as is the case for the national counter-terrorism arrangements.

8.55 The ANAO reviewed the NCTC Annual Reports to COAG and the Australian Government publication *Protecting Australia Against Terrorism* since these reports are the higher-level documents that articulate the state-of-play of the national arrangements. The ANAO found the documents to be comprehensive in their coverage of the many components of the national arrangements. The documents clearly highlight significant achievements made either in the previous financial year or since September 2001.

8.56 Both documents are also forward-looking. The NCTC Annual Reports to COAG make recommendations on the priority areas to be addressed in the coming year. *Protecting Australia Against Terrorism* contains a chapter on 'Australia's Future Capability' that discusses planned efforts to build on the existing capability.

8.57 To increase their benefit, the ANAO considers that the documents could contain more contextual comment on achievements against the specified objectives and desired outcomes. Without this, the reader and/or decision-makers may be left with an impressive amount of detail regarding activities undertaken but less sense of how much progress has been made overall.

8.58 The major reviews of capability and the Exercise Programme appear to provide important windows of insight into the collective efforts being extended towards the achievement of the desired outcome of a basic, viable nation-wide counter-terrorism capability. A strengthening of the continuous improvement cycle along the lines suggested by the ANAO would position the agencies well to provide detailed and comprehensive reporting on the collective progress.

8.59 In particular, a more systematic setting of the annual Exercise Programme could aim to measure and provide comment on the progress in specified areas of capability, or on advancements in the contributions from each agency and each jurisdiction and their ability to work with and support each other.

Feedback into strategy and re-evaluation

8.60 Phase 13 of the Figure 1.1 model for the continuous improvement cycle is feedback into the strategy and re-evaluate. It is important that evaluation outcomes are fed back into counter-terrorism arrangements and that they are re-evaluated for the assessment of adequacy of the improvements made and for the identification of further areas of improvement.

Reviews

8.61 The ANAO found that, for both the Australian Government and the national arrangements, strategies were in place to feedback into and re-evaluate the counter-terrorism arrangements. The ANAO found that many of the Australian Government reviews have been focussed on specific aspects of counter-terrorism. Some of these reviews, even though they addressed specific aspects of counter-terrorism, have undergone repeat evaluation.

8.62 The ANAO also found that the national arrangements have been the subject of re-evaluation.

8.63 The ANAO considers that the work to define and produce an operational plan for the development of basic, viable nation-wide counter-terrorism capability will further facilitate the establishment of better targeted feedback and re-evaluation strategies.

National Capability Development Exercise Programme

8.64 The Exercise Programme is an important part of the continuous improvement cycle since the conduct of a series of exercises provides the means by which the national arrangements and any identified areas of vulnerability can be tested repeatedly to ensure corrective actions or enhancements have been, and remain, effective. The Exercise Programme is also the area of evaluation that allows for practical, real-time testing at both the operational and decision-making levels.

8.65 The ANAO recognises that it may be difficult to incorporate lessons learned from one exercise into the exercise immediately following due to the timing of planning, and the conduct of, individual exercises within the Exercise Programme.

Agency views

8.66 During the audit it was evident that the agencies that participated in the Exercise Programme were supportive of the programme, and the majority stated that the exercises fulfilled a range of needs as well as contributing directly to the progressive enhancement of the national arrangements and the basic, viable nation-wide capability. In their ANAO survey responses, the majority of agencies indicated that there had been notable improvements as a result of the exercises, particularly *Mercury 04*.

8.67 The ANAO survey also sought agencies' views on the effectiveness of the continuous improvement processes and whether the issues identified from the exercises were used optimally to re-shape the counter-terrorism arrangements. Some 60 per cent agreed this to be the case, 20 per cent did not know and 20 per cent disagreed and provided a range of suggestions for improvement. These included: less repetition in exercises; the forging of closer links between training for the Australian Government and the jurisdictions; more systematic follow-up of important issues, and that a better understanding of the outcomes of all exercises conducted under the programme was required.

8.68 The ANAO concluded from the survey results that the counter-terrorism agencies were supportive of the Exercise Programme and that they found it to be useful as a means for providing feedback on their operations as well as identifying areas for further strengthening.

