

The Auditor-General
Audit Report No.29 2010–11
Performance Audit

Management of the Implementation of New Policy Initiatives

Australian Federal Police

Australian National Audit Office

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of Australia 2011

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Canberra ACT
16 February 2011

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Federal Police in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to *Senate Standing Order 166* relating to the presentation of documents when the Senate is not sitting, I present the report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Management of the Implementation of New Policy Initiatives*.

Following its presentation and receipt, 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 and title.

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

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Contents

Abbreviations.....	7
Summary and Recommendations	9
Summary	11
Introduction	11
Audit objective.....	14
Overall conclusion.....	15
Key findings.....	17
Summary of agency response	22
Recommendations	24
Audit Findings	27
1. Introduction	29
Background	29
Establishing AFP priorities	29
The changing nature of the AFP	32
Managing the challenge of rapid growth	40
Past ANAO reviews.....	42
Audit objective and scope	43
2. Governance.....	45
Introduction	45
The AFP's internal governance.....	46
Risk management in the AFP	57
Conclusion	58
Recommendation No.1	59
3. Developing NPIs	60
Introduction	60
Development of AFP NPIs for the 2010–11 Budget.....	61
Conclusion	72
Recommendation No.2	73
4. Implementation planning and project management.....	74
Introduction	74
Assessing the challenge	76
Developing the project management framework	78
Implementing the organisational framework	81
The future program management framework	93
Conclusion	95
5. Executive oversight and developing organisational capability.....	97
Introduction	97
Executive oversight.....	98
Organisational learning and capability development	106

Assessing organisational portfolio, program and project management maturity—P3M3 and the AFP	114
Conclusion	115
Recommendation No.3	116
Recommendation No.4	117
Appendices	119
Appendix 1: NPIs involving the AFP since 2000–01	121
Appendix 2: Establishment of the Australian Federal Police.....	130
Appendix 3: Ministerial Directions under s. 37(2) of the <i>Australian Federal Police Act 1997</i>	134
Appendix 4: Current Ministerial Direction under subsection 37(2) of the <i>Australian Federal Police (AFP) Act 1979</i>	136
Appendix 5: The National Security Governance and Policy Framework.....	140
Index.....	145
Series Titles.....	147
Current Better Practice Guides	151
Tables	
Table 1.1 AFP Outcomes in 2010–11	32
Table 4.1 Key PMOT planned implementation dates and milestones	80
Table 4.2 Analysis of implementation planning	88
Table 4.3 Key PMO implementation dates and milestones	93
Table 5.1 NPIs managed outside of the coordinated corporate NPI implementation reporting arrangements.....	99
Table A 1 NPIs involving the AFP since 2000–01	121
Table A 2 Directions under s. 37(2) of the <i>Australian Federal Police Act 1997</i>	134
Figures	
Figure S 1 Inter-relationship between outcomes, programs, new policy initiatives and operations	13
Figure 1.1 Number of AFP NPIs announced by year (cumulative)	34
Figure 1.2 AFP expenditure on outputs—real (2009–10 prices).....	35
Figure 1.3 AFP staffing—actual.....	36
Figure 1.4 Total NPI funding and number of NPIs announced each year.....	37
Figure 1.5 Inter-relationship between outcomes, programs, new policy initiatives and operations	38
Figure 1.6 New policy funding as a proportion of overall funding.....	39
Figure 2.1 AFP key committee framework—April 2008.....	52
Figure 3.1 AFP internal responsibilities for NPI proposal development	62
Figure 4.1 PMOT—Proposed structure and reporting arrangements.....	81
Figure 5.1 Project traffic lights reported to the AFP executive in 2009	112
Figure A 1 The formation of the AFP	133
Figure A 2 National Security Coordination	140

Abbreviations

AGD	Attorney-General's Department
AFP	Australian Federal Police
CIU	Cabinet Implementation Unit (part of the Department of the Prime Minister and Cabinet)
Customs	Australian Customs and Border Protection Service
DoFD	Department of Finance and Deregulation
MIABA	Manager Internal Audit and Business Assurance (a position at the AFP Commander / APS Senior Executive Service Band 1 level)
NPI	New policy initiative
NSC	National Security Committee of Cabinet
OGC	The Office of Government Commerce—an independent office of the UK Treasury, established to help government deliver best value from its spending.
PM&C	Department of the Prime Minister and Cabinet
PMOT	Program Monitoring and Oversight Team
PRINCE2	Projects in Controlled Environments —an approach to project management first developed by the UK government in 1989 as the standard approach to IT project management for central government but since extended and enhanced to become a generic, best practice approach suitable for the management of all types of projects.

P3M3

The OGC's P3M3TM is a capability maturity assessment model. It provides organisations with a model to assess their performance in portfolio, program and project delivery and the results of a P3M3TM assessment can be used as a baseline for organisational capability improvement.

Summary and Recommendations

Summary

Introduction

1. The Australian Federal Police (AFP) is the primary law enforcement agency through which the Australian Government enforces Commonwealth law. Established by the *Australian Federal Police Act 1979* (the Act), its functions include provision of policing services in relation to Commonwealth laws and property, and safeguarding of Commonwealth interests. The AFP also provides community policing services to the Australian Capital Territory and the Jervis Bay Territory. The AFP's Australian Protective Service is the Australian Government's specialist protective security provider.

2. From its establishment in 1979 through to 1999, the staffing and funding of the AFP remained stable, with real outlays rising by two per cent per annum and staffing falling slowly (less than one per cent a year). During this period, the number and size of Government New Policy Initiatives (NPIs)¹ impacting on AFP operations was modest.

3. From 1999, the emergence of a variety of new external pressures meant that the AFP, and the government's requirements of it, changed dramatically. A rapidly changing security environment required a closer focus on national and international operational activities. The terrorist attacks in the United States in 2001 and Bali in 2002 resulted in rapid growth in counter-terrorism capacity and operations. Additionally, the AFP has been affected by emergent issues such as people smuggling, technologically enabled crime, a growth in drug importation, and an expansion in international peace operations.

4. In response to these events and emerging issues, the government significantly increased funding for the AFP. Between 1999 and 2010, real expenditure on outcomes rose at 12 per cent a year. It is estimated expenditure in 2010–11 will approach \$1.4 billion, more than three and a half times (in real terms) the amount spent in 1998–99.²

¹ In this report, the term New Policy Initiative (or NPI) reflects AFP usage and describes a Government initiative with funding and operational impact, announced either in or between Federal Budgets. NPIs announced between budgets may also be reported in Mid-Year Economic and Fiscal Outlook, or in agency Additional or Supplementary Additional Estimates Statements.

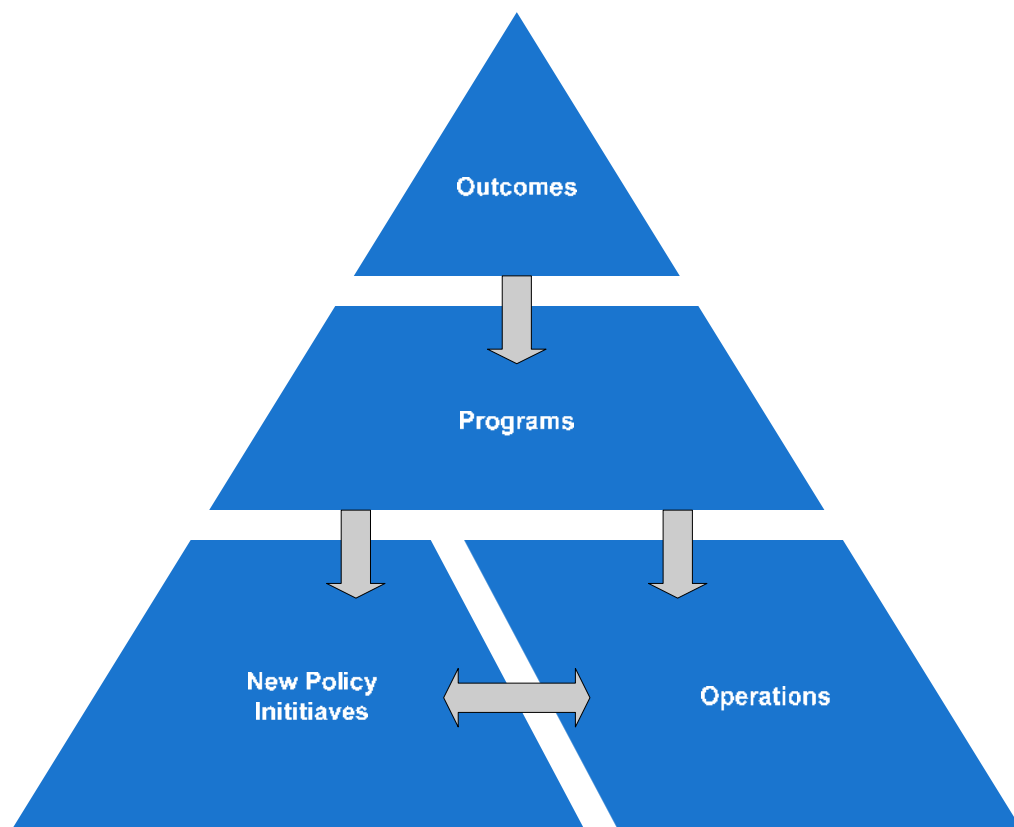
² Reported expenditure in 1998–99 was \$274.8 million, or \$384.2 million in 2009–10 prices.

5. While early growth was embodied in relatively few funding initiatives, from 2000 the number and value of NPIs rose dramatically. Since the 2000–01 Federal Budget, the Government has announced more than 140 NPIs impacting on AFP operations (see Appendix 1), with associated funding approaching six billion dollars.³ Over much of this period, the funding provided to the AFP for the implementation of NPIs in a given year has exceeded the funding provided to the AFP for ongoing administration and operations.⁴

6. The broad relationship between the NPIs and the AFP's outcomes, programs and ongoing operational activities is illustrated at Figure S.1. Essentially, to achieve the outcomes agreed by Government, the AFP manages a number of defined programs; and the delivery of these programs is achieved through the conduct of particular operations. Within this framework, the NPIs introduced by Government generally sought to transform operational capability (by establishing new capability, expanding existing capability or improving support to operations) or to provide support for specific operational deployments. Since 2000–01, around half of the new funding has been directed to transforming AFP operational capability (including in the areas of national security and serious crime), and half to supporting international deployments, (including in the Solomon Islands, Papua New Guinea and Afghanistan).

³ Appendix 1 lists 143 NPIs that were reported in Government budget papers between 2000–01 and 2009–10 (inclusive). The estimate of funding is based on the reported funding for each NPI (except where budget papers note that provision for the measure had already been included in the forward estimates, in which case a value for the measure has been estimated) and is identified in Appendix 1. The basis of the calculation of the estimate for each NPI is specified in Appendix 1.

⁴ In 2005–06, for example, funding for NPIs was 73.6 per cent of total funding (see Figure 1.6).

Figure S 1**Inter-relationship between outcomes, programs, new policy initiatives and operations**

Source: Adapted by the ANAO from Office of Government Commerce, *Business Benefits through Programme and Project Management*, 2006, p. 18.

7. The challenge for the AFP in effectively managing the complex development and implementation agenda associated with NPIs became increasingly apparent over the decade. In 2007, responding to both internal and external reviews, the AFP moved to strengthen internal policy development capabilities and began implementing organisational arrangements to strengthen implementation planning, project management and performance reporting in respect of NPIs.

8. The 2009 Federal Audit of Police Capabilities⁵ (the Beale Review) considered the Commonwealth's total engagement in policing and examined the growing coordination and interdependence of policing across Australia and internationally. While action to implement the recommendations of the review is in train, consideration of the AFP's management of their implementation was outside of the scope of this audit.

Audit objective

9. The objective of the audit was to examine the effectiveness of the AFP's approach to its management of the implementation of NPIs.

10. Given the number of NPIs, the variance in nature and scale, and the impact they have had on AFP operations, forming an overall view as to the effectiveness of the implementation of particular NPIs is beyond the scope of a single audit. There are a number of NPIs which have, or are likely to, fundamentally impact on AFP operations and capability which would be properly considered through a more detailed examination of the individual AFP programs to which they relate. Provision for audits of this nature has been included in the ANAO's future work plan.

11. Nonetheless, NPI implementation is likely to be more effective when an organisation implements appropriate governance and control arrangements, and provides effective support to, and oversight of, project and program management in the agency. Accordingly, to assess the effectiveness of the AFP's management of the implementation of NPIs, this audit considered whether the AFP had effectively implemented the governance and administrative arrangements necessary to support its expanded responsibilities and to allow it to provide assurance that new policy initiatives were being delivered in accordance with time, quality and cost expectations articulated by government. Without drawing conclusions in relation to the performance of individual policy initiatives, the audit also sought to identify opportunities for the AFP to strengthen organisational performance, institutional transparency and accountability.

⁵ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, also known as the Beale Review.

Overall conclusion

12. Over the last decade, the AFP has faced substantial changes to the scope, and scale, of its operations. Funding increased by 250 per cent in real terms and staffing by nearly 140 per cent. The AFP has been transformed into a large, complex agency required to work in close cooperation with other federal agencies, with a range of international and transnational organisations, and with law enforcement and emergency authorities throughout Australia. The AFP has moved to a central role in advising government and is a major agent in the achievement of the Government's national security and policing priorities, both domestically and abroad.

13. The transformation of AFP operations since 2000–01 has been driven by over 140 NPIs, with associated funding approaching \$6 billion. These NPIs have transformed the organisation by establishing new capability, expanding existing capability or improving support to operations. They have also provided the capacity for the AFP to undertake specific operational deployments, often in support of broader government policy goals. The scale of the transformation has been such that, for much of the last decade, NPI funding has exceeded core funding and has, at times, approached 75 per cent of total funding.

14. The changes have not only been significant and complex but have also touched most, if not all, areas of AFP operations. Consequently, it is difficult to separate any evaluation of the effectiveness of the additional investment from consideration of the AFP's overall performance. Moreover, when deciding on the appropriate deployment of public resources to guard against potential threats to life and property, judgements will necessarily need to be taken by government. Nonetheless, the Commissioner of the AFP remains responsible for the efficient, effective and ethical use of resources under the control or management of the AFP, and for ensuring that arrangements are in place to promote both transparency and accountability in the use of those resources. While there are challenges in establishing clear and measurable objectives in relation to complex security or policing matters, it is an area which must be addressed to inform decisions on the efficient and effective utilisation of resources and to ensure appropriate accountability.

15. Notwithstanding significant internal reform through the 1990s, the AFP was not experienced in, nor structured to deal with, the management of change of the rate and scale that occurred after 2000–01. Although the AFP sought to evolve its overall internal governance arrangements, independent reviews in

2006 and 2007 identified a need for the AFP to strengthen policy capacity and to provide greater organisational support for NPI development and implementation. The Cabinet Implementation Unit (CIU) also advised the Commissioner at that time that the AFP needed to develop a stronger project management culture and capacity which linked policy development to the delivery of operational outcomes. The AFP subsequently undertook an internal stocktake of NPI administration, identifying significant deficiencies in governance, transparency, implementation planning and reporting.

16. Effective control and oversight of policy implementation is critical if government expectations in relation to the delivery of new or revised capability are to be achieved. In order to better support the effective delivery of expanded operational expectations, and to address the identified shortfalls in NPI administration, the AFP revised its internal governance structures and moved to enhance its policy development and advising capability. In late 2008, the AFP also initiated action to create a dedicated corporate Portfolio, Program and Project Management capability, including a team to provide project support, executive reporting and a centre of project management excellence.

17. Overall, the AFP has been generally effective in updating its broad governance structures and enhancing policy development and advising capabilities. However, while the broad strategy developed in 2008 to improve project management and oversight in the AFP was sound, its implementation has not been effective. As a consequence, the measures taken to improve organisational project management capability have had little effect and the AFP still lacks the processes, controls and structures necessary to provide the Commissioner and the Government with assurance that new policy initiatives are being delivered in accordance with the Government's time, quality and cost expectations. In particular, implementation planning has been generally poor, with no consistent approach to, or clear policy on, project management across the organisation; and coordinated executive reporting on NPI implementation has been neither comprehensive nor rigorous.

18. Organisations without well-structured program and project management arrangements may still, in the short run, deliver the outcomes sought by government, but experience has shown that implementation of individual initiatives will generally be less effective and less efficient, and the risk of significant failure will be considerably higher. In this context, the Government has acknowledged the need to improve the delivery of government services, policies and programs, to give the Government and the

public greater confidence that implementation is consistently efficient and effective.⁶

19. The extent and scope of the funding and operational changes experienced by the AFP over the last decade is unprecedented in the organisation's history, and unusual in public administration. These circumstances underline why improved implementation planning, project management and coordinated executive reporting remains a key focus of the AFP's evolving governance framework. Effective performance of these functions is critical if the AFP is to maintain a clear view of the status of various initiatives, and provide assurance to government and other stakeholders that initiatives are being effectively managed.

20. The AFP continues to face significant program implementation challenges and has recently decided to reinvigorate project, program and portfolio management in the organisation. The team established in 2008 to provide project support, executive reporting and a centre of project management excellence will be replaced with a new Portfolio Management Office (PMO) with responsibility for embedding consistent, comprehensive and rigorous governance and support arrangements for project management in the AFP, including for the implementation of NPIs.

21. Having regard to current plans within the AFP to strengthen portfolio, program and project management, the ANAO made four recommendations aimed at supporting more effective management of the implementation of NPIs.

Key findings

Governance

22. In line with the emergence of significant pressures in the external national security environment over the last decade, there has been a continual evolution of the broad structures of governance, both within which the AFP operates and internal to the AFP.

23. The AFP has established a coordinated framework of committees, including the New Policy Proposal Coordination Committee, the Strategic

⁶ Minister Wong's speech *Better Government*, delivered to the Commonwealth Authorities & Companies Discussion Forum, 8 December 2010 available from: http://www.financeminister.gov.au/speeches/2010/sp_101211.html [accessed 13 December 2010].

Investment Committee and the Performance and Budget Monitoring Committee, to better control and coordinate the development and implementation of internally and externally funded projects, including NPIs. These committees have been effective in drawing together key stakeholders in project development and implementation at the early stages of project development and have given greater priority to considering NPI implementation as a factor in business performance. These enhancements to internal governance have occurred in conjunction with moves by the Government to strengthen inter-agency cooperation and coordination on national security matters, including the preparation of a coordinated National Security Budget.

24. The revised governance arrangements provide an improved framework for cooperation between stakeholders in determining priorities and ensuring accurate policy alignment. However, there is a lack of clarity around key elements of the new AFP committee structure, with some bodies operating with outdated terms of reference and without clear executive authority for their new roles. The benefits of the new arrangements would be more effectively embedded by formalising the roles and responsibilities of the new and revised committees, with clear executive endorsement of the scope of their responsibilities and powers.

25. Completion of a clearly articulated and documented organisational risk management plan would further strengthen the internal assurance arrangements.

Developing new policy initiatives

26. Since 2006, in response to independent advice, the AFP has taken a number of steps to strengthen its NPI development and policy advising capability. Resourcing has been enhanced and the policy function is better integrated with internal governance and performance management arrangements.

27. A structured policy development process has been implemented, supported by the enhanced internal capacity, and overseen by a New Policy Proposal Coordination Committee that brings together policy development and implementation considerations at an early stage. The AFP's senior leadership group is actively involved at key points in the policy development cycle. In addition, the Secretary of the Attorney-General's Department has introduced arrangements to more closely coordinate NPI development within

the portfolio. NPI development within the portfolio occurs within an enhanced whole-of-government governance framework for national security matters.

28. The revised internal and external consultative framework creates considerable engagement between those key stakeholders best placed to identify and address significant implementation issues. Overall, changes to the AFP's formal NPI development process have largely been designed to meet the requirements of the Government's annual budget process and the needs of external stakeholders. However, NPI development has not clearly focused on addressing AFP business needs, including the clear identification of implementation risks and mitigation strategies. An increased focus on the identification and documentation of AFP business requirements, risks and mitigation strategies would constitute improved practice and provide greater assurance to AFP management that projects will be able to be delivered within the time, quality and cost expectations articulated by government.

29. Given the inherently dynamic nature of the national security environment, the AFP will continue to face the challenge of ensuring that good policy development practice is employed when policy responses are required in unusual and urgent circumstances. It will be important for the AFP to embed clear accountabilities and procedures (including arrangements for internal oversight) to reduce the risk of procedural breakdown in such circumstances.

Implementation planning and project management

30. The AFP's decision in 2008 to strengthen implementation planning and introduce coordinated corporate NPI implementation reporting was made following an internal stocktake that identified major deficiencies in project management, and advice from the Cabinet Implementation Unit (within the Department of Prime Minister and Cabinet) that the AFP should act to develop a stronger project management culture. Late in 2008 the initial strategy was expanded to encompass support, training and guidance to project managers in the AFP, executive reporting of progress against time, cost and quality measures, and the establishment of an 'organisational knowledge repository' on program and project management and NPI management.

31. However, at the time of audit fieldwork in 2010, proposed improvements in implementation planning and management methodologies had not generally been realised. There had been difficulties in sustaining even the modest level of resources originally allocated to project support, executive

reporting and the establishment of a centre of project management excellence, resulting in substantial delays in achieving key implementation milestones for improving implementation planning and project management. AFP planning for the implementation of NPIs was inconsistent, with only 30 per cent of implementation plans including clear milestones, success indicators, financial plans and risk management strategies. There was no structured feedback to project managers or other measures aimed at promoting consistency and improving quality.

32. The approach to project management was similarly inconsistent, with less than one third of project managers surveyed by the ANAO indicating that they were managing their projects in accordance with the AFP's preferred project management approach, and an inadequate appreciation of the support and training requirements of project managers. Although adoption of the new arrangements among project managers was limited, the AFP senior executive expressed support for the direction of the change and a view that considerable benefits had been realised when more rigorous project management techniques had been applied to projects.

33. In late 2010, the AFP advised the ANAO of a strategy to reinvigorate corporate project, program and portfolio management in the AFP, with increased resourcing and a new PMO replacing earlier arrangements. The effectiveness of the PMO will be influenced by the extent to which the AFP clearly defines and articulates the policy and procedural foundations supporting the proposed project management framework arrangements. In particular, it will be important for the AFP to clarify the key elements of the methodology, including implementation planning, and to provide improved project manager support. The AFP should also seek to implement effective quality control and organisational learning arrangements.

34. In moving forward with the establishment of the PMO, it will be important for the AFP to provide sufficient, appropriately skilled resources to support this initiative and to communicate both a clear mandate and strong executive support for the new arrangements. Effectively embedding a consistent and rigorous approach to NPI implementation planning and monitoring in the AFP would be an important step in adequately addressing the significant risks to organisational assurance and accountability identified by both internal and external advisers in 2007 and 2008, and which have not been effectively addressed to date.

Executive oversight and developing organisational capability

35. The AFP currently has no clear policy or documentation supporting the arrangements for executive oversight of NPI implementation. At the time of audit fieldwork, coordinated reporting on progress in implementing NPIs had not occurred since a report to the AFP executive for the December 2009 quarter.⁷ Reporting up to that time was not comprehensive, with significant NPIs being excluded, and key milestone and financial data treated inconsistently or, at times, omitted. Reporting on project finances and the realisation of key project benefits would benefit from greater guidance for project managers, more rigorous quality assurance and a consistent adoption of implementation planning and project management methodologies.

36. The coordinated NPI reporting undertaken in 2008 and 2009 provided the AFP executive with limited assurance regarding the extent to which the risks associated with the implementation of NPIs were being managed. In progressing current plans to reinvigorate corporate project, program and portfolio management, it will be important for the AFP to strengthen monitoring processes, providing greater consistency, completeness and quality in the information provided to the executive.

37. The ANAO found little progress had been made in implementing strategies to build organisational knowledge concerning project management and NPI implementation. There have also been delays in developing a capacity to improve organisational engagement with AFP project managers and to influence day-to-day project management practice in the AFP. The extent of productive engagement with managers across the organisation and the level of understanding of current organisational practice are likely to be key influences in the AFP's ability to give effect to its intention to build an effective centre of excellence and improve organisational practice over time.

38. Overall, the broad strategy developed by the AFP in 2008 to improve organisational oversight of, and accountability for, the implementation of NPIs was sound, but its implementation has not been effective. Current arrangements limit the extent to which the AFP executive have clear visibility of, and assurance in relation to, the risks associated with the implementation of NPIs and there is considerable scope for the AFP to strengthen monitoring

⁷ The AFP has since advised that a report against all NPIs was provided to the December 2010 meeting of the Strategic Leaders Group (SLG) and that future reporting to the SLG will be on a six-monthly basis.

processes. The establishment of the proposed project management centre of excellence should strengthen the AFP's overarching administration of NPIs. However, the successful implementation of this initiative will require the AFP to provide sufficient, expert resources and the establishment of arrangements to build appropriate organisational engagement and awareness.

Summary of agency response

39. A copy of the proposed report was provided to the AFP. Relevant extracts of the proposed report were also provided to PM&C and Customs. Both PM&C and Customs provided editorial comments and they have been incorporated as appropriate in the report.

40. The AFP's full response on the proposed report is reproduced below:

The AFP has welcomed the opportunity to contribute to the ANAO performance audit AFP Management of the Implementation of New Policy Initiatives, embraces the commentary provided within the report and agrees with the recommendations arising from the audit.

The magnitude of growth for the AFP over the past decade is, as stated by the ANAO, unprecedented in the AFP's history and unusual in public administration. Whilst accepting the report it is important that the findings and content be balanced by facts such as the allocation to the AFP of over 140 NPIs since 2000–01, with associated funding approaching \$6 billion. This growth has resulted in considerable expansion of AFP operational activity domestically and internationally in support of broader government policy goals, including many at the forefront of the national security agenda. During this time of rapid growth, the AFP has continued to deliver against the AFP's Portfolio Budget Statement key performance indicators.

The AFP, through enhancements to existing arrangements and the development of new frameworks, is actively progressing implementation of the four recommendations. The contents of the report provide the AFP with an excellent opportunity to further progress a range of strategies with a view to strengthening the AFP's approach to managing the implementation of NPIs and broader governance considerations.

The AFP notes that the ANAO found the AFP to be generally successful and advised that the AFP has in place substantial elements of effective governance and a coordinated framework of Committees. In the context of Recommendation 1, the AFP has commenced a body of work regarding the AFP's Committee framework, associated Terms of Reference and clearly defined executive authority.

In the report, the ANAO indicates that the AFP has implemented a structured policy development process and brings together policy development and implementation considerations at an early stage. Recommendation 2 identifies that strengthening existing practice will be progressed through a greater focus on addressing AFP business needs, including the identification of implementation risks and mitigation strategies. Since commencement of the audit fieldwork the AFP has actively progressed the implementation of a range of strategies through the establishment of a Portfolio Management Office (PMO). The PMO will develop and maintain appropriate business support structures and governance for AFP change initiatives including projects, programs and NPIs, ensuring delivery against Recommendations 2, 3 and 4. The AFP is fully committed to the effective implementation of the PMO to enhance the development and delivery of change strategies and initiatives.

The findings and recommendations in the report have informed the AFP's corporate investment in and management of its entire business change portfolio.

Recommendations

Recommendation No. 1

Para 2.48

To underpin the effective operation of key elements of the revised governance framework, the ANAO recommends the AFP:

- (a) for each committee, clearly specifies, and updates as necessary, the terms of reference, the scope of authority and the supporting operational business arrangements; and
- (b) promulgates the authority and operating arrangements for each committee once they are endorsed by the AFP executive.

AFP Response: Agreed.

Recommendation No. 2

Para 3.38

To strengthen planning for NPI implementation, the ANAO recommends the AFP examines options for requiring increased formal consideration of implementation risks and mitigation strategies as part of an expanded business case prepared in conjunction with the development of each NPI.

AFP Response: Agreed.

**Recommendation
No. 3****Para 5.67**

To improve organisational capability, assurance and accountability, the ANAO recommends that the AFP:

- (a) clearly articulates the corporate strategy for planning, monitoring and managing the implementation of major new initiatives, including budget-funded NPIs, within the AFP;
- (b) establishes clear rules for the transition of NPIs from defined project management oversight to management in accordance with business as usual arrangements;
- (c) seeks early executive consideration and endorsement of the proposed strategy for planning, monitoring and managing the implementation of major new initiatives and the associated implementation arrangements; and
- (d) having regard to the experience of comparable public sector agencies, explores the resource requirements and operational procedures necessary to support implementation of the revised arrangements.

AFP Response: Agreed.

**Recommendation
No. 4**

Para 5.69

To provide greater clarity and support effective organisational oversight of NPI implementation, the ANAO recommends the AFP:

- (a) develops guidance for project managers regarding implementation planning, project management and periodic reporting;
- (b) explores options for improving the quality and consistency of the financial data included in periodic reports; and
- (c) examines options for improving implementation feedback to the executive and the capture and dissemination of lessons learnt from project implementation.

AFP Response: Agreed.

Audit Findings

1. Introduction

Background

1.1 The Australian Federal Police (AFP) is the primary law enforcement agency through which the Australian Government enforces Commonwealth law. Established by the *Australian Federal Police Act 1979* (the Act), its functions include provision of policing services in relation to Commonwealth laws and property, and safeguarding of Commonwealth interests. The AFP also provides community policing services to the Australian Capital Territory and the Jervis Bay Territory. The AFP's Australian Protective Service is the Australian Government's specialist protective security provider.

1.2 The AFP was formally established in 1979 following a review of the utilisation of Commonwealth policing resources undertaken after the 1978 bombing of the Sydney Hilton Hotel. The AFP brought together several existing law enforcement agencies (further detail regarding the organisation of police resources prior to the formation of the AFP is provided at Appendix 2).

1.3 The AFP enforces Commonwealth criminal law and protects Commonwealth and national interests from crime in Australia and overseas. The AFP is also Australia's international law enforcement and policing representative and the chief source of advice to the Australian Government on policing issues.

1.4 The AFP works closely with other Australian and international law enforcement bodies to enhance safety and security in Australia and to assist in providing a secure regional and global environment. It has an extensive network of liaison officers across more than 20 countries.

Establishing AFP priorities

1.5 The AFP Commissioner has responsibility for the general administration and control of AFP operations (as provided in ss. 37(1) of the Act), within the framework of priorities determined by Government. The Government indicates its priorities for the AFP through ministerial directions (as provided in ss. 37(2) of the Act), the outcomes framework agreed to by Government, and individual budget measures which quarantine funding for specific activities.

Ministerial Directions

1.6 The Commissioner's control of the AFP is exercised within the framework of broader government policy and is also subject to written directions that the Minister may give to the Commissioner at any time, relating to either:

- the general policy to be pursued in relation to the performance of the functions of the AFP (ss. 37(2) of the Act); or
- the use of 'common services' (ss. 37(3) of the Act).⁸

1.7 Fifteen ministerial directions have been given since the first in 1979 (see Appendix 3 for a complete list). The most recent direction, issued by the Minister for Home Affairs to the Commissioner on 1 July 2010 (reproduced at Appendix 4) notes that the Government expects the AFP to address a number of key priorities including:

- countering the threat of terrorism; preventing, deterring, disrupting and investigating serious and organised criminal activities; and safeguarding the economic interests of the nation from criminal activities;
- contributing to border management and security, and to international law enforcement interests;
- countering the threat of cyber-crime including through achieving and maintaining a technological edge over criminals;
- leading and managing the law enforcement and crime prevention aspects of aviation security;
- ensuring that specific individuals, establishments and events are protected; and
- contributing to broader government programs or initiatives requiring law enforcement capabilities and, where possible, identifying emerging criminal threats and advising government on appropriate approaches, to counter such threats.

⁸ Subsection 37(3) of the Act defines a range of services which may be considered 'common services' including information technology, forensic, research and training systems.

1.8 In addition to requiring the AFP to address specific government strategic priorities, the direction also requires the AFP to consult with the Minister when considering any significant reallocation of resources and, where the reallocation may impact upon the implementation of the government strategic priorities (whether or not included in the Ministerial Direction), to consult prior to finalising those deliberations.

1.9 The *2009 Federal Audit of Police Capabilities* (the Beale Review) has recommended a closer and more structured dialogue between the Government, its principle policy advisers and the AFP. This would include the AFP explicitly documenting its response to strategic directions from government in a Statement of Intent.⁹ Although the Minister for Home Affairs has issued directions to the Commissioner on two occasions (April and July 2010) since the recommendations of the *2009 Federal Audit of Police Capabilities* were accepted by Government, the Commissioner has yet to issue a Statement of Intent setting out how the strategic directions are being addressed. The AFP advised the ANAO on 8 November 2010 that it is:

now engaging with the AGD (Attorney-General's Department) and MHA's (Minister for Home Affairs') office to determine whether a new Ministerial Direction is required and will prepare the requisite Statement of Intent.

Outcomes framework

1.10 The Government seeks to achieve benefits ('outcomes') for the Australian community primarily through programs delivered by agencies. The Government's objectives in funding an agency are articulated in the agency's outcome statement(s). All outcome statements are approved by the Minister for Finance and Deregulation (DoFD).

1.11 An agency's outcome statement and associated performance reporting serve as an important means of establishing government priorities and expectations. In 2009–10, the AFP received funding and was required to report performance against two outcomes and five programs, each with identified funding and performance expectations (Table 1.1).¹⁰

⁹ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, pp. 107–109.

¹⁰ The AFP Portfolio Budget Statement for 2010–11 notes that, for 2010–11, the seven programs previously related to Outcome 1 have been simplified to four programs.

Table 1.1**AFP Outcomes in 2010–11**

Outcome 1	Outcome 2
Reduced criminal and security threats to Australia's collective economic and societal interests through co-operative policing services	A safe and secure environment through policing activities on behalf of the Australian Capital Territory Government
Program 1.1 National Security—Policing	Program 2.1 ACT Community Policing
Program 1.2 International Deployments	
Program 1.3 Operations—Policing	
Program 1.4 Close Operational Support	

Source: 2010–11 The Attorney-General's Department Portfolio Budget Statement, p. 165.

New Policy Initiatives

1.12 The allocation of funding to particular initiatives through the Federal Budget also provides an additional opportunity for the Government to establish the specific operational priorities for the AFP. Since 2000–2001, the Government has decided on more than 140 new policy initiatives (NPIs)¹¹, each with defined objectives and funding, to respond to emerging security and policing issues. These NPIs have resulted in significant funding and staffing growth, and transformed the core operations of the AFP.

The changing nature of the AFP

1.13 In the period from its establishment through to 1999, the responsibilities of the AFP remained relatively stable (outside of the loss and subsequent return of the Protective Services function). Real outlays rose by two per cent per annum¹² but staffing fell slowly (less than 0.5 per cent a year).¹³ The number and size of NPIs impacting on AFP operations was modest.

¹¹ In this report, the term New Policy Initiative (or NPI) reflects AFP usage and describes a Government initiative with funding and operational impact, announced either in or between Federal Budgets. NPIs announced between budgets may also be reported in the Mid-Year Economic and Fiscal Outlook, or in agency Additional or Supplementary Additional Estimates Statements.

¹² In 2009–10 prices, expenditure rose from \$274.3 million in 1979–80 to \$384.2 million in 1998–99 (see *AFP 1979–80 Annual Report* p. 32 and *AFP 1998–99 Annual Report* p. 107, adjusted for movements in the consumer price index (ABS 6401.0)).

¹³ Reported staffing declined from 3,043 in 1979–80 to 2,791 in 1998–99 (see *AFP 1979–80 Annual Report* p. 5 and *AFP 1998–99 Annual Report* p. 97).

1.14 The AFP nonetheless faced challenges in establishing and properly aligning the new organisation to the dynamic transnational policing environment in which it operated. The 1990s saw considerable internal reform targeted at improving the AFP's capacity to deliver its mission in the face of ongoing resource constraint.¹⁴ In particular, the AFP significantly revised its operational and organisational practices and a review of strategic directions and resource requirements commissioned in 1998 (the Ayers Review) saw the Government announce in July 1998 a \$115 million reform program to address emerging threats and maintain operational capacity.¹⁵

1.15 The extent of internal reform was noted by the Senate Legal and Constitutional References Committee, which in 2001 observed that:

From at least the end of the 1980's, a more systematic approach to reform and transformation was adopted, aligning the major crime issues with substantial changes in structure and approach of the organisation which would enable a more effective attack...changes such as abandoning the traditional rank structure, developing teams in which ability and experience were more important than length of service, and increased training in planning and analytical work contributed to the emergence of a different work profile and culture.¹⁶

1.16 A considerable escalation in the rate of change impacting on the AFP is evident from the late 1990s. Figure 1.1 illustrates the sustained increase in the number of NPIs (either wholly or partly directed at AFP operations and funding) that occurred after 1999. This acceleration in the rate of change reflects the observation contained in the *2009 Federal Audit of Police Capabilities* that:

¹⁴ In his 1992–93 and 1993–94 Annual Reports, the Commissioner noted the adverse impact of the continuing application of the Government's efficiency dividend: 'it was not reasonable to apply the penalty to the point where an agency's capacity to achieve its strategic objectives, and in the AFP's case to comply with its legislative responsibilities to protect the laws, revenue and property of the Commonwealth, is reduced' (*AFP 1993–94 Annual Report*, p. 9).