8.69 The ANAO noted the comments relating to the need for more systematic follow-up. The ANAO considers effective follow-up to be a key step in the continuous improvement cycle. The ANAO further considers the work under development at the time of the audit will assist AGD and PM&C in establishing better targeted feedback and re-evaluation strategies. The ANAO also considers that the setting of clearer objectives and performance measures

to support the operational capability plan, accompanied by the strategic analysis recommended by the ANAO, will position the counter-terrorism agencies well to implement a comprehensive and focussed continuous improvement cycle.

ANAO assessment

8.70 The ANAO considers that there are strategies in place for feedback and re-evaluation for both reviews and the Exercise Programme.

8.71 The setting of clearer objectives and performance measures to support the capability operational plan, accompanied by strategic analysis, will position the counter-terrorism agencies well to implement a comprehensive and focussed continuous improvement cycle. The ANAO's recommendations focus on providing a more robust foundation for the continuous improvement cycle.

AGD initiatives that will contribute to the continuous improvement cycle

8.72 At the time of the audit, AGD had taken two steps that have the capacity to contribute significantly towards addressing many of the issues identified by the ANAO. These steps were the establishment of an Evaluation Section within the Counter-Terrorism Branch of the PSCC, and the development of the NCTC Exercise Lessons Learned Database.

AGD Evaluation Section

8.73 The AGD advised the ANAO that at the start of February 2005 it created an Evaluation Section within the Counter-Terrorism Branch. The AGD further advised that one of the key roles to be undertaken by the section was a more rigorous approach to the management of the Exercise Programme.

8.74 Key tasks of the section include:

- development of clearer statements of exercise aims and objectives against capabilities;
- introduction of standardised exercise reporting formats;
- completion of the NCTC Exercise Lessons Learned Database to include tracking mechanisms;
- more comprehensive analysis of the lessons learned;
- better linking of the lessons learned to future capability development and exercises; and
- provision of more detailed reports to the NCTC.

8.75 The ANAO considers the creation of the Evaluation Section a positive initiative that should provide an effective basis for AGD to address many of the issues raised by the ANAO, including better:

- focusing of exercise objectives and performance indicators;
- coordination of the various evaluations and their outcomes;
- strategic analysis to assist key decision-makers; and
- strategic reporting on the counter-terrorism operational arrangements and progress towards the development of basic, viable nation-wide capability.

8.76 The ANAO acknowledges the complexity relating to the application of these functions in the whole-of-government context such as that of counter-terrorism. The ANAO considers that, to optimise the value of this section, the staff in it may require advanced training in performance measurement techniques and evaluation methodologies as well as in negotiation and facilitation skills.

The NCTC Exercise Lessons Learned Database

8.77 During the audit fieldwork, AGD had completed the initial development phase of the NCTC Exercise Lessons Learned Database and had made it available to jurisdictions to trial and to provide feedback on.

8.78 The ANAO noted that the database was envisaged to only include the outcomes from the NCTC Exercise Programme. As discussed in paragraph 8.49, the ANAO considers that the Lessons Learned Database has the potential to provide a centralised monitoring system that would enable comprehensive reporting on the implementation status of all exercise and review recommendations.

8.79 The ANAO considers that the scope of the database should be reviewed to consider the capacity to:

- record *all* recommendations arising from the NCTC major reviews as well as the Exercise Programme;
- correlate and analyse recommendations to identify similar or related recommendations;
- identify the agency/agencies assigned responsibility for implementation action/s;
- monitor the progress of implementation, including against any agreed milestones (important where recommendations and actions may be inter-related across agencies or functions); and

- record decisions for the non-adoption of recommendations as well as the closure of recommendations.

8.80 The ANAO notes that there may also be recommendations arising from Australian Government reviews that would be worthwhile including in the database.

8.81 The ANAO considers that for the database to be used to maximum effect, it should also facilitate the operational and strategic analyses envisaged as well as allowing for the analysis of performance against objectives.

8.82 The ANAO considers that the allocation of sufficient resources to the database will also be important so that data entry can be kept up to date, quality control can be exercised, and a broad range of analyses and reporting can be undertaken.