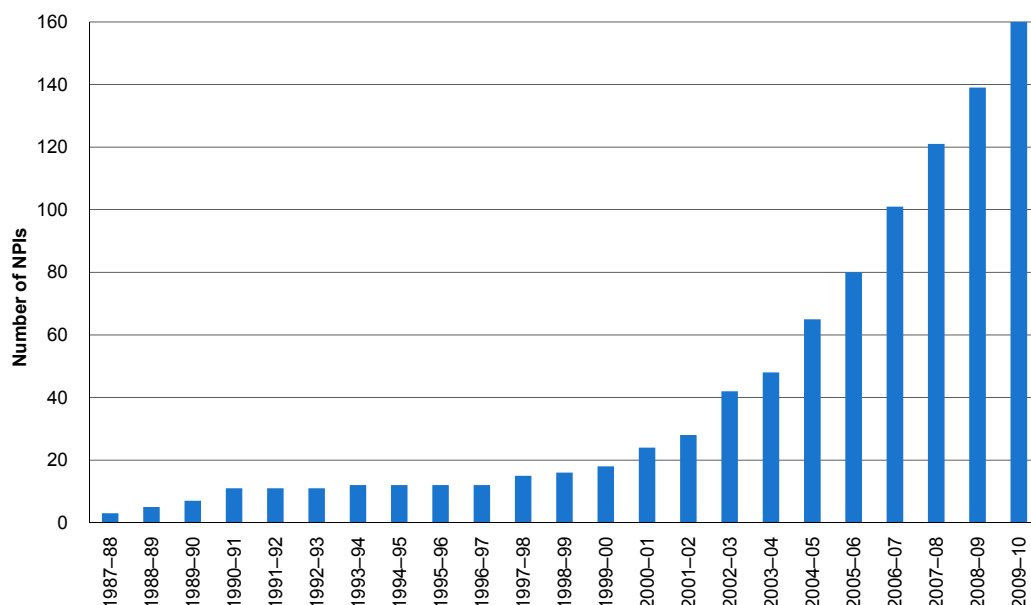
¹⁵ Australian Federal Police, *The First Thirty Years*, Commonwealth of Australia 2009, pp. 31–49.

¹⁶ Senate Legal and Constitutional References Committee, *The Report of the Inquiry into the Management Arrangements and Adequacy of Funding of the Australian Federal Police and the National Crime Authority*, Australian Government Publishing Service, Canberra 2001, pp. 4–5.

The world has changed dramatically in the last twenty years. For Australian policing, many of those changes were crystallised in six short years between 1999 and 2005.¹⁷

Figure 1.1

Number of AFP NPIs announced by year (cumulative)¹⁸



Source: ANAO analysis of Budget Papers.

1.17 For the AFP, changes from 1999 were driven by the emergence of significant and generally unforeseen external pressures. As a consequence, the nature of the AFP, and government's requirements of it, changed significantly. A rapidly changing security environment required a closer focus on national and international operational activities. The terrorist attacks in the United States in 2001 and Bali in 2002 resulted in rapid growth in counter-terrorism capacity and operations. Additionally, the AFP has been affected by emergent

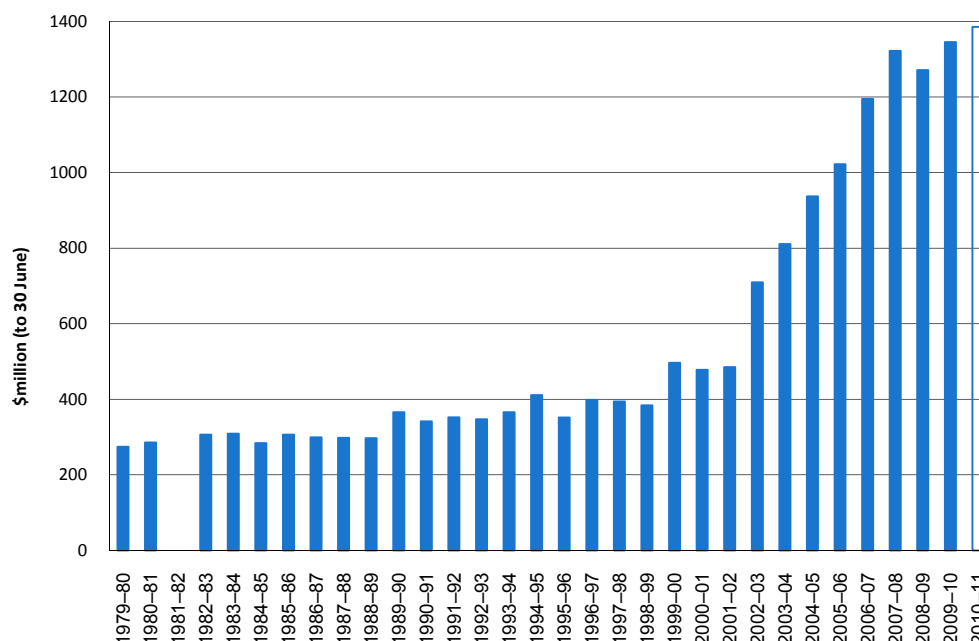
¹⁷ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, p. 2.

¹⁸ This chart describes the number of NPIs impacting on the AFP announced in each budget year. Measures announced through the Mid-Year Economic and Fiscal Outlook (MYEFO) or reported in other budget papers are included in the base budget year (eg. measures in the 2008-09 MYEFO are shown in the figure in the 2008-09 budget year).

issues such as people smuggling, technologically enabled crime, a growth in drug importation, and an expansion in international peace operations.¹⁹

Figure 1.2

AFP expenditure on outputs—real (2009–10 prices)²⁰



Source: Australian Federal Police, *The First Thirty Years*, Commonwealth of Australia 2009; AFP Annual Reports; AFP Portfolio Budget Statement 2010–11, pp. 168, 185.

1.18 In response to these events and emerging issues, the government significantly increased funding for the AFP. Between 1999 and 2011, real expenditure on outcomes rose at 12 per cent a year. Forecast expenditure in 2010–11 approached \$1.4 billion, more than three and a half times (in real terms) the \$383 million spent in 1998–99 (see Figure 1.2). Similarly, staffing grew at more than eight per cent a year over the last decade (Figure 1.3) and, while growth has slowed since 2008, it is likely to resume over the next few

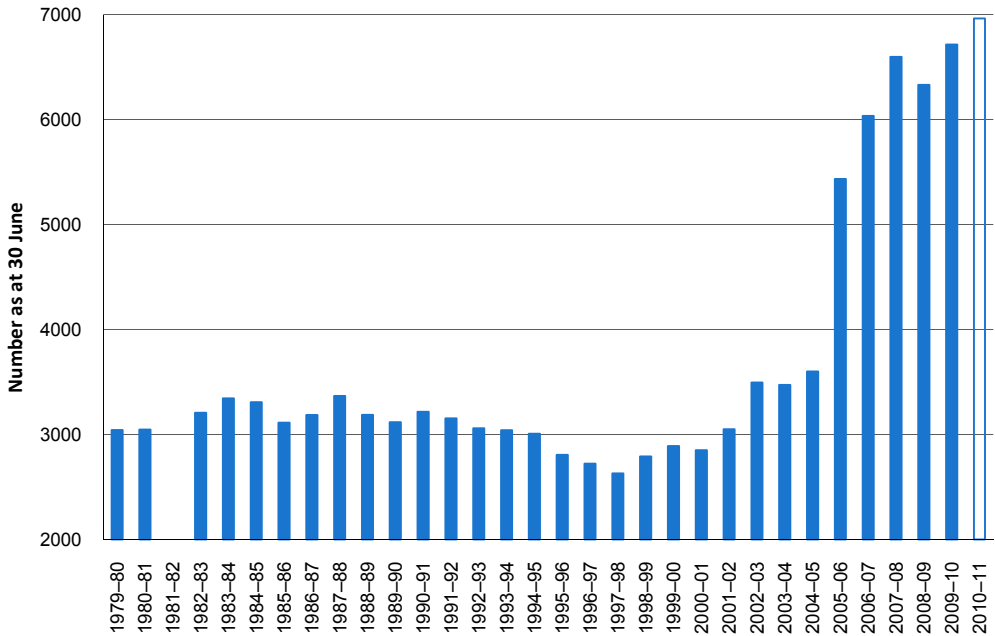
¹⁹ Australian Federal Police, *The First Thirty Years*, Commonwealth of Australia 2009, pp. 51–60.

²⁰ Data for 1982 was not published. Data for 2011 is an AFP estimate. The reintegration of the protective services function into the AFP from 1 July 2002 provides a one-off boost to apparent expenditure in the 2002–03 financial year.

years as the Government’s 2007 election commitment to engage an additional 500 sworn Australian Federal Police officers over five years²¹ is delivered.

Figure 1.3

AFP staffing—actual²²



Source: Australian Federal Police, *The First Thirty Years*, Commonwealth of Australia 2009; AFP Annual Reports; AFP Portfolio Budget Statement 2010–11, pp. 168, 185.

1.19 While early growth was embodied in a relatively few funding initiatives (including the AFP reform program, a national illicit drug strategy and the East Timor deployments), over most of the period, growth has been driven by a large number of NPIs. Since the 2000–01 Federal Budget, the Government has announced more than 140 NPIs impacting on AFP operations (see Appendix 1), with associated funding approaching six billion dollars.

1.20 The value and number of NPIs announced by Government rose markedly after the Madrid train bombings of March 2004 and the attack on the

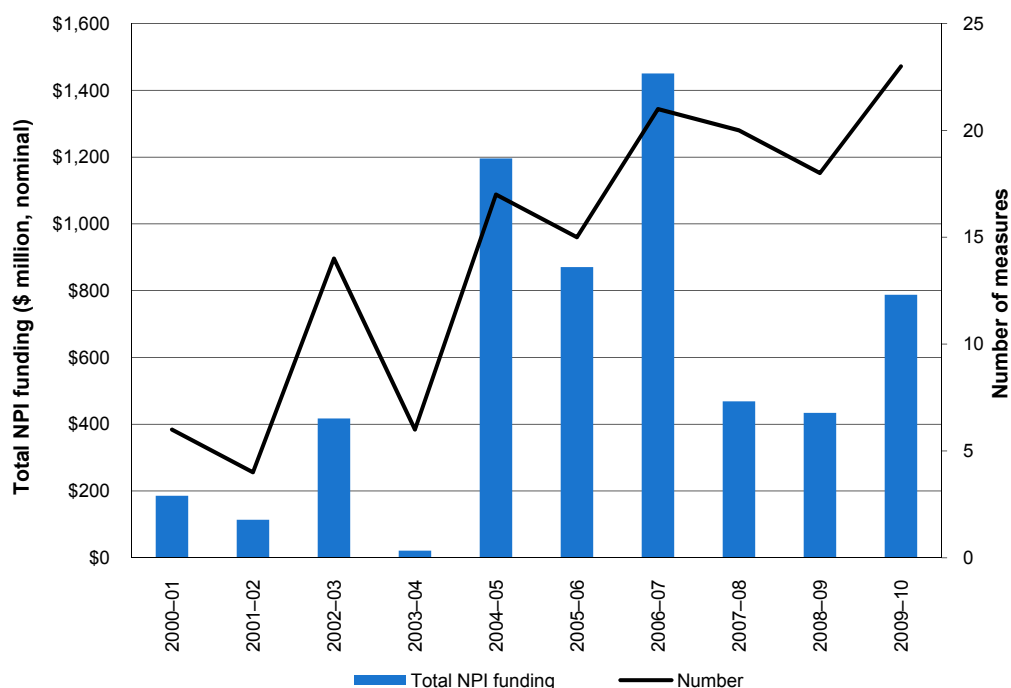
²¹ Budget Paper No. 2 2008–09, p. 89. The majority of new staff associated with this initiative will be engaged in the final two years of its implementation.

²² Data for 1982 was not published. Data for 2011 is an AFP estimate. Although protective services were progressively reintegrated with the AFP from 1 July 2002, the one-off boost to staffing of around 1400 personnel was not included in external reporting until the 2005–06 financial year.

Australian embassy in Jakarta in September 2004 (Figure 1.4) and peaked in the three years from 2004–05. In those three years, 53 NPIs were announced, with a total cost over the forward estimates period of \$3.52 billion.

Figure 1.4

Total NPI funding and number of NPIs announced each year²³



Source: ANAO Analysis of Budget Papers.

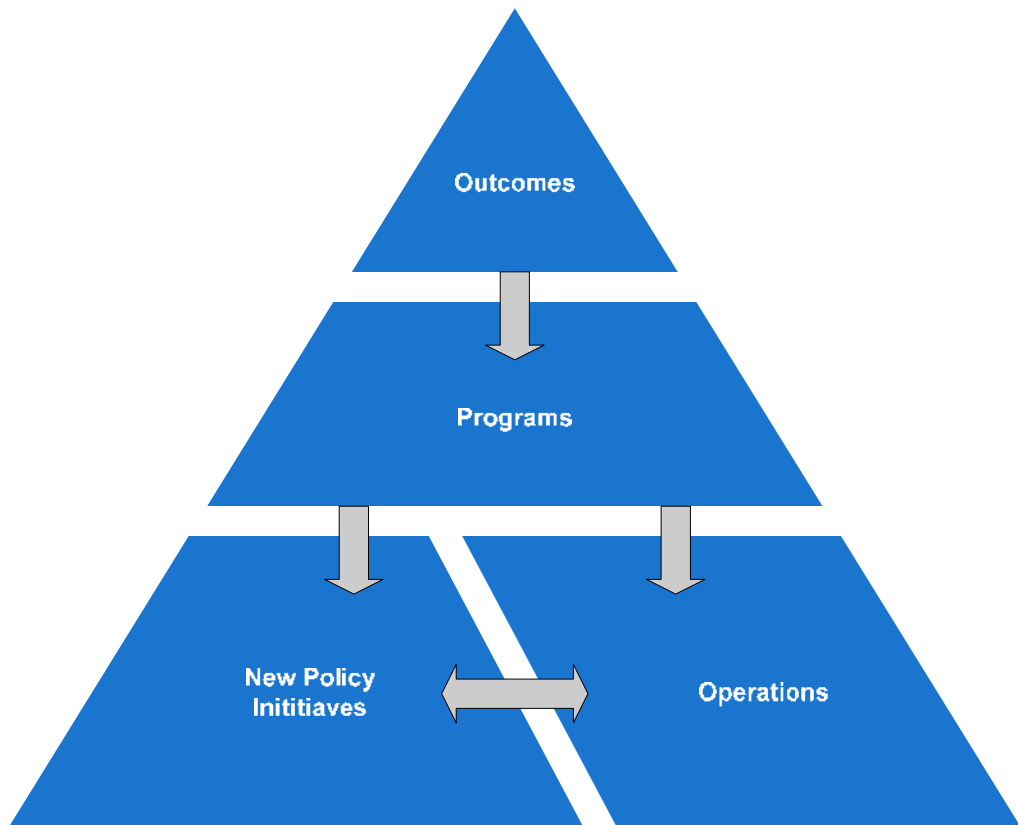
1.21 While NPIs have varied markedly in size and scope, some common themes are able to be identified. The AFP, in seeking to achieve the outcomes agreed by government, manages a number of defined programs. These programs are delivered through the operations of the resources under the control of the Commissioner (see Figure 1.5). NPIs can arise from consideration of the programs' capability to meet new or modified outcome expectations, often driven by external events, or from an assessment of the ability of

²³ This chart describes the number of NPIs announced by Government in a budget year and the reported level of funding (expense and capital, administered and departmental) associated with the initiative. This generally reflects funding in the budget year and the forward estimates period, unless the Government has explicitly identified expenditure outside of the estimates period. Measures announced through the Mid-Year Economic and Fiscal Outlook (MYEFO) or reported in other budget papers are included in the base budget year (eg. measures in the 2008–09 MYEFO are shown in the figure in the 2008–09 budget year).

operations to support existing programs and outcome priorities. Within this framework, the NPIs introduced by government since 2000–01 have generally sought to either transform operations (by establishing new capability, expanding existing capability or improving support to operations) or to provide support for specific operational deployments.

Figure 1.5

Inter-relationship between outcomes, programs, new policy initiatives and operations



Source: Adapted by the ANAO from Office of Government Commerce, *Business Benefits through Programme and Project Management 2006*, p. 18.

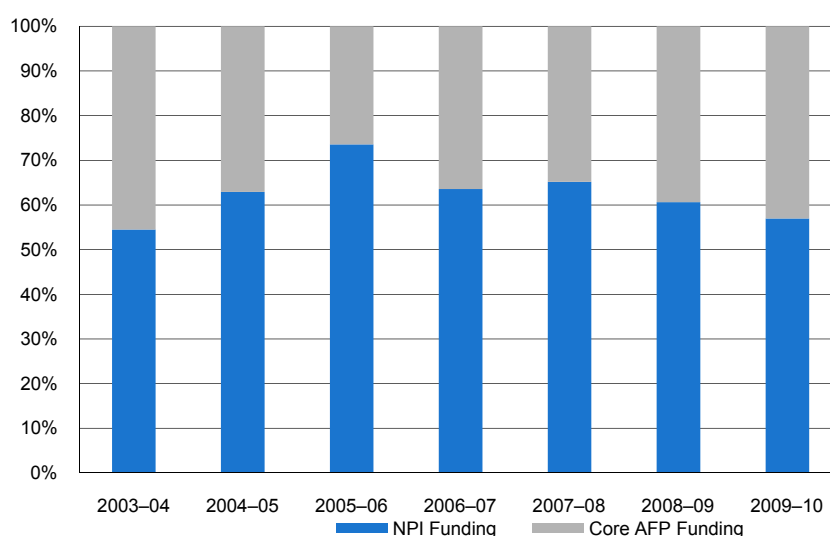
1.22 Since 2000–01, nearly half of the new funding (\$2.9 billion) has been directed to transforming AFP operational capability in the areas of national security and serious crime, including provision for counter-terrorism and border management initiatives; aviation security and airport policing services; and high-tech crime capabilities.

1.23 The balance of new policy money (\$3.0 billion) has been directed toward supporting international deployments (including in the Solomon Islands, Papua New Guinea and Afghanistan) and other international cooperative and capability building initiatives.

1.24 Over much of this period, the funding provided to the AFP for NPIs (the 'tied' portion of the AFP budget²⁴) has exceeded the funding provided for ongoing administration and operations (see Figure 1.6) and has, at times, approached 75 per cent of total funding.

Figure 1.6

New policy funding as a proportion of overall funding²⁵



Source: ANAO analysis of Budget Papers and AFP Annual Reports.

²⁴ The Commissioner has considerable discretion in relation to the application of funds appropriated for departmental purposes. By comparison, the Commissioner does not have the discretion to put funds appropriated for administered purposes to purposes other than that for which the funds were appropriated. AFP NPIs have principally been funded by departmental appropriations: for example, over 80 per cent of the funding associated with new measures announced in the 2010-11 Federal Budget was to be appropriated as departmental funds. However, it is reasonable for Government and Parliament to expect that the Commissioner will apply funding provided for a given NPI to that NPI, as long as that expenditure is compliant with the Government's overall financial framework (including the requirement that the use of funds is efficient, effective and ethical and not inconsistent with the policies of the Commonwealth (section 44 of the *FMA Act 1997*)).

²⁵ This chart compares the funding provided for NPIs in any given year with the overall level of expenditure on outputs reported by the AFP in its Annual Reports for that year. For example, the AFP reported the cost of outputs in 2005-06 as \$910.3 million (*AFP 2005-06 Annual Report*, p. 177). ANAO analysis of Federal Budget papers indicates that \$670.2 million was provided to the AFP in 2005-06 for expenditure in that year on the implementation of NPIs: that is, 73.6 per cent of the AFP's funding in 2005-06 related to NPIs rather than core and ongoing business.

Managing the challenge of rapid growth

1.25 The growth in the AFP's funding has been rapid but is consistent with experience of comparable agencies, both domestically and internationally. For example, the *9/11 Commission Report* notes that between fiscal year 2001, the last budget adopted before the September 2001 attacks, and fiscal year 2004, total US federal spending on defence, homeland security and international affairs rose more than 50 per cent, an increase of nearly \$200 billion.²⁶ Expenditure by the London Metropolitan Police, which also carries primary counter-terrorism responsibilities in the United Kingdom, more than doubled between 2000–01 and 2004–05 and continued to grow strongly through the remainder of the decade.²⁷

1.26 The *Federal Audit of Police Capabilities* also noted that the growth in AFP resourcing since the year 2000 echoed similar increases for other Australian agencies with national security responsibilities.^{28, 29}

1.27 While other national security and policing agencies may have faced similar growth pressures, the extent and scope of the funding and operational changes experienced by the AFP over the last decade was unprecedented in that organisation's history and unusual in general public administration. This growth could not reasonably have been foreseen by AFP management and reflected both the changes in the external environment and the particular manner in which the Government chose to respond to these events. The approach adopted by government drew the AFP into the mainstream of policy advising and program delivery while the increasing profile of national security concerns brought the AFP to the centre of government.³⁰ Notwithstanding significant internal reform through the 1990s, the AFP was not experienced in, nor structured to deal with, the management of persistent change of the scale that occurred.

²⁶ *Final Report of the National Commission on Terrorist Attacks upon the United States*, July 2004, p. 361.

²⁷ <<http://www.mpa.gov.uk/downloads/publications/accounts/>> [accessed 13 August 2010].

²⁸ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, p. 49.

²⁹ Growth in the AFP lagged behind growth in the Australian Security and Intelligence Organisation which, between 2000–01 and 2009–10, experienced staffing growth of nearly 14 per cent per year and growth in funding exceeding 19 per cent per year.

³⁰ P. Shergold, *New Challenges for the Australian Federal Police* available from <<http://web.archive.org/web/20040617164306/pmc.gov.au/docs/Shergold191103.cfm>> [accessed 16 July 2010].

1.28 Rapid growth can place strain on organisational systems, including the ability of an organisation to effectively manage implementation, monitor success and appropriately account for expenditure and outcomes. Any failure to effectively manage the introduction of new policy initiatives can create significant risks to the realisation of the benefits intended to be secured by specific initiatives as well as the delivery of ongoing services.

1.29 Limitations in the AFP's organisational arrangements for developing and implementing NPIs were highlighted by external and internal reviews in 2006 and 2007 and also brought to the attention of the Commissioner by the Cabinet Implementation Unit of the Department of the Prime Minister and Cabinet (PM&C).³¹ The effectiveness of the AFP's response, and the extent of assurance provided, was a primary focus for this audit.

1.30 Additional organisational risks flowing from the extent to which NPIs were used to drive the transformation of the AFP were observed by the *2009 Federal Audit of Police Capabilities*. The review recommended the Government examine options for consolidating funding for the AFP, noting that:

Finely disaggregated funding sources limit the AFP's ability to respond flexibly to changing priorities and circumstances, increase administrative costs and reduce efficiency.³²

1.31 In response, in the 2010–11 Federal Budget, the Government commenced a process of reviewing lapsing and terminating AFP NPI funding and, where possible, consolidating the funding into ongoing AFP base funding.³³ The extent of any further consolidation will be dependent on similar action being taken by Government in future budgets (as the limit of approved expenditure on previous initiatives is reached). The *2009 Federal Audit of Police Capabilities* observed that action to consolidate AFP funding should be accompanied by appropriate arrangements for transparency in the use of

³¹ This is discussed in greater detail at paragraphs 4.6 to 4.13.

³² Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, p. 124.

³³ For example, in the 2010–11 Budget, the *Border Security—Unified Policing Model—continuation* measure provided funding of \$759.4 million over four years to maintain aviation security commitments under the Unified Policing Model at the 11 major Australian airports. The measure consolidated funding that had previously been provided under several smaller lapsing NPIs into one ongoing funding stream to provide the AFP with greater resourcing flexibility to respond to changing threats in the aviation security environment (see 2010–11 Budget Paper No. 2, p. 100).

funds, including the development of clear performance measures.³⁴ While there are challenges in establishing clear and measurable objectives in relation to complex security matters, it is an area requiring ongoing focus by public service agencies to ensure appropriate accountability. The *9/11 Commission Report* noted the public:

should expect that officials will have realistic objectives, clear guidance and effective organization. They are entitled to see some standards of performance so they can judge...whether objectives are being met.³⁵

Past ANAO reviews

1.32 Aspects of the AFP's performance have been considered in one agency-specific performance audit and three cross-agency audits:

- Audit Report No. 53 of 2006–07 *Australian Federal Police Overseas Operations* examined and reported on the efficiency and effectiveness of the AFP's administration and management of its deployment as part of the Participating Police Force within the Regional Assistance Mission to Solomon Islands and its deployment to Thailand following the Indian Ocean tsunamis of 26 December 2004;
- Audit Report No. 30 of 2008–09 *Management of the Australian Government's Action Plan to Eradicate Trafficking in Persons* assessed whether the arrangements for overseeing the Action Plan had been administered effectively to deliver the intended results;
- Audit Report No. 14 of 2009–10 *Agencies' Contract Management* assessed the effectiveness of agencies' contract management by determining if they had sound practices and systematic approaches to this activity; and
- Audit Report No.4 of 2010–11 *National Security Hotline* considered aspects of the performance of the AFP in relation to the Attorney-General Department's administration of the National Security Hotline.

³⁴ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, p. 9.

³⁵ *Final Report of the National Commission on Terrorist Attacks upon the United States*, July 2004, p. 365.

Audit objective and scope

1.33 The objective of the audit was to examine the effectiveness of the AFP's approach to its management of the implementation of NPIs.

1.34 The considerable variance in the nature and scope of individual NPIs over the last decade meant that a comprehensive assessment of their implementation would more appropriately be undertaken in the context of the administration of the programs which were supported by the individual NPIs. Provision for audits of this nature has been included in the ANAO's future work plan.

1.35 Accordingly, the audit considered whether the AFP had effectively implemented the governance and administrative arrangements necessary to support its expanded responsibilities and to allow it to provide effective assurance that new policy initiatives were being delivered in accordance with time, quality and cost expectations articulated by government. In particular, the audit considered the extent to which the AFP:

- appropriately accommodated implementation issues in the development of the new policy initiative proposals;
- established realistic objectives for the new policy initiatives, including measures of performance that allow stakeholders to judge whether objectives are being achieved;
- developed and implemented effective implementation strategies supported by appropriate executive oversight;
- monitored the implementation of the new policy initiatives, including the resources being applied and the outcomes achieved, and provided for fine-tuning or remediation where necessary; and
- evaluated outcomes and reported as appropriate on performance in relation to policy objectives.

1.36 Without drawing conclusions in relation to the performance of individual policy initiatives, the audit also sought to identify opportunities for the AFP to strengthen organisational performance, institutional transparency and accountability.

Audit Methodology

1.37 The audit methodology included:

- interviews with AFP staff in Canberra, structured consultation with AFP National Managers and discussions with relevant PM&C and AGD staff;
- the examination and review of AFP reports, plans, procedural and organisational documents and files;
- the review of relevant Budget Papers, including Cabinet submissions and decisions; and
- a survey of AFP project managers and analysis of related project documentation.

1.38 The audit was conducted in accordance with ANAO auditing standards at cost of \$356 500.

Report Structure

1.39 In addition to this introductory chapter, the report includes four chapters:

- Chapter 2 provides an overview of the development of the AFP's governance framework, including the response by government and the AFP to changes in the security environment and the scale and nature of AFP operations;
- Chapter 3 considers the AFP's development of NPIs. It examines the robustness of the internal and external arrangements in place to support consultation with key stakeholders and the identification of implementation issues during NPI development;
- Chapter 4 examines the effectiveness of arrangements within the AFP for NPI implementation planning and project management. In particular, it considers whether the AFP, as an organisation, has arrangements in place which provide assurance that the NPIs will deliver the desired outcomes on time and within budget; and
- Chapter 5 assesses the oversight arrangements put in place by the AFP to strengthen executive awareness of, and accountability for, NPI implementation. It also considers the AFP's approach to building capability through organisational learning.

2. Governance

This chapter provides an overview of the AFP's governance framework, including its relationship to the broader national security policy framework, and the AFP's response to changes in the security environment and the scale and nature of AFP operations.

Introduction

2.1 While the Commissioner of the AFP has statutory responsibility for the administration of the AFP, the administration of the AFP takes place within the context of the overall national security governance framework established by the Government.³⁶ Key elements of the National Security Governance and Policy Framework that impact on the AFP's internal governance and decision making arrangements are described below and outlined in more detail in Appendix 5.

2.2 Cabinet is the apex of executive government. Meeting regularly, it sets the broad directions of government, takes the most important decisions facing a government and resolves potential conflicts within government. Some work of the Cabinet is dealt with by its committees, including dealing with the highly sensitive, for example, revenue or security matters.³⁷ The National Security Committee of Cabinet (NSC) was established to provide an appropriate forum for decision-making on national security matters and the majority of decisions relating to the operations and funding of the AFP are taken by the NSC.

2.3 The Secretaries' Committee on National Security is the senior inter-departmental committee supporting the NSC. It considers all matters put before the NSC and has an important role in ensuring Australia maintains a coordinated policy approach on all national security issues. The principal adviser to the Prime Minister on all policy matters relating to the security of the nation is the National Security Adviser. The National Security Adviser also oversees the implementation of all national security policy arrangements, assisted by the National Security and International Policy Group within the Department of the Prime Minister and Cabinet (PM&C).

³⁶ The role of ministerial directions and government funding decisions in influencing the AFP's administration are discussed from paragraph 1.6 of Chapter 1.

³⁷ PM&C *Cabinet Handbook* Sixth Edition, July 2009, p. 1.

2.4 Key coordinating committees within the National Security Framework, in which the AFP participates, include:

- the National Intelligence Coordination Committee;
- the Strategic Policy Coordination Group;
- the Homeland and Border Security Policy Coordination Group; and
- the Border Protection Task Force.³⁸

2.5 While having regard for developments in whole-of-government arrangements for the identification and management of national security matters, the ANAO examined the steps taken by the AFP to update organisational governance arrangements to meet the evolving expectations of government.

The AFP's internal governance

Recognising the need for change

2.6 As noted in Chapter 1, significant external pressures arising after 1999 saw rapid growth in government funding for the AFP. The nature of the AFP, and government's requirements of it, changed significantly, creating a complex and challenging change agenda for the organisation. Also, to further consolidate the administration of key national security responsibilities, the Government decided to return responsibility for protection services to the AFP through the incorporation of the Australian Protective Service as an operating division of the AFP from 1 July 2002.³⁹

2.7 The changed national and international security environment and the role of the AFP in advising on, and implementing, responses to emerging issues also saw a significant shift in the AFP's relationship with government. The then Secretary of PM&C acknowledged the AFP's shift to a more central

³⁸ This summary and the information provided at Appendix 5 are drawn from a range of public sources including Department of Defence, *The Strategy Framework 2010*, Commonwealth of Australia 2010 and A Gynge, *National Security Lecture*, University of Canberra, 28 May 2010, available from <<http://www.ona.gov.au/about-ona/for-the-record/national-security-lecture-by-allan-gynge.html>> [accessed 4 November 2010].

³⁹ In December 1983 the Government announced the separation of the protective service component from the roles undertaken by the AFP. This was achieved by 20 October 1984 with the transfer of the majority of officers involved in protection work to the newly created Australian Protective Service (Australian Federal Police, *The First Thirty Years*, Commonwealth of Australia 2009, p. 14).

role in government, and the demands that accompanied such a shift, when he told the AFP's National Management Team in September 2003:

Today I bring you good and bad news. The good news is that the AFP is now firmly located at the centre of government...The bad news, too, is that the AFP is now at the centre of government.⁴⁰

2.8 The Commissioner considered that successfully managing this transition was the key strategic issue for the AFP and that it presented substantial internal and external change management challenges.⁴¹ The AFP was conscious of the need to bring organisational administrative and governance arrangements into line with the new operational and strategic environment, with the Commissioner advising in his 2002–03 Annual Report:

Our next challenge is to construct a management structure which supports our strategic direction and outcome management. Work has already begun in this direction, with a view to determining our most effective structure for the future.⁴²

Responding to change—strengthening governance and policy capability

2.9 The challenges posed by rapid growth and a shift toward the centre of government were factors in the significant organisational and governance changes within the AFP during the past decade.

2.10 In 2003–04, the AFP was not only engaged in reintegrating the protective service function into the AFP structure and operations, bringing together responsibilities for aviation security and major infrastructure protection, but was also migrating from a geographically oriented organisational model to a functionally aligned business structure. This included, from early 2004, establishing National Manager positions, with defined functional responsibilities, to replace geographically based General Managers. The importance of enabling services was acknowledged with the creation of a National Manager Forensic and Technical Services and a National Manager Human Resources. A position of Chief Information Officer was also

⁴⁰ P. Shergold, *New Challenges for the Australian Federal Police*, available from <<http://web.archive.org/web/20040617164306/pmc.gov.au/docs/Shergold191103.cfm>> [accessed 16 July 2010].

⁴¹ *AFP Annual Report 2002–03*, p. 4.

⁴² *ibid.*, p. 16.

created. The AFP also overhauled its strategic and business planning framework, introducing an overall AFP Strategic Plan and strategic plans for each functional stream in addition to the existing annual Business Plans.

2.11 From June 2004, an Executive Management Board replaced the previous National Management Team. The Executive Management Board was to:

- contribute to and review the AFP's strategic direction and high-level policy settings, including its corporate vision, mission, ethical framework, and value statements;
- propose organisational objectives and priorities, within the framework of the Ministerial Direction, and the annual allocation of resources to functions;
- contribute to and evaluate the AFP's new policy initiatives to be progressed through the Government's annual Budget process and the AFP's position on existing and emerging law enforcement and whole-of-government policy issues;
- review the performance of AFP business units in meeting organisational objectives;
- monitor the effectiveness of the AFP's corporate governance framework, encompassing a supporting committee structure, governance policies and instruments, and the appropriate delegation of authority through the framework;
- monitor the effectiveness of the AFP's risk-management framework encompassing business risk, audit, disaster recovery and business continuity planning, protective security and fraud, and corruption control;
- support the Commissioner in effectively representing the AFP to clients and stakeholders; and
- communicate the outcomes of its proceedings to the organisation.⁴³

2.12 In recognition of the growing expectations placed on the contribution to government policy and the need for the AFP to play a forward-looking,

⁴³ *AFP Annual Report 2003–04*, p. 20.

proactive role in policy decisions, the AFP commissioned an external review of its policy capability to:

identify the structures, behaviours and capabilities that will enable the AFP to be a forward looking, influential and professional contributor to government policy on security and law enforcement. The AFP wants to move from a reactive to a proactive policy contribution.⁴⁴

2.13 The review recommended a variety of strategies to build organisational policy capacity, including the creation of a second Deputy Commissioner position (with a significant policy role), and a National Manager of Policy and Strategy at the SES Band 2 level. The review noted that the AFP:

needs to retain an expert resource that can augment, guide and extend the expertise of National Managers in policy work, but at the same time exert authority over the quality of analysis and presentation that support the AFP's engagement in strategic government decisions.⁴⁵

2.14 The 2006–07 AFP Annual Report detailed its response to the review, including the creation of the second Deputy Commissioner position (with the AFP senior executive structure then including both a Deputy Commissioner National Security and a Deputy Commissioner Operations) and the creation of a National Manager Policy and Future Strategies, with direct responsibility to the Commissioner's office.^{46, 47}

2.15 The AFP also commissioned further external studies to inform its response to the changing operational and strategic environment. The 2007 *Review of Governance & Executive Structure of the Australian Federal Police* (the Robinson Review 2007) and the 2008 *Review of the Australian Federal Police Functional Business Model*⁴⁸ (the Robinson Review 2008) considered the

⁴⁴ Dominic Downie and Associates, *Australian Federal Police – Review of Policy Capability*, 18 August 2006, p. 4.

⁴⁵ *ibid.*, p. 9.

⁴⁶ *AFP Annual Report 2006–07*, p. 96. The 2007–08 AFP Annual Report shows the position having been established and reporting, through the Chief of Staff, to the Commissioner (*AFP Annual Report 2007–08*, p. 13).