Recommendation No.9

8.83 The ANAO recommends that, to ensure the outcomes of evaluations are effectively used to enhance the national counter-terrorism arrangements, the Attorney-General's Department and the Department of the Prime Minister and Cabinet take appropriate measures to ensure:

- a) the continuous improvement process for the counter-terrorism arrangements is strengthened and made transparent. Key areas for improvement in this regard include:
 - a more strategic approach to the determination of desired outcomes,
 - a more strategic and systematic approach to the setting of evaluation objectives and performance information and assessment mechanisms,
 - increased analysis of actual performance against objectives, and
 - a more systematic monitoring and follow-up of evaluation outcomes and recommendations; and
- b) sufficient and skilled resources are assigned to undertake the data management and analysis required.

Attorney-General's Department response

8.84 Agreed. As stated at Recommendation 6 AGD has established an evaluation unit to develop an evaluation strategy and program to specifically address these, and other, aspects of evaluation. This includes the establishment of an expert evaluation reference group, revision of the exercise umpire

process, development of a lessons learned database and maintaining a rolling four-year capability development exercise program.

Department of the Prime Minister and Cabinet response

8.85 Agreed. PM&C accepts this recommendation and notes that a number of measures are underway, including those outlined above [in PM&C's responses to the ANAO recommendations], to strengthen the continuous improvement process for the national counter-terrorism arrangements.

Conclusion

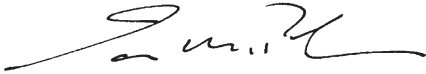
8.86 The ANAO considers that, in accordance with the IGA, those involved in the delivery of counter-terrorism capability had, since 2001, exerted significant effort across a broad range of fronts to strengthen Australia's capability. New agencies have been brought into the arrangements. Numerous reviews and exercises have been conducted, all focussed on identifying areas for improvement, and aimed at continually strengthening the arrangements and the way the agencies work together.

8.87 The ANAO concluded that a process for continuous improvement, such as that outlined at Figure 1.1, was largely in place for the counter-terrorism arrangements, but that all elements of the process could benefit from further strengthening, better coordination or greater transparency.

8.88 The ANAO considers that strategic analysis of the recommendations arising from the reviews and exercises would facilitate a more streamlined approach for the agencies implementing the corrective actions, so that the current arrangements to respond to terrorist incidents reflect the accumulation of the best knowledge and experience available.

8.89 The ANAO further concluded that little was done to collectively track the implementation actions, but notes that the NCTC Exercise Lessons Learned Database being developed by the AGD will be of assistance in this regard. The ANAO concluded that the database should be expanded to allow for the integration of implementation actions arising from the exercises with those arising from the major reviews.

8.90 In addition, the ANAO considers that the database should be reviewed to ensure that its capacity is commensurate with the functions it will be required to perform. The ANAO further considers that it is important that adequate priority and resources are assigned to the Evaluation Section within AGD and the development and management of the Lessons Learned Database.



Ian McPhee
Auditor-General

Canberra ACT
13 October 2005

Appendices

Appendix 1: Attorney-General's Department response

AUDIT-IN-CONFIDENCE



Australian Government
Attorney-General's Department

Secretary

26 September 2005

Mr David Crossley
Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Crossley

Review of the Evaluation Methods and Continuous Improvement Process for Australia's National Counter-Terrorism Coordination Arrangements

I acknowledge your letter dated 30 August 2004 inviting comments on the proposed audit report—*Review of the Evaluation Methods and Continuous Improvement Processes for Australia's National Counter-Terrorism Coordination Arrangements*. I understand you have also invited comments from Victoria and New South Wales Police and Victoria and New South Wales Premiers' Departments as NCTC members that conducted an exercise in the 2004 exercise program.

The Department's comments on the recommendations are provided at **Attachment A**. As your report acknowledges, there are well defined frameworks in place for the coordination of both the Australian Government response and the national response for countering terrorism.

I note the report's conclusion that the effective measurement and evaluation of performance in this area is a significant challenge and that strategies and processes to evaluate procedures and manage continuous improvement are generally in place. The Department has worked hard internally and with stakeholders to put practices and procedures in place that address these challenges.