⁴⁷ Subsequent adjustments to the AFP organisation have seen the role acquire a range of additional responsibilities relating to organisational governance, including internal audit and business analysis, security and legal, with the position now reporting to the Chief Operating Officer. This in part reflects the recommendations of the Robinson Review 2007, which sought better integration between strategic policy planning (the function of the new National Manager) and corporate and organisational planning (which was the responsibility of the Chief Operating Officer).

⁴⁸ In both instances, the review was conducted by C&M Associates Ltd of Wellington, New Zealand, with the principal consultant being Mr R Robinson, former Commissioner of New Zealand Police.

appropriateness of key institutional structures and processes. The 2007 *Strategic Review of the AFP's Financial Outlook*⁴⁹ (the Early Review 2007) considered the sustainability of the AFP's resourcing position.

2.16 The Robinson Reviews of 2007 and 2008 noted the challenges caused by the rate of change faced by the AFP, broadly endorsed the functional model of management adopted by the organisation in 2004, and highlighted areas of reform that would strengthen the ability of the AFP to successfully manage in the new operational environment. While generally endorsing the directions set out in the 2006 *Review of Policy Capability*⁵⁰, the reviews recommended a general examination of internal governance. In particular, former New Zealand Police Commissioner Mr Robinson saw scope for more closely aligning operational and strategic planning and recommended the AFP building an organisational capability to support, and provide assurance in relation to, change management within the organisation. The Robinson Review 2007 specifically identified the need to establish a process for NPI implementation until NPIs can be migrated to mainstream business ownership.^{51 52} The AFP's response to this recommendation is discussed more fully in Chapter 4.

2.17 The AFP undertook an internal review of governance, in line with the Robinson Review 2007 recommendations. This review led to the creation of a Strategic Leaders Group (SLG), to replace the Executive Management Board and the National Management Group. The SLG is an advisory committee that assists the AFP Commissioner in making decisions and exercising his statutory responsibilities. Its responsibilities include reviewing and guiding the AFP's strategic direction and determining the objectives and priorities for the organisation.⁵³

⁴⁹ The review was conducted by Mr Len Early, a former Deputy Secretary of the Department of Finance and Administration.

⁵⁰ Dominic Downie and Associates, *Australian Federal Police – Review of Policy Capability*, 18 August 2006.

⁵¹ C&M Associates Limited, *Review of Governance & Executive Structure of the Australian Federal Police*, 2007, p. 39.

⁵² The Early Review 2007 and Robinson Review 2008 also identified the significant budgetary challenges inherent in many NPIs reaching their conclusion, along with the potential impact of ongoing drivers for financial efficiencies through mechanisms such as the Government's efficiency dividend. The Early Review, in particular, noted that the AFP would be required to identify new efficiencies as its costs continued to grow and recommended strategies to potentially mitigate the full impact of the fiscal risks.

⁵³ *AFP Annual Report 2007–08*, p. 11. The SLG's terms of reference also provide for the group to consider and endorse all AFP NPIs and, since its formation, the SLG has played an active role in considering the development of NPIs and in overseeing their implementation.

2.18 The AFP's internal review of governance also saw the AFP revise other elements of its key committee structure with the following outcomes:

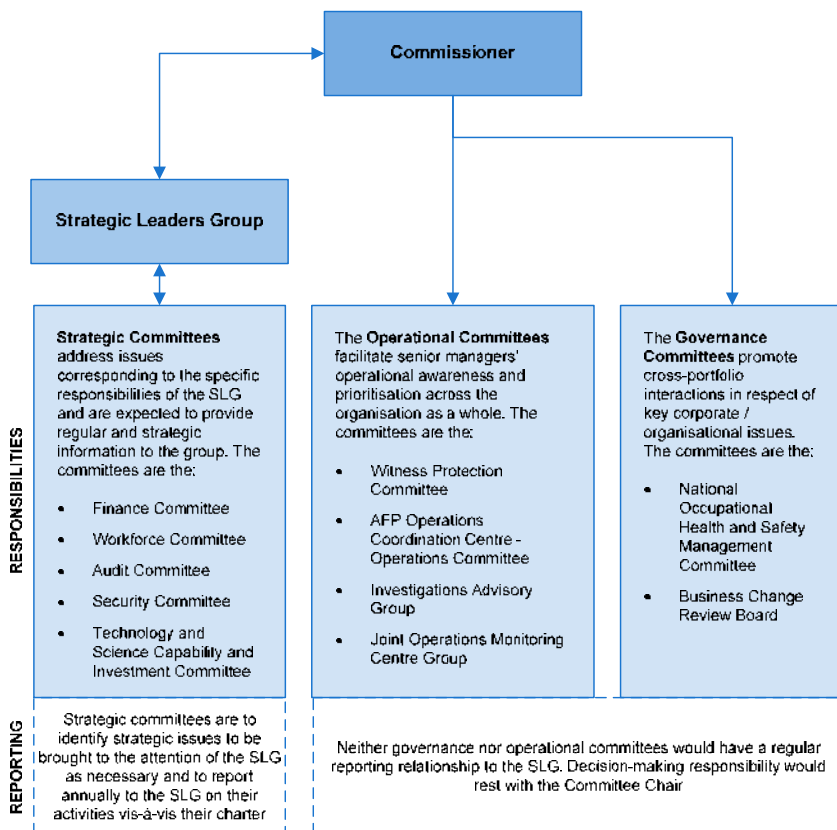
- the key committee structure was refocused to reflect the broad areas of strategic, governance and operational activities of the AFP;
- criteria were approved by the SLG for the creation of new key committees; and
- procedures were revised to ensure that strategic information is shared between key committees as effectively as possible.⁵⁴

2.19 The revisions to the key committee framework were endorsed by the SLG in April 2008. The composition of the AFP's key committee framework, as adopted in April 2008, is set out at Figure 2.1.

⁵⁴ *ibid.*, p.126.

Figure 2.1

AFP key committee framework—April 2008



Source: ANAO analysis of AFP documentation.

2.20 Since April 2008, a number of significant variations to the key committee framework have occurred. In October 2010, the ANAO was advised by the AFP that:

- The Operational Safety Committee should be included as an operational committee.
- The Joint Operations Monitoring Centre Group had been renamed National Operations Committee.
- The Technology and Science Strategic Capability Committee (TSSCC) was to become the Strategic Investment Committee (SIC).
- The Business Change Review Board (one of two Governance Committees) no longer existed and would be replaced by the Change Advisory Board.

2.21 The Performance and Budget Monitoring Committee (PBMC; formally the Budgets and Monitoring Committee (BMC)) is an important part of the AFP's internal governance arrangements. However, as a subcommittee of the Finance Committee it is not explicitly identified in the key committee framework.

Recent revisions to governance arrangements to improve NPI planning and management—SIC and PBMC

2.22 The effective operation of the new SIC and the PBMC are important to the integrity of the AFP's internal governance framework. The SIC provides a framework for the effective balancing and phasing of investments, both externally and internally funded, while the PBMC provides for high-level oversight of the implementation of new business and the achievement of organisational performance goals. Their constitution and operation is further discussed below.

The Strategic Investment Committee

2.23 In early 2010, the AFP began implementing arrangements to support the development of a rolling five-year capital budget program. This entailed a substantial broadening of the role of the Technology and Science Strategic Capability Committee (TSSCC). Prior to that time, the goal of the TSSCC (as set out in its terms of reference) had been to:

- maintain a whole-of-AFP view of technology and science investment;
- ensure that technology and science capability and investment is a regular item on the SLG agenda and is addressed in a structured manner;
- ensure that the SLG has the information it needs to make informed decisions essential to the achievement of AFP governance and objectives; and
- guide the acquisition of new technologies and scientific initiatives and set future directions within the AFP, and guide functional areas in their business planning.

2.24 The ANAO was informed in June 2010 that a revised TSSCC would play a significant role in embedding improved program and project management methodologies in relation to both budget-funded NPIs and internally funded capital investment proposals. Through the 2010–11 Projects and Capital Budget Submissions Process, the AFP would establish the TSSCC

as a 'single point of entry' for new initiatives. Under this arrangement, all proposed projects (including those funded both externally and internally), after initial vetting by a Project and Program Assessment Panel and the National Operations Committee, would be considered by the TSSCC as part of the development of the capital investment program.

2.25 The ANAO was informed that budget-funded NPIs (including those with no defined capital element) would also need to pass through this single point of entry. Although their priority and funding had been set by government, their inclusion in the process provided an opportunity both to ensure implementation issues were able to be accommodated within the broader change management agenda (including the provision of supporting services) and to ensure appropriate project management discipline was introduced early in the implementation of NPIs. This process was separate from the arrangements in place for executive oversight of the development and prioritisation of NPIs for consideration by government, and only those NPIs already agreed by government would be subject to consideration by the TSSCC.

2.26 The adoption of the single point of entry in this context sought to provide for the assessment of proposals against common criteria, the establishment of common approaches to the development and documentation of proposals and implementation strategies, and the clear communication of organisational expectations regarding program and project management. It would also provide for a coordinated consideration of the capacity of enabling support services and technology support services to support the extent and timing of proposed organisational change.

2.27 The AFP also advised that processes to replace the TSSCC with the SIC were completed on 9 November 2010 when the acting Commissioner formally endorsed terms of reference for the new group. This formalised the arrangements that had been operating throughout 2010, providing clear authority for the new body and clarifying relationships between the new body and existing elements of the key committee framework.

The Performance and Budget Monitoring Committee

2.28 In February 2008, the AFP's Finance Committee agreed to the creation of a Budgets and Monitoring Committee (BMC) as a subcommittee of the Finance Committee. The terms of reference for the subcommittee provided for it to:

- review and approve portfolio and business area budgets;

- review overspends against these budgets;
- consider and approve strategies to address overspends;
- monitor the effectiveness of remedial strategies; and
- approve revisions to budgets following the mid-year review.

2.29 The BMC was to report regularly on its activities to the AFP Finance Committee.

2.30 The BMC was described in the AFP's 2008–09 Annual Report as being 'actively engaged in the AFP's internal budget processes and monitors the agency's performance against budgets on an ongoing basis'.⁵⁵

2.31 In early 2010, in developing arrangements for managing internal budgets for 2010–11, the AFP identified a number of significant environmental changes resulting in a need for the BMC to broaden its consideration of issues in the budget-setting process. They included:

- greater clarity of the links between budget, capabilities and performance as a consequence of the implementation of the recommendations of the *2009 Federal Audit of Police Capabilities*, in particular the development of a Commissioner's Statement of Intent in response to the Ministerial Direction;
- further tightening of the AFP's fiscal position; and
- cessation of the previous business activity analysis reviews and the alignment of business area planning and performance monitoring with the budget process.⁵⁶

2.32 As a consequence, AFP internal advice to managers on the 2010–11 budget process noted that the BMC had been renamed the Performance and Budget Monitoring Committee (PBMC) and would, in setting 2010–11 budgets, operate with a reduced emphasis on detailed budget specification (including

⁵⁵ *AFP Annual Report 2008–09*, p. 131.

⁵⁶ The AFP advised the ANAO that the business activity analysis (BAA) reviews had formed a significant part of the overall governance arrangements providing assurance in respect of the implementation of NPIs. Following an internal review of the 2008 BAA program, NPI implementation and delivery had been explicitly included among the strategic items to be addressed in the 2009 round of BAA reviews. Cessation of BAA reviews, with the new PBMC assuming responsibility for oversight of performance related matters previously considered as part of the BAA process, constitutes a substantial modification to internal governance arrangements.

monthly phasing and the detailed allocation to expense types) but with greater emphasis on:

- the affordability of staffing;
- the identification of major non-discretionary costs;
- aggregate capital funding requirements; and
- aligning performance metrics and budgetary targets.

2.33 The change to the operations of the PMBC provides greater visibility of the relationships between NPIs and other internal business activities, particularly in regards to alignment of NPI implementation-related business planning, operations and organisational performance. However, there are risks to the PMBC effectively achieving its revised role. To date, the AFP has taken no action to update the original 2008 terms of reference for the BMC. Closing the growing gap between the actual operations of the PBMC and its approved terms of reference would provide clear authority for current operations and support for associated administrative practices.

2.34 Updating the PBMC terms of reference would also provide the AFP with the opportunity to clarify the decision-making powers of the committee. The committee's previously approved terms of reference provide for the committee to approve portfolio and business area budgets, to approve revisions to those budgets and to approve strategies to address overspends. However, the ANAO was advised by the AFP that the committee was not a decision-making body—rather, it is a committee that makes recommendations to the Finance Committee, which then makes decisions based on those recommendations. The Finance Committee is included in the AFP's key committee structure (Figure 2.1). The AFP also advised the ANAO that the AFP is examining the formal terms of reference of the PBMC, and proposes to have revised terms of reference finalised and implemented by July 2011.

The current state of the AFP's governance framework

2.35 Overall, the ANAO considered that the AFP has been generally successful in updating its internal governance framework to reflect its expanded operational and advising roles and the increased complexity and size of its operating environment. The revised governance arrangements provide an improved framework for cooperation between stakeholders in determining priorities and ensuring accurate policy alignment.

2.36 However, while the key elements necessary to provide effective governance have been identified, there remains scope for the AFP to develop greater clarity around the roles and responsibilities of individual bodies and the relationships between elements of the governance framework. In particular, it would be timely for the AFP to consider better aligning the overarching framework with current operations, including formally updating the responsibilities of individual committees.

Risk management in the AFP

2.37 The challenge of effectively managing growth and change of the type experienced by the AFP since 1999 should not be underestimated. While there are significant risks inherent in most individual NPIs, there are also significant risks relating to the overall organisational capability and control.

2.38 To be effective, an agency's risk management strategy needs to be rigorous, structured and systematic, and should deal comprehensively with managing the risks associated with change. It is important for agencies to develop a framework for risk management that provides the foundations and organisational arrangements for designing, implementing, monitoring and reviewing, and continually improving risk management through the entity. This includes the development of risk management policy and a risk management plan.

2.39 The AFP's approach to risk management is described in the AFP National Guideline on Risk Management, which was last reviewed on 2 November 2007. The AFP National Guideline on Risk Management promotes an integrated approach to risk management, requiring that all AFP business processes, including planning and management, consider risk. There is a clear expectation articulated that all key risk exposures and their respective risk treatments, controls and strategies should be recorded. This Guideline is presently under review by the AFP. While the review was to have been concluded in November 2009, the AFP has now advised the ANAO that they expect the review to be concluded by July 2011.

2.40 In April 2010, the AFP Audit Committee was briefed on current risk management practice in the AFP. The Committee was advised that:

The AFP does not have a Risk Management Plan in place (of the kind described in the Comcover Risk Management guidelines). This was highlighted in responding to the 2010 Comcover benchmarking survey.

However, the management of risk in the AFP is currently adequately catered for...

2.41 In light of the AFP Audit Committee's responsibility to monitor the implementation of the AFP's Risk Management Plan, the Audit Committee agreed that the AFP would:

...develop a Risk Management Plan based on the AFP Risk Management Policy and report its progress and implementation to the October AC meeting.

2.42 In October 2010, the AFP wrote to the ANAO acknowledging that:

Although it does not have an AFP wide Risk Management Plan there are other elements of a risk management framework, including a Risk Control Scorecard and functional risk registers.

2.43 Overall, there is clear evidence that the AFP has developed many elements associated with the systematic management of risk. Concluding the review of the AFP's National Guideline on Risk Management and finalising the development of a high-level agency risk management plan would be a positive measure with the potential to strengthen the effective coordination of risk management across the organisation and provide improved assurance to the AFP executive regarding the effective management of risk. It would also offer a framework allowing the AFP executive and key stakeholders to assess the extent to which the whole-of-organisation risks generated by the significant ongoing change agenda have been properly identified and treated.

Conclusion

2.44 In line with the emergence of significant pressures in the external national security environment over the last decade, there has been a continual evolution of the broad structures of governance, both within which the AFP operates and internal to the AFP.

2.45 The AFP has been generally successful in updating its internal governance framework to reflect its expanded operational and advising roles and the increased complexity and size of its operating environment. The revised governance arrangements provide an improved framework for cooperation between stakeholders in determining priorities and ensuring accurate policy alignment.

2.46 However, while the key elements necessary to provide effective governance have been identified, there remains scope for the AFP to develop greater clarity around the roles and responsibilities of individual bodies and

the relationships between elements of the governance framework. In particular, it would be timely for the AFP to consider better aligning the overarching framework with current operations, including formally updating the responsibilities of individual committees. The benefits of the new arrangements would be more effectively embedded by formalising the roles and responsibilities of the new and revised committees, with clear executive endorsement of the scope of their responsibilities and powers.

2.47 Completion of a clearly articulated and documented organisational risk management plan would further strengthen the internal assurance arrangements.

Recommendation No.1

2.48 To underpin the effective operation of key elements of the revised governance framework, the ANAO recommends the AFP:

- (a) for each committee, clearly specifies, and updates as necessary, the terms of reference, the scope of authority and the supporting operational business arrangements; and
- (b) promulgates the authority and operating arrangements for each committee once they are endorsed by the AFP executive.

AFP response

2.49 The AFP agreed with the recommendation.

3. Developing NPIs

This chapter considers the AFP's development of NPIs. It examines the robustness of the internal and external arrangements in place to support consultation with key stakeholders and the identification of implementation issues during NPI development.

Introduction

3.1 A policy initiative is most likely to achieve the best possible outcome when the question of how the policy is to be implemented has been an integral part of policy design, and when arrangements for NPI development provide that:

- the means of, and barriers to, the effective and efficient implementation of the policy are considered when new policy initiatives are being developed;
- the priority of a particular policy initiative relative to others is considered and properly understood;
- the proposed initiative is aligned with the strategic direction of government and is well integrated with, and supportive of, other related policy initiatives; and
- the business case for the proposal is sound, the risks understood and the desired outcomes clear.⁵⁷

3.2 The AFP undertakes NPI development within a complex framework that reflects:

- the AFP's position within the Attorney-General's portfolio;
- specific rules and arrangements applying to national security agencies; and
- whole-of-government budget development arrangements.

3.3 To assess the extent to which NPI development effectively supported subsequent implementation, the ANAO examined the AFP's development of NPI proposals for the 2010–11 Budget, having regard to the internal and

⁵⁷ ANAO / PM&C, *Better Practice Guide—Implementation of Programme and Policy Initiatives*, October 2006, Canberra, pp. 5–10.

external frameworks that governed and supported the AFP's development of NPIs.