The recommendations made by the ANAO will be a valuable tool for the Department as it continues in its efforts to improve performance in this area.

Thank you for the opportunity to comment. The action officer for this matter is Paul de Graaff who can be contacted on 6250 5320.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'RJA' followed by a stylized flourish.

Robert Cornall
Secretary

AUDIT-IN-CONFIDENCE

Robert Garran Offices, National Circuit, Barton ACT 2600 Telephone (02) 6250 6666 Fax (02) 6250 5900 www.ag.gov.au ABN 92 661 124 436

Proposed audit report—comments from Attorney-General's Department

The Department welcomes the report. The Department notes the ANAO's conclusion that since 2001, in accordance with the IGA, those involved in the delivery of counter-terrorism capability had exerted significant efforts across a broad range of fronts to strengthen Australia's capability. Effective measurement and evaluation of performance in this area is a significant challenge, and the Department welcomes the ANAO's finding that strategies and processes to evaluate the National Capability Development Exercise Program and manage continuous improvement are generally effective.

The Department has worked hard internally and with stakeholders to put practices and procedures in place that address these challenges. Initiatives that will build upon existing processes include the lessons learned database, establishment of a dedicated evaluation unit, and development of a rolling four-year capability development exercise program. The recommendations made by the ANAO will be a valuable tool for the Department as it continues its efforts to improve performance in this area.

Recommendation 1

The ANAO recommends that, to provide better information to contribute to strategic assessments, decisions and reporting, the Attorney-General's Department, with input and guidance from the Department of the Prime Minister and Cabinet:

- (a) centrally coordinate and amalgamate the issues and recommendations arising from the various reviews and exercises; and*
- (b) provide strategic analyses of this information.*

Agreed.

The Attorney-General's Department (AGD) has established a database for all recommendations and lessons learned from exercises for further analysis and reporting, including consideration in future exercise design. Recommendations from reviews are considered by the National Counter-Terrorism Committee (NCTC).

Recommendation 2

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue the adoption of a more strategic approach to determining the National Capability Development Exercise Program so that:

- (a) the exercises conducted better address the areas of greatest priority and maximise their contribution to the enhancement of a basic, viable nation-wide capability;*
- (b) synergies with other exercises and reviews can be better taken into account; and*
- (c) the rationale for the setting of the program, including the individual components, is clearly documented.*

Agreed.

The AGD has developed a comprehensive rolling four-year capability development exercise program that was accepted by the NCTC Executive Committee (NCTC EC) in August 2005. This includes a schedule of exercises and matrix of priority areas to be exercised to ensure that all exercises are in the context of developing the national counter-terrorism arrangement.

Recommendation 3

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, seek to create systematic mechanisms for better targeting and evaluating inter-agency coordination within the National Capability Development Exercise Program and continuous improvement cycle.

Agreed.

Inter-agency coordination is recognised by the NCTC as a critical element in any response to a terrorist incident and therefore it is included in all training and exercise activities and is assessed by umpires in exercises. AGD recognises the need for a systematic approach in this area and has therefore identified inter-agency coordination as a priority in the evaluation program.

Recommendation 4

The ANAO recommends that the Attorney-General's Department, in conjunction with the National Counter-Terrorism Committee's exercise management advisers, explore options for the incorporation of more contemporary and varied testing and training aids in the National Capability Development Exercise Program.

Agreed.

The AGD has existing processes in place to ensure suggestions for improvement are sought from and considered by the NCTC national capability advisers. Annual national capability specific forums are held, national and international subject matter experts are consulted and relevant conferences are attended.

Recommendation 5

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue a more strategic and systematic approach to the measurement of performance via the National Capability Development Exercise Program by:

- (a) the setting of broad exercise objectives and supporting performance indicators that are aligned with the priority areas of the national arrangements to be tested;*
- (b) the consistent setting of objectives and performance indicators that allow for the measurement and reporting of performance over time; and*
- (c) encouraging agencies to set objectives and performance indicators that are more aligned with those of the broad exercise and those of other relevant participating agencies.*

Agreed.