Development of AFP NPIs for the 2010–11 Budget

Internal management of NPI development

3.4 The key internal responsibilities for NPI proposal development are identified in Figure 3.1. National Managers carry responsibility for the identification and progression of policy matters within their respective areas, while the SLG maintains primary oversight responsibility. The National Manager Policy and Governance plays a key role in the development of NPI proposals, providing policy expertise to both line and senior management, and overseeing key coordination and communication tasks, separate to those relating to the financial aspects of NPI proposals.⁵⁸ The Chief Financial Officer, through the External Budgets Group, is responsible for the financial impact assessment of NPI proposals and liaising with external agencies, including the Department of Finance and Deregulation (DoFD), on financial matters.

3.5 While the SLG provides strategic oversight and a forum for senior management to identify the potential impact of NPI proposals on areas of operational responsibility, the linkage between policy coordination and implementation planning was strengthened for the 2010–11 Budget with the establishment of the New Policy Proposal Coordination Committee (NPPCC).

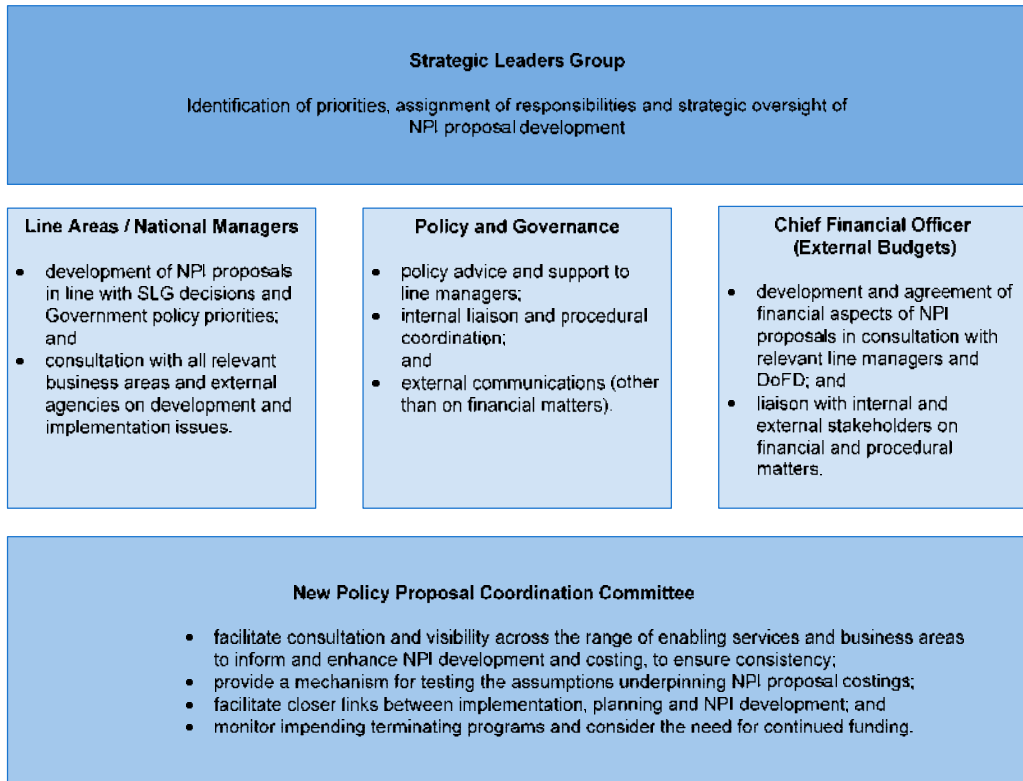
3.6 The NPPCC was established following a 2008 internal review of the development and implementation processes for new policy proposals. The review noted that improvements in AFP communication and consultation mechanisms should be able to address shortcomings in the NPI development processes. The establishment of a standing NPPCC, meeting on at least a monthly basis throughout the year (and possibly more frequently during key stages of NPI development) would be a key strategy in addressing difficulties in internal communication and consultation. The review also supported action to more accurately track and report on expenditure relating to NPIs and to improve implementation planning, monitoring and reporting, noting that:

⁵⁸ This position (formerly titled National Manager Policy and Future Strategies) was created following the 2006 review of AFP policy capability (Dominic Downie and Associates, *Australian Federal Police – Review of Policy Capability*, 18 August 2006, p. 9).

The inability to demonstrate and be accountable for implementation of all NPIs is a particular vulnerability for the AFP.⁵⁹

Figure 3.1

AFP internal responsibilities for NPI proposal development



Source: ANAO analysis of AFP documents.

3.7 The creation of the NPPCC was an important response to identified deficiencies in the NPI development process and it forms a central part of the framework for assuring a robust internal policy development process. The terms of reference for the NPPCC state the committee will meet at least monthly and will:

- consider all NPIs prior to consideration and approval by the SLG or AFP executive;

⁵⁹ AFP, *Strategic Review of the Development and Implementation Processes for New Policy Proposals*, September 2008, p. 7.

- contribute to the preparation of briefing and advice to the SLG throughout the budget process and to the contribution of advice to the SLG or AFP executive on implementation issues;
- facilitate consultation and examine assumptions during policy development; and
- facilitate closer links between implementation planning and NPI proposal development.

3.8 The NPPCC met for the first time on 27 May 2009 and considered a number of NPIs prior to SLG consideration of those measures on 11 June 2009. The NPPCC met a further four times to consider NPIs being developed for inclusion in the 2010–11 Federal Budget, in June, July, August and December 2009.

3.9 While noting that the terms of reference for the NPPCC have not been endorsed by the SLG or the AFP executive⁶⁰, the terms of reference currently reflect the full range of responsibilities envisioned in the submission to the SLG in December 2008. This includes that the NPPCC function as a standing committee (meeting at least once a month during the year and more often in peak budget development periods) and that it give consideration to NPIs prior to consideration and approval by the SLG or the AFP executive. However, the extent of the NPPCC contribution to the development of measures for the 2011–12 Federal Budget, and its ongoing capacity to contribute as a standing committee to the provision of advice to the SLG and AFP executive on implementation matters, is less clear. In 2010, the NPPCC met only once, on 28 July 2010. This meeting did not take place until after the SLG had met twice to consider potential NPIs for the 2011–12 Federal Budget (firstly in April 2010 and then in June 2010).

Documentation

3.10 In the 2010–11 Budget development process, initial NPI proposal preparation by the AFP revolved around three key documents, which were generally developed in respect of each proposal:

⁶⁰ The AFP advised the ANAO on 8 November 2010 that terms of reference for the NPPCC were not provided to the SLG until 20 April 2009. At this time, SLG agreement to the terms of reference was not sought.

- A high-level summary of the NPI, based on a common APS-wide template developed by DoFD, which provided the NPI title and description, summary of financial information and supporting information in regard to policy alignment, appropriateness and effectiveness. The document was restricted in length to three pages and was developed with the intent that it be presented to government (either the Expenditure Review Committee or the National Security Committee of Cabinet (NSC));
- A detailed statement of the cost for each NPI proposal, including the assumptions on which the forecast cost was based (not required for continuing NPIs unless there was a change to the previously forecast cost). The statement was based on a template developed by DoFD for the purpose of agreeing costs with DoFD and generating high-level financial data for provision to government; and
- A 'business case', based on a template developed by the AGD, aimed at promoting rigorous policy development and a shared understanding of the key elements of both policy and costing. The business case was developed to support the consideration of priorities within the Attorney-General's portfolio.⁶¹

3.11 These three documents are aimed primarily at satisfying the requirements of external stakeholders rather than addressing and supporting business processes within the AFP. Their form and content was prescribed by external authority and there was little opportunity for the AFP to adapt them to support local requirements. The whole-of-government processes for which these documents were prepared are considered in later sections of this chapter.

NPI business cases

3.12 While AGD required a 'business case' for each NPI, the AFP advised the ANAO on 28 October 2010 that 'the business cases prepared for AGD would be better described as "briefs"'. These documents are limited to two

⁶¹ Business cases were requested by the Secretary of AGD (who provided a template for their development) but were only developed for those measures which were considered as part of the establishment of portfolio priorities in October 2009. They were not subject to further development and were not developed in respect of NPI proposals which emerged later in the budget process. As a consequence, business cases were only prepared in relation to nine of the eleven AFP proposals considered by the Strategic Priorities and Budget Committee of Cabinet in December 2009.

pages and do not incorporate implementation issues or other issues expected to be covered in a PRINCE2 Business Case.’

3.13 Under the PRINCE2⁶² project management methodology there is considerable focus on the business case, which is seen as the primary vehicle for articulating the rationale and business justification for the project. The business case is used to drive all the project management processes, from initial project set-up through to successful finish.⁶³ The business plan is also an opportunity for the early consideration of strategic fit, benefits realisation, costs, key milestones and dependencies, as well as key risks and contingency plans.⁶⁴

3.14 The AFP advised the ANAO on 8 November that:

The (new) PMO Program will work with AFP Policy and Governance and with other AFP business areas to develop more robust business case and other project/program planning tools to support the successful implementation of NPIs. The Manager responsible for the PMO is also the co-Chair of the NPPCC ensuring early visibility of new policy proposals.

3.15 While acknowledging that the nature of the national security and policing environment will, from time to time, require a rapid response to emerging issues, the ANAO considers that, in the main, giving greater emphasis to the consideration of implementation planning and project management issues during the process of NPI development would assist the AFP with the early identification and more effective management of the risks associated with project delivery. While current and proposed arrangements⁶⁵ require business case development after key decisions have been taken by government and other stakeholders, early structured consideration of some

⁶² **PR**ojects **I**n **C**ontrolled **E**nvironments (PRINCE) is a structured, process-driven project management method initially developed by the UK government in 1989 for IT environments, but subsequently adapted and enhanced to provide a scalable framework for the management of projects of all types. It covers the management, control and organisation of a project. ‘PRINCE2’ refers to the second major version of this method, released in 1996 as a generic project management methodology, and is a registered trademark of the Office of Government Commerce, an independent office of HM Treasury of the United Kingdom. Further information is available at <www.prince-officialsite.com>.

⁶³ <http://www.ogc.gov.uk/methods_prince_2.asp> [accessed 21 September 2010].

⁶⁴ <http://www.ogc.gov.uk/documentation_and_templates_business_case.asp> [accessed 21 September 2010].

⁶⁵ The AFP advised the ANAO in June 2010 that channelling agreed NPIs through the SIC would also be used to promote organisational adoption of PRINCE2 and that all project proposals (including all future budget-funded NPIs) would be required to be supported by a Project Proposal / Project Brief, which would include a business case.

key elements of the business plan, as an integral part of the policy development process, would strengthen linkages between policy development and subsequent implementation considerations. It would assist the AFP to meet external accountability and budget process requirements, while allowing greater focus on supporting the operational requirements of the AFP.

Internal guidance

3.16 While primary procedural guidance on the development of NPI proposals for consideration in the budget context is issued by DoFD annually, the ANAO was advised in April 2010 that the AFP had prepared a draft *Practical Guide on the Development of New Policy Proposals* which would establish key internal accountabilities and processes.

3.17 The draft Practical Guide, which had been used since 2007 to assist in standardising business practices, has since been finalised and published to the AFP Intranet in November 2010 as the *AFP Policy Guidance on developing new policy* (part of the AFP Policy Tool Kit). The ANAO considers that the guidance provides useful clarity for line managers regarding process and accountabilities, but that it could be usefully enhanced to better address the key issues in linking policy development to implementation, including:

- clearly articulating the current management committee framework;
- highlighting the AFP's policy in relation to project management and the development of business cases to support implementation; and
- encouraging greater consideration of planning and implementation issues as an integral part of initial policy development.

Cross-portfolio coordination

3.18 Although the general processes for the development of the 2010–11 Budget were similar to those for previous years, there were two important developments in cross-portfolio coordination that impacted on the AFP:

- the Secretary of the AGD wrote to the AFP Commissioner in July 2009 outlining a process for closer coordination of the preparation of NPIs within the Attorney-General's portfolio; and
- consistent with the Government's evolving approach to the management of national security budget priorities, the AFP's NPIs

were progressed in the context of the Government's national security budget framework.⁶⁶

3.19 The arrangements outlined by the Secretary of the AGD in his July 2009 letter included:

- a cross-portfolio assessment, in July 2009, of potential NPI proposals having regard to:
 - ministerial priorities and the Government reform agenda;
 - an explicit assessment of risks;
 - an estimate of cost, based on previously advised costing parameters and procedures; and
 - how matters might be addressed in the absence of additional budget funding.
- following consultation, the development by August 2009 of a detailed business case for each NPI (as discussed at paragraph 3.10 above). The business case was developed to support consideration of the NPI within the Attorney-General's portfolio, not for provision to external agencies; and
- a coordinated approach to briefing the Attorney-General and central agencies at key points in the budget process.

3.20 The ANAO's examination of the development of NPIs advanced by the AFP for the 2010–11 Budget⁶⁷ identified a number of key points where particular measures were considered for coherence, consistency and alignment with government policy prior to their consideration by government, including:

- SLG consideration of initial strategy in April 2009 and of more developed NPIs in June, August, October and December 2009;
- Attorney-General's portfolio chief executive meetings in August and October 2009;

⁶⁶ The 2010–11 Budget saw the introduction of the first Coordinated National Security Budget, overseen by the National Security Adviser.

⁶⁷ While the AFP considered a broad range of options for development in the context of the 2010–11 Budget, many did not progress beyond initial internal consideration.

- consideration of relevant NPIs by the Development Effectiveness Steering Committee (chaired by AusAID)⁶⁸ in October 2009 and February 2010; and
- consolidated National Security Budget cross-portfolio discussions, a process coordinated and overseen by the National Security Adviser in PM&C.

3.21 This process, as coordinated by the AGD within the context of the Government's National Security Budget arrangement, provides considerable opportunity for inter-agency coordination and cooperation, including the identification of key risks and the consideration of strategies to support effective implementation. In addition, the AFP's participation in ongoing policy coordination forums at the executive and agency head level (discussed in Appendix 5), while not targeted specifically at NPI proposal development, also provides an opportunity to ensure NPIs align with government's strategic policy and priorities, and to surface any risks associated with unanticipated policy interaction.

NPIs outside of the Budget cycle

3.22 The nature of the national security and policing environment will, from time to time, require government to respond rapidly to emerging issues. In this context, the AFP has in the past been required to quickly develop NPIs late in, or outside of, the normal budget process, often as part of an overall government package of measures. In such circumstances, outcomes are likely to be enhanced where well-structured policy development processes have been embedded over time and are used, to the extent possible, to support the accelerated policy development process. Where key steps in the policy development processes are omitted or truncated due to time pressures, it is important that the relevant matters are subsequently addressed in a timely manner, to ensure that ongoing decision-making and implementation is fully informed.

3.23 The AFP's internal guidance on developing NPIs acknowledges the difficulties inherent in the urgent development of new policy, and establishes a

⁶⁸ The Development Effectiveness Steering Committee was established by the Government to strengthen the coordination of the aid program and play an advisory role to the Government on major development assistance strategy and budget proposals, <http://www.ausaid.gov.au/ode/pdf/dev_terms.pdf> [accessed 2 September 2010].

general framework for developing NPIs outside of the budget process. It sets out overall coordination responsibilities but, recognising the inherent variability of the circumstances, does not seek to establish specific procedures. Instead, it encourages managers to employ existing process frameworks where possible, noting that:

While resourcing, expertise and Executive direction will impact on who is ultimately responsible for coordinating these requests, the same principles of this guidance should prevail.

3.24 The majority of the AFP's NPIs advanced in 2010–11 were developed within the structured consultative framework described in paragraphs 3.4 to 3.21. Only the Government's 9 February 2010 package of measures to strengthen aviation security⁶⁹ was developed outside of the regular budget process. The ANAO examined arrangements relating to the development of the AFP elements of this package to assess the extent to which the AFP was able to incorporate measures into the development process that would support subsequent implementation.

3.25 The Government's announcement of aviation security measures included two NPIs with operational and funding implications for the AFP. Of the two NPIs:

- one entailed the extension of funding supplementation for uniformed police at Australian airports; and
- the other entailed a 50 per cent increase in Firearms and Explosive Detection Dogs (FEDD) at international airports within Australia.

3.26 The proposal to extend funding supplementation for uniformed police at Australian airports had been subject to considerable internal AFP consideration previously and accordingly was able to be brought forward as a well-developed proposal within a relatively short time frame, with minimal additional implementation risks created by the shortened time available for consideration.

⁶⁹ This response was developed following the attempted attack on Northwest Airlines Flight 253. The flight, an international passenger flight from the Netherlands to the United States, was the target of a failed bombing attempt on December 25, 2009, in which a passenger tried to set off plastic explosives hidden in his underwear.

3.27 In relation to the FEDD measure, the AFP advised the ANAO that it had been approached by the Office of Transport Security on 30 January 2010 to bring forward a proposal to increase FEDD capability at international airports by 50 per cent. The proposal was provided to the Office of Transport Security on 31 January 2010 for consideration by the NSC. The proposal sought funding of \$26.6 million over four years, consistent with existing training, management and deployment practice. AFP briefing for the Commissioner and the Minister for Home Affairs identified the AFP's capacity to source sufficient dogs from the Australian Customs and Border Protection Service (Customs) as a risk associated with the proposal, but did not canvas the possibility of providing an increase in capacity within a more limited funding allocation.

3.28 On 4 February, NSC agreed to the proposed increase in FEDD but with additional funding limited to \$17.8 million over four years. The initiative was announced by the Government on 9 February 2010. In November 2010, the AFP confirmed to the ANAO that it was only able to deliver the increased FEDD capability within the agreed funding levels by revising handling arrangements and changing the previously employed dog / support staff ratios. While it was anticipated that the revised handling and staffing arrangements would not impact on FEDD effectiveness, their impact would need to be monitored during implementation. The revised arrangements could be applied more broadly if they proved effective, with overall savings to the program.

3.29 A decision to vary the funding or scope of a proposal at the time it is considered is clearly open to government, although such a decision may have implications for ongoing agency practice or for the implementation strategy developed for the NPI proposal. Following such a decision (that is, one requiring variations to existing practice) it is prudent for an agency to examine relevant administration and implementation arrangements and to ensure any significant implementation risks are appropriately addressed.

3.30 The ANAO examined several aspects of the AFP's strategy for implementing this initiative to determine the extent to which the implementation risks flowing from the decision had been addressed. The AFP advised the ANAO the implementation of the NPI would not be managed as a project but would instead be managed as 'an extension of normal business'. While an implementation plan for the NPI had been developed, it was not finalised for six months after the Government's announcement (11 August 2010). The implementation plan:

- did not identify the requirement to implement revised handling and support arrangements, or identify any strategies for managing the risks to effectiveness associated with the revisions;
- did not include any strategy for monitoring the benefits to be derived from the expansion;
- included no financial plan or details of financial allocations to support the initiative; and
- included no specific quality assurance arrangements, no communication strategy, and no reporting strategy.