These activities are already undertaken, however AGD recognises that a more strategic approach is necessary. AGD has implemented new initiatives to facilitate this happening such as establishing a national lessons learned database in late 2004 and completing a rolling four-year capability development exercise program that includes a matrix of exercise priorities.

Recommendation 6

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee:

- (a) clearly distinguish between the testing/evaluation components and the training components for the exercises conducted under the National Capability Development Exercise Program; and*
- (b) ensure that the National Capability Development Exercise Program, and each of the exercises conducted, places sufficient emphasis on evaluation.*

Agreed.

The AGD recognised the need for improvement in this area and established an evaluation unit in late 2004 to enhance evaluation of the National Capability Development Exercise Program. This Unit has developed an evaluation framework that was accepted by the NCTC Capability Sub-Committee (CSC). An evaluation reference group of subject matter experts and capability proponents has been established to oversee the development and implementation of the evaluation program.

Recommendation 7

The ANAO recommends that the Attorney-General's Department, in consultation with the National Counter-Terrorism Committee, strengthens the reporting on the National Capability Development Exercise Program through:

- (a) the provision of clearer guidance on, and monitoring of, the quality of reporting required for the exercises; and*
- (b) a review of the exercise umpiring process to maximise the contribution umpires make to effective performance and reporting and hence to continuous improvement.*

Agreed.

The PSCC reports on the National Capability Development Exercise Program directly to the NCTC and through the CSC. AGD recognises the need to strengthen this reporting and has therefore included reporting as a key component of the evaluation program. The umpire program is also being reviewed with a view to refining the selection and training of umpires as well as enhancing the assessment templates used by umpires with a view to strengthening objectivity.

Recommendation 8

The ANAO recommends that the Attorney-General's Department better monitor and account for the expenditure of individual exercise costs under the National Capability Development Exercise Program, through:

- (a) the provision of more detailed guidance on, and subsequent monitoring of, the financial reporting required for the exercises; and*
- (b) the provision of committed and actual cost reports for each exercise to the National Counter-Terrorism Committee to allow decisions to be made that will maximise the benefit of the exercise program for the moneys expended.*

Agreed.

The report acknowledges that (paragraph 7.59) financial reports are provided twice yearly to the NCTC following consideration by the CSC and endorsement by the NCTC EC. AGD acknowledges the suggestions provided by the ANAO and will implement them to enhance financial management and cost effectiveness of the National Capability Development Exercise Program.

Recommendation 9

The ANAO recommends that, to ensure the outcomes of evaluations are effectively used to enhance the national counter-terrorism arrangements, the Attorney-General's Department and the Department of the Prime Minister and Cabinet take appropriate measures to ensure:

- (a) the continuous improvement process for the counter-terrorism arrangements is strengthened and made transparent. Key areas for improvement in this regard include:*
 - a more strategic approach to the determination of desired outcomes,*
 - a more strategic and systematic approach to the setting of evaluation objectives and performance information and assessment mechanisms,*
 - increased analysis of actual performance against objectives, and*
 - a more systematic monitoring and follow-up of evaluation outcomes and recommendations; and*
- (b) sufficient and skilled resources are assigned to undertake the data management and analysis required.*

Agreed.

As stated at Recommendation 6 AGD has established an evaluation unit to develop an evaluation strategy and program to specifically address these, and other, aspects of evaluation. This includes the establishment of an expert evaluation reference group, revision of the exercise umpire process, development of a lessons learned database and maintaining a rolling four-year capability development exercise program.

Appendix 2: Department of the Prime Minister and Cabinet response

AUDIT-IN-CONFIDENCE



Australian Government

Department of the Prime Minister and Cabinet

TELEPHONE: (02) 6271 5111
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3-5 NATIONAL CIRCUIT
CANBERRA, A.C.T. 2600

26 September 2005

Mr David Crossley
Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Crossley

Dr Shergold has asked me to respond to your letter of 30 August, in which you sought the department's comments on the proposed report of the Australian National Audit Office (ANAO) *Review of the Evaluation Methods and Continuous Improvement Processes for Australia's National Counter-Terrorism Coordination Arrangements*.

The department welcomes the report. I note that the audit confirms that Australia's counter-terrorism arrangements have undergone continuous and rapid evolution to meet emerging threats, and that strategies and processes were generally in place for the evaluation of these arrangements and the management of continuous improvement.

The department accepts the report's recommendations and our comments on each of these are included at Attachment A. I understand that you have sought information on the cost of the department's counter-terrorism coordination function. We are currently finalising this information which will be provided to you separately.

In closing, I would like to thank the ANAO for its report, which will make a valuable contribution to the ongoing strengthening and refinement of our national counter-terrorism arrangements.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Duncan Lewis'.

Duncan Lewis
Deputy Secretary

AUDIT-IN-CONFIDENCE

Department of the Prime Minister and Cabinet
Response to the Australian National Audit Office Report:

*Review of the Evaluation Methods and Continuous Improvement Processes
 for Australia's National Counter-Terrorism Coordination Arrangements*

The Department of the Prime Minister and Cabinet (PM&C) thanks the Australian National Audit Office (ANAO) for its report. PM&C notes that the report concludes that there are well-defined frameworks in place for the coordination of national response to terrorism and that the national counter-terrorism arrangements are subject to frequent, ongoing and multi-level evaluations. PM&C also notes that since September 2001, the national arrangements have undergone continuous and rapid evolution, and that strategies and processes were generally in place for evaluation of the arrangements and the management of continuous improvement. PM&C accepts the report's recommendations, noting that steps are being taken by both PM&C and the Attorney-General's Department (AGD) to address the issues identified by the report, including in relation to the national counter-terrorism exercise programme. PM&C's comments in relation to each of the report's recommendations are outlined below.

Recommendation No. 1:

The ANAO recommends that, to provide better information to contribute to strategic assessments, decisions and reporting, the Attorney-General's Department, with input and guidance from the Department of Prime Minister and Cabinet:

- a) centrally coordinate and amalgamate the issues and recommendations arising from the various reviews and exercises;
- b) provide strategic analyses of this information.

PM&C Response: Agree

PM&C accepts this recommendation and notes that the AGD is addressing this issue through the establishment of a Capability Evaluation Section within the Counter-Terrorism Branch of the Protective Security Coordination Centre (PSCC) and the creation of Lessons Learned Database to strengthen central coordination and amalgamation of issues and recommendations arising from

counter-terrorism exercises and related reviews. PM&C will continue to work closely with AGD to assist in providing strategic analysis of this information.

Recommendation No. 2:

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue the adoption of a more strategic approach to determining the National Capability Development Exercise Programme so that:

- a) the exercises conducted better address the areas of greatest priority and maximise their contribution to the enhancement of a basic, viable nationwide capability;
- b) synergies with other exercises and reviews can be better taken into account; and
- c) the rationale for the setting of the programme, including the individual components, is clearly documented.

PM&C Response: Agree

PM&C accepts this recommendation and notes that it will need to be implemented via the National Counter-Terrorism Committee (NCTC), which oversees the national counter-terrorism exercise programme. The NCTC has recently agreed to create a Capability Steering Group to provide greater executive-level oversight of counter-terrorism capability development. This group will assist in strengthening the strategic-level management and oversight of the national counter-terrorism exercise programme to ensure that it addresses key areas of risk, vulnerability and priority, and provides a strong basis for sustained capability development.

Recommendation No. 3:

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, seek to create systematic mechanisms for better targeting and evaluating inter-agency coordination with the National Capability Development Exercise Programme and continuous improvement cycle.

PM&C Response: Agree

PM&C accepts this recommendation, noting that the Australian Government strongly emphasises the importance of a whole-of-government approach in all aspects of managing the national counter-terrorism framework, and that there has been significant progress since September 2001 in developing national, whole of government approaches to meeting the key challenges presented by terrorism.

A number of well-established and effective mechanisms—notably the National Security Committee of Cabinet, the Council of Australian Governments (COAG) and NCTC—exist at the strategic level to ensure that whole-of-government considerations are brought to bear in decision-making. The national programme of counter-terrorism exercises and subsequent evaluations of lessons learned (including through the newly established PSCC Evaluation Section and the Lessons Learned Database) also help to promote integrated, national approaches to counter-terrorism capability development and evaluation. It is envisaged that the proposed NCTC Capability Steering Group will help give greater emphasis to identifying, targeting and addressing issues of inter-agency coordination in the context of the national counter-terrorism exercise programme.