3.31 The implementation plan did identify the risk that the AFP would be unable to procure sufficient dogs. This was ranked as the highest priority risk, and accorded a medium risk rating (the likelihood was rated as possible and the consequence severe). To treat the risk the AFP proposed to maintain a collaborative working relationship with the dog supplier (Customs) and to explore alternative procurement options.

3.32 The implementation plan did not propose any formal agreement or understanding with Customs in relation to the provision of the dogs.⁷⁰

3.33 Notwithstanding implementation planning issues, the AFP advised in December 2010 that:

...the implementation of the initiative (is) in an advanced position and it is likely to be 80% complete on 17 December 2010. The remaining dogs and handler are scheduled to be trained and deployed by April 2011. In addition, the recruitment of the 21 additional staff is on track to be complete by 30 June 2011.

⁷⁰ A 2009 AFP *Internal Audit of Canine Support* had also identified the provision of sufficient quality dogs as an ongoing significant risk to canine operations in the AFP. The audit included an agreed recommendation to negotiate a formal service level agreement with Customs by 31 December 2009. The AFP subsequently advised the ANAO on 25 November 2010 that they had entered into discussion with Customs and envisaged the agreement could be completed by mid-January 2011.

At the time of the audit, the failure to conclude an agreement within the agreed timeframe had not been reported to the Audit Committee. The ANAO was also advised that the Chief Operating Officer (also the Chair of the Audit Committee) had been briefed and a progress report on this matter would be taken to the next meeting of the Audit Committee in December 2010.

Conclusion

3.34 For 2010–11, nearly all NPIs were progressed through a comprehensive consultative framework which provided the AFP with the opportunity to ensure that NPI proposals were robust, well-considered and capable of effective implementation. The FEDD proposal, which was developed in a short time and required subsequent changes to usual practice in order to achieve headline outcomes within the agreed funding package, provides greater implementation challenges for the AFP which would be appropriately addressed through targeted risk management treatments.

3.35 The process in place for the development of NPIs within the AFP is generally robust. The internal and external consultative framework although largely focused on addressing the formal requirements of the Government's annual budget process and meeting the needs of external stakeholders, creates considerable opportunity for engagement between key stakeholders and to address significant implementation issues in the development process.

3.36 The increased focus on the preparation and documentation of the business case underpinning policy proposals constitutes improved practice and, if effectively implemented, will provide greater assurance to AFP management that key risks were considered and mitigation strategies in place. However, the proposed timing of business case development (generally following government approval and as an integral part of implementation planning) limits the scope for improving the quality and relevance of information available to decision-makers. The AFP should consider options for closer integration of business case and policy development processes.

3.37 Given the inherently dynamic nature of the national security environment, the AFP will continue to face the challenge of ensuring that good policy development practice is employed when policy responses are required in unusual and urgent circumstances. However, there is scope to ensure that specific implementation risks arising in the development of policy outside of the normal development framework are more effectively addressed in AFP implementation planning, monitoring and reporting. The AFP's moves directed to clearly establishing accountabilities and procedures (including arrangements for internal oversight) are expected to provide greater support to managers required to develop policy options within constrained time frames.

Recommendation No.2

3.38 To strengthen planning for NPI implementation, the ANAO recommends the AFP examines options for requiring increased formal consideration of implementation risks and mitigation strategies as part of an expanded business case prepared in conjunction with the development of each NPI.

AFP response

3.39 The AFP agreed with the recommendation.

4. Implementation planning and project management

This chapter examines the effectiveness of arrangements within the AFP for NPI implementation planning and project management. In particular, it considers whether the AFP, as an organisation, has arrangements in place which provide assurance that the NPIs will deliver the desired outcomes on time and within budget.

Introduction

4.1 Implementation and delivery of Australian Government policy initiatives is one of the key responsibilities of government agencies. Over the past decade, there has been an increasing focus on and a community expectation of, sound policy implementation and seamless delivery of government policies—on time, within budget and to an acceptable level of quality. As Dr Shergold, then Secretary of PM&C, observed in 2003:

A policy which is embraced by a Minister, approved by Cabinet, announced publicly, but inadequately delivered is worse than no policy at all.⁷¹

4.2 The Government has recently acknowledged the need to continue to work to improve the delivery of government services, policies and programs, to give the Government and the public greater confidence that implementation is consistently efficient and effective.⁷² Program implementation is a key challenge for chief executives, who may delegate responsibility for specific matters to agency executives but retain fundamental accountability for the efficient and effective use of resources under their control. The organisational risk associated with the introduction of NPIs also sits with the chief executive. Providing effective support to managers carrying primary implementation responsibility includes not only the provision of related tools and technical support but also the provision of sound executive oversight, assurance and leadership. In 2006, the Auditor-General and the Secretary of PM&C observed:

⁷¹ <<http://web.archive.org/web/20031203131956/www.pmc.gov.au/docs/Shergold151003.cfm>> [accessed 13 July 2010].

⁷² Minister Wong's speech *Better Government*, delivered to the Commonwealth Authorities & Companies Discussion Forum, 8 December 2010, available from <http://www.financeminister.gov.au/speeches/2010/sp_101211.html> [accessed 13 December 2010].

The clear message from experience here and overseas is that executive management and support is a critical requirement for successful implementation.⁷³

4.3 The ANAO examined the effectiveness of arrangements employed within the AFP to promote the achievement of agreed outcomes within the time and financial constraints set by government. In particular, the ANAO considered efforts by the AFP to:

- assess its organisational capability and priority areas for organisational reform;
- develop a clear and coherent project management framework for managing the implementation of new initiatives, including budget-funded NPIs;
- effectively implement the framework and support its use by managers within the AFP; and
- refine and further develop the framework to meet the needs of key stakeholders, including project management staff and National Managers.

4.4 In undertaking this assessment, the ANAO examined policy, procedures and key documents relating to both the implementation of specific NPIs and project and change management generally within the AFP. The ANAO met with key participants in the development and delivery of project management policy within the AFP, conducted a survey of project managers with current responsibility for NPI implementation, and consulted with those National Managers with executive responsibility for the development and delivery of NPIs.

4.5 During the course of the audit, the AFP commenced action to revitalise the project, program and portfolio management support environment within the organisation. This included reassigning executive responsibility for the function and replacing key organisational components. While this chapter considers the arrangements employed by the AFP during the period under examination, overall conclusions and recommendations seek to reflect the current direction of reform.

⁷³ ANAO / PM&C, *Better Practice Guide—Implementation of Programme and Policy Initiatives*, October 2006.

Assessing the challenge

4.6 In December 2006, the Secretary of PM&C, Dr Shergold, wrote to agencies emphasising the need for effective project and program management skills and systems to be applied in organisations, to ensure that the implementation of key initiatives attracted the right level of senior management attention. In particular, Dr Shergold noted that agencies should:

pay particular attention to the development and subsequent use of good quality implementation plans, applied consistently throughout your organisation and informing regular, enterprise wide reporting to the senior executive.⁷⁴

4.7 In April 2007, an independent review⁷⁵, initiated by the AFP, advised the Commissioner that there was a lack of clarity within the executive in relation to the policy analysis and development processes that underpin new policy initiatives. Ownership of an NPI rested entirely with the functional manager from conception, through policy analysis and development, to implementation. The review identified the need to develop an appropriate NPI and change management implementation process, noting that this would:

significantly release functional executives to better discharge their routine responsibilities. More importantly they could attend to some of the strategic and risk management issues that would benefit from increased attention.⁷⁶

4.8 The review noted the extent of NPI implementation activity underway in the AFP and recommended:

That a review of current NPI implementation plans be conducted to identify and address any opportunity to supplement implementation management in the short term, to ensure effective cultural change and relationship management for future success.⁷⁷

⁷⁴ Dr Peter Shergold, 22 December 2006, letter to the AFP Commissioner.

⁷⁵ C&M Associates Limited, *Review of Governance & Executive Structure of the Australian Federal Police*, 2007.

⁷⁶ *ibid.*, p. 39.

⁷⁷ *ibid.*, p. 63.

4.9 The AFP subsequently undertook a stocktake of currently funded NPIs within the AFP, including multi-agency NPIs in which the AFP had a stake.⁷⁸

4.10 The stocktake was completed in June 2008, some 13 months after the review. It identified 78 measures implemented since 2001–02. Of those, only nine were identified as having in place a structured governance process—six of these having been subject to monitoring by the Cabinet Implementation Unit (CIU) within PM&C at some stage of their implementation. The stocktake highlighted significant deficiencies including:

- poor identification of roles, responsibilities and accountability within business areas;
- lost visibility of the original NPI requirements and objectives;
- an absence of systems and standards for planning and reporting;
- a lack of implementation plans (only 21 of the 46 NPIs for which implementation was underway had a documented implementation plan); and
- a general lack of record keeping and reporting mechanisms.

4.11 The AFP senior executive was advised that the organisation did not have in a place a sufficiently robust governance framework for the management of new measures, in particular there was ‘no enterprise wide visibility on the planning and implementation of new measures beyond the point at which the government approves the initiative for funding’ and that:

there is a significant risk that the AFP would be open to criticism of our ability to deliver initiatives on plan, on time and on budget.

4.12 In July 2008, the CIU wrote to the AFP Commissioner in relation to the AFP’s progress with implementation of NPIs subject to CIU oversight at the time.⁷⁹ The Commissioner was advised that one of the NPIs had received a ‘red’ light, reflecting fundamental difficulties with costing that had initially

⁷⁸ The stocktake was not limited to NPIs currently being implemented—that is, that had not transitioned into a ‘business-as-usual’ operational arrangement—but instead included all NPIs announced by Government since the 2001–02 Budget for which separate budget funding was able to be identified.

⁷⁹ In July 2008, the CIU was engaged in the oversight of three AFP NPIs: the 2007–08 budget initiative to replace the AFP’s operations and intelligence IT system (Project Spectrum) and the 2008–09 budget initiatives *Australian Federal Police retention and recruitment program* and *Sworn Australian Federal Police officers – increase*. In late 2008, monitoring of Project Spectrum was discontinued (the project is ongoing, with funding provided through to 2011–12).

emerged during the budget process, and others had received amber lights due to unresolved difficulties around project definition and implementation problems. The Commissioner was advised that:

All three AFP initiatives point to the need for the organisation to develop a stronger project management culture and capacity which links the policy development to the delivery of operational outcomes.

4.13 Also in 2008, the AFP undertook a review of the development and implementation processes for NPIs. The AFP senior executive was advised in December 2008 that the review had shown that:

- improvements to AFP communication and consultation mechanisms were necessary to address shortcomings in the NPI development process; and
- improvements in NPI implementation planning and monitoring (including financial reporting) were necessary to address the AFP's inability to demonstrate and be accountable for implementation of all NPIs, which was seen as a particular vulnerability.

Developing the project management framework

4.14 The scale of growth in the last decade has required the AFP to transition from an organisation where project management was seen as an individual competency skill, to one where priority is given to developing the ability of the organisation to support the delivery of intended project outcomes on time and within budget.

4.15 However, embedding a strong project management culture and capability within an organisation constitutes a substantial organisational change, and requires sustained high-level leadership and executive engagement. It also requires that the direction and purpose of change be clearly articulated, and the expectations and requirements of parties clearly specified, and reinforced over time.

4.16 As an initial response aimed at strengthening organisational performance and accountability for NPI implementation, in mid-2008 the AFP established the Program Implementation Review Team to support improved implementation planning, consistent with but separate from any CIU oversight, and to coordinate and oversight reporting to the AFP executive on progress in the implementation of NPIs (for this audit report, reporting conducted in accordance with this arrangement is referred to as 'coordinated

corporate NPI implementation reporting'). Managers with responsibility for NPI implementation were required to provide (or, in some instances, develop) documented implementation strategies for current NPIs and to provide quarterly reports on implementation progress, starting in September 2008. At the same time, the AFP began to consider the requirements of a more comprehensive strategy for strengthening organisational project management and oversight.

The Program Monitoring and Oversight Team

4.17 In December 2008, a project brief was provided to the AFP senior executive setting out the work required to establish an effective corporate portfolio, program and project management environment, including a Program Monitoring and Oversight Team (PMOT) to replace the Program Implementation Review Team.

4.18 The brief acknowledged the outstanding requirement to implement governance arrangements to adequately 'monitor, report and track' NPIs, noting that an initial September 2008 coordinated corporate NPI implementation report had highlighted:

- a lack of centralised project management and consistent project management approaches;
- an inability to account for all expenditure;
- a lack of established project benchmarks and realistic self-appraisal of when an initiative is 'failing or encountering implementation difficulties'; and
- a lack of clear and consistent guidelines for NPI implementation.

4.19 The brief recommended that the UK Office of Government Commerce *Portfolio, Programme and Project Office (P3O) Guidance*⁸⁰ be used for designing and establishing adoption of the AFP's corporate portfolio, program and project management environment. Following consideration of the project brief, further advice was sought on progress with establishing PMOT as well as a timetable for implementing key outstanding elements of the strategy.

⁸⁰ <www.p3o-officialsite.com> [accessed 23 September 2010].

4.20 In April 2009, the AFP executive was provided with a timetable for the delivery of key PMOT capabilities and the rollout of PRINCE2 as the preferred methodology for the management of NPI implementation in the AFP. The AFP executive was advised that PMOT would deliver:

- mentoring, training, issue escalation and guidance to AFP appointees administering and implementing NPIs;
- coordinated corporate NPI implementation reporting detailing progress against time, cost and quality measures; and
- a repository for organisational knowledge on Program and Project Management and NPI management issues.

4.21 Key measures supporting the proposed arrangements were to be completed by 30 June 2009 (see Table 4.1).

Table 4.1

Key PMOT planned implementation dates and milestones

Activity	Date
Recruitment finalised	31 May 2009
PMOT to commence consultative processes with NPI holders and other stakeholders in relation to the function of the PMOT, the requisite documentation and processes to support PMOT, and NPI program and project administration	31 May 2009
PMOT commences work to establish a Community of Practice for NPI holders to enhance Program and Project Management skills	31 May 2009
PRINCE2 training commenced for new and existing NPI holders	31 May 2009
Executive Briefing sessions for AFP senior management scheduled	30 June 2009
Documentation and processes for NPI management and administration are finalised and uploaded onto AFP Intranet. Documentation and processes developed by accredited consultants and agreed to by AFP senior managers, NPI holders and PMOT staff	30 June 2009
PMOT to commence Configuration Librarian ⁸¹ function	1 July 2009

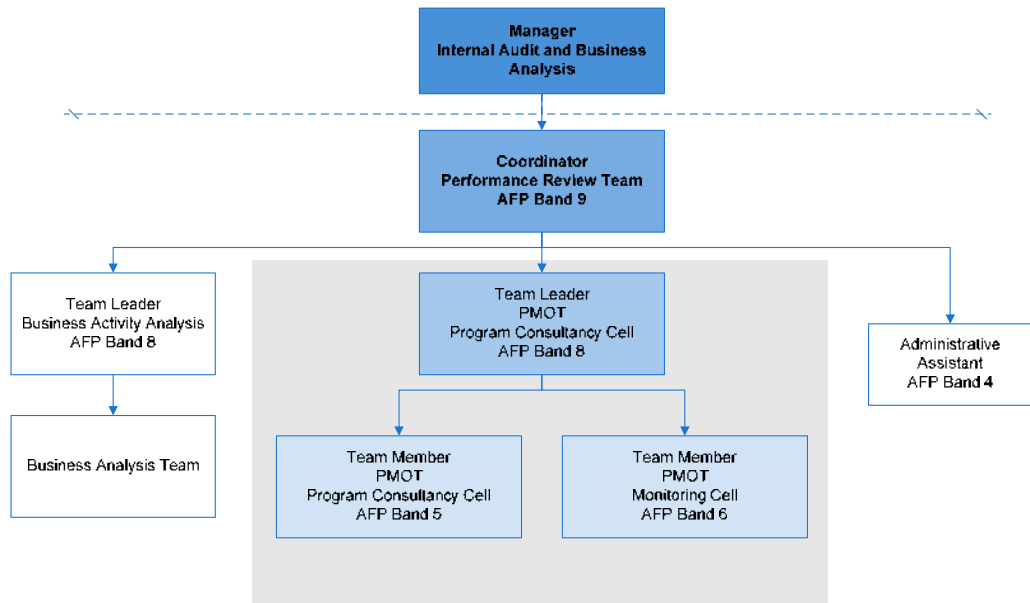
Source: MIABA minute to Chief Operating Officer of 1 April 2009.

⁸¹ The role of Configuration Librarian was a key role under Prince2:2005. The Configuration Librarian is the custodian and guardian of a project's products and is generally required to receive, identify, issue and store all project products; to maintain product Issue Log information; to provide status information on all products and to assist the Project Manager in creating the Configuration Management Plan, available from http://www.crazycolour.com/prince2/?title=Configuration_Librarian [accessed 5 August 2010].

4.22 To deliver the services to the organisation, the AFP established a team of three staff, headed by a position of AFP Band 8 (broadly equivalent to an APS Executive Level 1) and overseen by an AFP Band 9 Coordinator (broadly equivalent to an APS Executive Level 2) who also carried responsibility for business activity analysis functions. The PMOT coordinator would in turn report to the Manager of Internal Audit and Business Analysis (MIABA) (Figure 4.1).

Figure 4.1

PMOT—Proposed structure and reporting arrangements



Source: AFP internal briefing 1 April 2009.

4.23 While the initial approval to establish the team was subject to the function being staffed within the existing budget allocation, MIABA was subsequently provided with an additional \$200 000 for 2009–10 to support the operation of PMOT.

Implementing the organisational framework

4.24 Effectively addressing the considerable organisational risks to NPI implementation identified in 2007 and 2008 is important if the AFP is to assure key stakeholders that NPIs are consistently being delivered in accordance with the cost, quality and timeliness expectations articulated by government. When considered in the context of the strengthened governance framework described in Chapter 2, and the enhanced policy coordination framework described in

Chapter 3, the AFP's proposed approach to project and program management has the potential to significantly improve transparency and reduce corporate risk in respect of NPI implementation, while also providing for enhanced organisational oversight and accountability.