Recommendation No. 4:

The ANAO recommends that the Attorney-General's Department, in conjunction with the National Counter-Terrorism Committee's exercise management advisers, explore options for the incorporation of more contemporary and varied testing and training aids in the National Capability Development Exercise Programme.

PM&C Response: Agree

PM&C accepts this recommendation and notes that this is primarily the responsibility of AGD.

Recommendation No.5:

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee, pursue a more strategic and systematic approach to the measurement of performance via the National Capability Development Exercise Programme by:

- a) the setting of broad exercise objectives and supporting performance indicators that are aligned with the priority areas of the national arrangements to be tested;
- b) the consistent setting of objectives and performance indicators that allow for the measurement and reporting of performance over time; and
- c) encouraging agencies to set objectives and performance indicators that are more aligned with those of the broad exercise and those of other relevant participating agencies.

PM&C Response: Agree

PM&C accepts this recommendation and notes that this is already being implemented, and will be further addressed via the NCTC Capability Steering Group and the newly established PSCC Evaluation Section.

Recommendation No. 6:

The ANAO recommends that the Attorney-General's Department, in consultation with the Department of the Prime Minister and Cabinet and the National Counter-Terrorism Committee:

- a) clearly distinguish between the testing/evaluation components and the training components for the exercises conducted under the National Capability Development Exercise Programme; and
- b) ensure that the National Capability Development Exercise Programme, and each of the exercises conducted, place sufficient emphasis on evaluation.

PM&C Response: Agree

PM&C notes that to make the most efficient use of resources, counter-terrorism exercises should be used for both the training of personnel and the evaluation of processes. However, PM&C agrees that there would be benefit in more clearly distinguishing the training and evaluation of components of the exercise programme and will work with AGD and the NCTC, including via the Capability Steering Group, in this regard.

Recommendation No. 7:

The ANAO recommends that the Attorney-General's Department, in consultation with the National Counter-Terrorism Committee, strengthen the reporting on the National Capability Development Exercise Programme through:

- a) the provision of clearer guidance on, and monitoring of, the quality of reporting required for the exercises; and
- b) a review of the exercise umpiring process to maximise the contribution umpires make to effective performance measurement and reporting, and hence to continuous improvement.

PM&C Response: Agree

PM&C accepts this recommendation and notes that this is primarily the responsibility of AGD.

Recommendation No. 8:

The ANAO recommends that the Attorney-General's Department better monitor and account for the expenditure of individual exercise costs under the National Capability Development Exercise Programme, through:

- a) the provision of more detailed guidance on, and subsequent monitoring of, the financial reporting required for the exercises; and
- b) the provision of committed and actual cost reports for each exercise to the National Counter-Terrorism Committee to allow decisions to be made that will maximise the benefit of the exercise programme for the moneys expended.

PM&C Response: Agree

PM&C accepts this recommendation and notes that this is primarily the responsibility of AGD.

Recommendation No. 9:

The ANAO recommends that, to ensure the outcome of evaluations are effectively used to enhance the national counter-terrorism arrangements, the Attorney-General's Department and the Department of the Prime Minister and Cabinet take appropriate measures to ensure:

- a) the continuous improvement process for the counter-terrorism arrangements is strengthened and made transparent. Key areas for improvement in this regard include:
 - a more strategic approach to the determination of desired outcomes;
 - a more strategic and systematic approach to the setting of evaluation objectives and performance information and assessment mechanisms;
 - increased analysis of actual performance against objectives; and
 - a more systematic monitoring and follow-up of evaluation outcomes and recommendations; and
- b) sufficient and skilled resources are assigned to undertake the data management and analysis required.

PM&C Response: Agree

PM&C accepts this recommendation and notes that a number of measures are underway, including those outlined above, to strengthen the continuous improvement process for the national counter-terrorism arrangements.

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