4.25 The ANAO sought to assess the extent to which the project planning and management framework had been effectively implemented. In particular the ANAO considered whether:

- the framework is clearly defined and adequately supported by documentation and executive authority;
- the extent of resourcing provided has proved adequate to support the work program; and
- the new approach was reflected in the planning and management of the implementation of NPIs.

Framework definition, articulation and authority

4.26 At the time of audit fieldwork, the adoption of a consistent corporate approach to project planning, implementation and management had not been formally considered and endorsed by the SLG. No statement of policy was generally available on the AFP Intranet, nor was any corporately endorsed operational guidance available generally to assist project managers. Importantly there was no clear agreement or guidance on key matters, including:

- the activities that were to be considered projects;
- the approach to be applied to the management of projects, including how to plan for project implementation;
- whether existing projects should transition to the corporate standard methodology;
- how project monitoring information was to be compiled for coordinated corporate NPI implementation reporting and what quality assurance processes were to be applied;
- when activities would cease to be managed as projects and how responsibility would be transferred from the project manager to the project owner on completion of implementation; and
- how the experiences of implementation would be captured for the organisation.

4.27 The PMOT implementation strategy had required documentation and processes to be developed by an accredited consultant and agreed to by AFP senior managers, NPI holders and PMOT staff by 30 June 2009. Also by that date, documentation and processes for NPI management and administration were to be finalised and uploaded onto the AFP Intranet. At the time of the audit, this task remained uncompleted.

4.28 The ANAO notes that in May 2009 the AFP contracted an accredited consultant to develop relevant documentation and processes including:

- developing a governance framework, standards and guidance;
- developing program and project scaling guidance; and
- PRINCE2 and MSP templates in accordance with AFP priorities.

4.29 The ANAO has been advised by the AFP that these services were not delivered, although the consultant had provided PRINCE2 foundation training for AFP staff. Although no contract variation was executed and the contracted services were not delivered, in late June 2009 the AFP made full payment to the consultant in line with the original contract.

4.30 The ANAO considers there would be considerable benefit in the AFP clearly establishing the basic purpose and design of its project management and assurance framework and having clear executive endorsement for the preferred approach. It is important that the strategy be founded on a clear and common understanding of key concepts, including those canvassed in paragraph 4.26 above, and that executive support for the strategy is clearly apparent to all stakeholders. In *Building Project Management Centres of Excellence*, Dennis Bolles observed:

The list of organisations attempting to integrate project management disciplines and best practices into the way they manage their business is expanding daily; however, those who have succeeded in doing so is significantly smaller... It is critical that all levels of workers and managers see that the executive level of the firm supports it without hesitation, publicly and completely. Without support from the top, it won't get off the ground.⁸²

4.31 The AFP informed the ANAO in November 2010 that the Commissioner had approved the creation of a Portfolio Management Office

⁸² D Bolles, *Building Project Management Centres of Excellence*, New York, ANACON - American Management Association, 2002.

(PMO) to replace PMOT. While the PMO would be accountable for continuing PMOT functions, it would also seek to 'fully define, design, plan and implement the proposed expanded and enhanced PMO function'. The establishment of the PMO and its implications for the matters considered in this audit are considered in detail later in this report (see paragraphs 4.59–4.66).

4.32 The ANAO has not, as part of this audit, sought to reach a view on whether PRINCE2 is an appropriate project management methodology for the breadth of budget-funded NPIs managed by the AFP. The ANAO notes that the significant diversity of NPIs implemented by the AFP over the last decade present a wide variety of risk profiles and differing challenges for executive engagement and organisational assurance.⁸³ The ANAO considers it appropriate that the matter of appropriate organisational tools be explicitly addressed by the PMO in the design of future arrangements for project, program and portfolio management within the AFP.

Resourcing

4.33 Embedding a strong project management culture and capability within an organisation constitutes a substantial organisational change, and requires not only sustained high-level leadership and executive engagement, but also the consistent application of adequate, appropriately skilled resources. Nonetheless, in establishing PMOT, the AFP did not undertake any comparative analysis of the adequacy of the proposed resourcing. In particular, there was no consultation with other agencies with established program and project management offices to benchmark the adequacy of the resource proposal put to the AFP executive on 1 April 2009. Consultation of this nature could have been used to establish minimal procedural or resource requirements and inform an analysis of the risks⁸⁴ posed by under-resourcing or under-skilling the team.

⁸³ The ANAO notes that when the NPI stocktake was conducted in June 2008, the Chief Operating Officer was advised that the 'diverse range of projects and programs within the organization do not lend themselves to a standardized or "one size fits all" approach [regarding project management methodology]'.

⁸⁴ The 2 December 2008 P3O Project Brief identifies a number of potential risks, including those associated with the size of the cultural change seeking to be achieved, but did not include risk mitigation strategies and noted that 'these risks and others remain to be analysed'.

4.34 As noted earlier in this chapter, the proposal to establish PMOT involved three full-time staff overseen by a coordinator who also had responsibility for the AFP's program of business activity analysis. Additional funding of \$200 000 was provided to support the team. To provide a point of comparison, the ANAO considered a recent initiative by Customs to implement a new project management framework. In undertaking this initiative, Customs sought to better integrate project design and management, and strengthen the alignment of Customs practice with international best practice, while also responding to relevant recommendations arising from external reviews. Customs established a Design and Corporate Project Office Branch to:

- build a robust project management framework;
- embed governance frameworks for projects; and
- build and sustain project management and design capability in the organisation.

4.35 Customs is a smaller organisation than the AFP, and its growth over the last decade has been markedly slower than that experienced by the AFP.⁸⁵ Nonetheless, Customs' Design and Corporate Project Office Branch was established in 2008–09 and had a budget of \$2.1 million in 2009–10 and a staffing level of 15. This represented around 1.5 per cent of the total expenditure on projects within Customs in that year. The AFP, in establishing the PMOT, dedicated three positions to the team and limited additional funding of \$200 000 in 2009–10, equivalent to 0.025 per cent of the AFP's expenditure on NPI projects in that year.

4.36 Particularly in small teams, delays in filling positions or sustained high levels of staff turnover can disproportionately hamper the achievement of organisational objectives. The PMOT implementation strategy envisaged staffing action for PMOT being finalised by 31 May 2009. However, the ANAO was informed that there had been significant disruptions to the resourcing of the PMOT team:

⁸⁵ Both staffing and the cost of outputs for Customs in 2010–11 are anticipated to be around 80 per cent of the levels of the AFP. Between 1998–99 and 2010–11, staffing in Customs rose by 29 per cent compared with growth of 135 per cent in the AFP. Over the same period, the cost of outputs in Customs rose by 40 per cent (in 2009–10 prices) compared to growth of 260 per cent in the AFP.

- the filling of key team leader roles was delayed by seven months, and key leadership personnel were subsequently lost; and
- a number of team member positions were subsequently vacant for extended periods.

4.37 The ANAO concluded that delays to staffing had impacted on the establishment and ongoing operations of PMOT although the modest resourcing provided made it unlikely that the team, even when fully staffed, would have sufficient capacity to drive change of the nature and scale sought by the AFP executive. The ANAO have been advised by the AFP that the new PMO will be supported by an initial increase in funding (with total funding of \$500 000 in 2010–11), although longer term funding will be determined in the context of allocating internal budgets for 2011–12 and later years. Settling the appropriate level of funding for the function into the future will be important for the AFP if it is to successfully pursue the significant organisational and behavioural change sought.

Implementation planning

4.38 Adequate planning is fundamental to successful project implementation, supporting both the project manager's administration of project delivery as well as informed executive oversight. Since 2006, there has been a clear expectation that agency heads will ensure that project implementation is underpinned by good quality planning.⁸⁶ Implementation planning should, at a minimum, establish:

- time frames, including for the different phases of implementation;
- clear and measurable benefit or success indicators;
- well-defined operational parameters, including funding and human resources;
- the risks to achieving project goals, including mitigation strategies for any potential barriers to implementation; and
- governance and reporting requirements, including the roles and responsibilities of all those involved in implementation.

⁸⁶ Letter from Peter Shergold (then Secretary of PM&C), to the AFP Commissioner dated 22 December 2006.

4.39 Implementation plans should also present a clear alignment between policy objectives and implementation and make clear the assumptions that have been made in the development of the initiative.

4.40 To assess implementation planning in the AFP, the ANAO examined the developed implementation plans for 33 of the 38 projects that were subject at the time of the audit to coordinated corporate NPI implementation reporting (there were five projects for which AFP implementation plans were not developed). The 38 projects related to some 80 NPIs, which had been functionally aggregated for both implementation and reporting purposes.

4.41 As discussed, there were five projects for which AFP implementation plans were not developed. In all cases, the AFP was not the lead agency (the project being led by either another Australian government agency or by an international agency). The AFP had no general policy on implementation planning for initiatives where it was not the lead agency and its practice was inconsistent, with local plans for some cross-agency initiatives, but not others.⁸⁷ While effective cross-agency implementation requires an overarching, high-level implementation plan that is coordinated by the nominated lead agency and has clearly defined critical cross-agency dependencies and responsibilities,⁸⁸ this does not replace the need for agency-specific implementation planning. Agency-specific planning is able to address issues not appropriately accommodated in high-level cross-agency planning, including the resource and responsibility allocation particular to the agency, agency-specific risks and the internal governance arrangements to support project delivery. Agency-specific implementation planning is also necessary to support informed executive consideration of the effectiveness of the agency contribution to the broader initiative.

4.42 The ANAO did not seek to review implementation plans for their compliance with the AFP's preferred project management approach, PRINCE2, as less than one-third of project managers surveyed by the ANAO indicated that they were managing their projects in accordance with PRINCE2. Instead, the ANAO considered the extent to which some of the core elements of good

⁸⁷ For example, the AFP developed a local implementation plan for the AFP element of Operation Wickenby (approved in the 2006–07 Budget) but not for the AFP element of the Northern Territory Emergency Response (including measures in the 2007–08 and 2008–09 Budgets).

⁸⁸ ANAO / PM&C, *Better Practice Guide—Implementation of Programme and Policy Initiatives*, October 2006, p. 26.

project planning practice were addressed. Specifically, the remaining 33 AFP-specific implementation plans were reviewed to determine whether:

- clear milestones were established, along with timeframes for their achievement;
- the project budget and expenditure phasing were clearly set out;
- the outcomes for the project were specified, with objectives that are specific, measureable, achievable and relevant; and
- the risks to achieving the project outcomes had been considered and addressed.⁸⁹

4.43 The ANAO also examined if there was evidence that the implementation plan had been reviewed and approved by the project owner or other authority or was still in draft form. Finally the ANAO considered whether the plan clearly specified the governance arrangements that would apply to the management of the project. The ANAO's findings are presented in Table 4.2 and discussed further below.

Table 4.2

Analysis of implementation planning

Element	Number	Per cent
Clear milestones, with a timetable for achievement	23	69
Project budget and expenditure phasing is set out	26	78
Clear objectives and measureable indicators of performance	26	78
Risk assessment and management strategy	25	75
All of above elements are included	10	30
Project governance arrangements are specified	23	69
Evidence of formal approval	4	12
Plan described as "draft"	15	45

Source: ANAO Analysis of the Implementation Plans provided by PMOT and Project Managers. The latest plan for each NPI was reviewed.

4.44 Overall, the quality of implementation plans, where they were prepared, was generally poor. Nearly a third of the plans (31 per cent) did not include clear, time-specific milestones. More than 20 per cent of the plans

⁸⁹ These indicators are consistent with the comprehensive guide to the preparation of implementation plans included in the Cabinet Implementation Unit, *Guide to Preparing Implementation Plans*, 22 July 2010.

lacked clear, measurable benefit or success indicators, and a similar proportion failed to set out the funding arrangements for the project. A quarter of the projects did not include an adequate risk management strategy. Only ten of the 33 implementation plans (30 per cent) established clear, time-specific milestones; set out the project budget; detailed clear and measurable indicators of success and performance; and set out a strategy for managing project risk. All ten of these plans included an overview of project governance arrangements. However, half of the plans were clearly labelled as draft documents (notwithstanding that they related to projects commenced in at least 2008) and only two of the ten had been clearly approved by the project owner, sponsor or board.

Adoption of PRINCE2

4.45 The benefits of a sophisticated organisational project management policy will not be realised if the policy is not broadly employed by project managers. However, the AFP advised the ANAO in June 2010 that, 'given the current involvement level of PMOT', it did not know the extent to which PRINCE2 had been taken up as a project management tool in the AFP. Given that the adoption of a consistent organisational approach to project management had been a key element of the response to the NPI implementation risks identified in 2007 and 2008, and featured significantly in other key organisational assurance frameworks⁹⁰, the ANAO undertook a survey of AFP project managers to establish current practice.

4.46 The ANAO survey of AFP project managers elicited a total of 41 responses in respect of the 38 projects subject to coordinated corporate NPI implementation reporting.⁹¹

4.47 The ANAO's survey of project managers found there has been limited adoption of PRINCE2 as a project management methodology to date, with only 11 of 41 respondents indicating that they were applying the AFP's preferred technique to project management. The reasons given for not utilising PRINCE2 varied, with the following among the comments provided to the ANAO:

⁹⁰ For example, advice to the AFP Audit Committee in April 2010 regarding the AFP's Major Project Risk Management Framework was restricted to the assurance provided by the application of PRINCE2 to the management of relevant projects.

⁹¹ For three projects, a separate response was received from the manager of a supporting function for the project.

- 'I have nil knowledge of PRINCE2';
- 'Whilst it is understood PRINCE2 has been adopted by the AFP it is not policy and (has) not been rolled out to the Projects';
- 'This project was implemented under the PMOT Project Management methodology';
- 'PRINCE2 is not used as the Project Management methodology. Members are not qualified in PRINCE2';
- 'I do not have any visibility on "PRINCE2" project management methodology';
- '(I suggest) improved training for persons responsible for the management of the project. I have had very little exposure to Project Management in any sense. I have no knowledge of systems such as PRINCE2'; and
- 'At the time this project was established, PRINCE2 methodology was not used by the AFP'.

4.48 There was considerable variability in respondents' descriptions of their approach to project management, with no dominant or consistent methodology emerging. Project managers who were not using PRINCE2 did not indicate any intention to transition their current project to this methodology, although a number indicated an intention to use PRINCE2 to manage future phases or anticipated extensions to the current project. The ANAO was advised by the AFP in June 2010 that arrangements being initiated for the development of future projects would include provisions requiring the use of PRINCE2.

4.49 In October 2010, the AFP advised the ANAO that transitioning projects from previous management methodologies to PRINCE2 has yielded significant benefits in terms of achieving identified project outcomes. In particular, the AFP was able to identify significant projects where, in the view of the AFP, the introduction of PRINCE2 project methodology had assisted project managers to deliver organisational goals following initial difficulties. This included:

- the Intelligence Strategic Program, a 2006–07 NPI to enhance the Australian Federal Police's capacity to collect, assess and manage sensitive, threat-related information and criminal intelligence within the organisation and with its partner agencies; and

- Project Spectrum, a 2007–08 NPI to acquire and develop the next generation of the Australian Federal Police’s operations and intelligence IT system.

Project management and PRINCE2 training

4.50 The limited appreciation of PRINCE2 among AFP project managers highlights the importance of a clear and well-articulated corporate policy. It also highlights the importance of training and technical support in promoting and securing the level of change sought in project management behaviour within the AFP.

4.51 For training of this nature to be effective, it is critical that it be well targeted, that the skill profile of the target population is understood, and that the impact of training is properly evaluated.

4.52 A key milestone of the implementation of PMOT was that PRINCE2 training would commence for new and existing NPI holders by 31 May 2009 (see Table 4.1). However, delivery of training was delayed and its impact not well monitored. The AFP advised the ANAO on 7 June 2010 that between June and September 2009, PMOT had arranged for 80 AFP personal to receive PRINCE2 foundation training. However, the AFP did not know how many current AFP project managers had been trained in PRINCE2 under this arrangement, nor how many project teams had access to team members with PRINCE2 training. The ANAO survey of AFP Project Managers indicates that only 14 of the 41 survey respondents (34 per cent) had received training in PRINCE2 or had access to a team member who had PRINCE2 training.

4.53 The ANAO were also advised that the training conducted by PMOT to support the organisational deployment of PRINCE2 had been limited to ‘Foundation’ training, which is not intended to prepare the student to apply PRINCE2 in the running and managing of a project but rather is aimed at equipping a person to act as an informed member of a project management team using the PRINCE2 methodology within a project environment supporting PRINCE2.⁹²

4.54 The AFP also advised that between 2005 and 2007 the AFP had provided project management training to 316 staff. This had included providing PRINCE2 Foundation and Practitioner training to around 40 staff.

⁹² <<http://www.prince2.com/prince2-fags.asp>> [accessed 25 August 2010].

No evaluation of the impact or effectiveness of the training was undertaken by the AFP at the time the training courses were discontinued. The extent or impact of training undertaken between 2005 and 2007 was not considered in planning for the program of training delivered in 2009 following the establishment of PMOT.

AFP National Managers and NPI implementation

4.55 The impact of NPI development and implementation on National Managers was a key consideration in the 2007 C&M Associates *Review of Governance & Executive Structure of the Australian Federal Police 2007* recommending the development of a comprehensive NPI and change implementation process.

4.56 Accordingly, the ANAO sought the view of National Managers on the extent to which the arrangements implemented by the AFP to strengthen its corporate approach to NPI implementation, including through the establishment of PMOT, had positively impacted on operations and increased their confidence in the effectiveness of the implementation of NPIs within their areas of operational responsibility. Consultation with National Managers was undertaken through correspondence and discussion.⁹³

4.57 National Managers generally expressed support for the new arrangements, while noting that in some instances the benefits of the new arrangements had yet to be fully felt. The new reporting arrangements were seen as improving executive visibility of implementation issues across the organisation, however it was noted that the new project management arrangements had not flowed through to current projects and that the inherent differences between NPIs would result in a variety of management approaches being employed to ensure effective outcomes.

4.58 Although National Managers perceived the reforms as offering current or future benefits, it was also suggested to the ANAO that the AFP's corporate project management arrangements were organisationally immature and had yet to develop the level of sophistication necessary to operate as an effective project / business partner for line managers. It was also suggested that the

⁹³ All National Managers with responsibility for the development and implementation of NPIs were approached in writing in May 2010 and invited to respond to a set of common questions regarding the impact of the new arrangements. While a written response was requested, all National Managers were offered the alternative of meeting with ANAO staff to discuss their response. This process was supported by targeted interviews with a small number of National Managers.

AFP had not provided PMOT with the skills and executive support to effectively deliver on the task it had been assigned and that it would have benefited from a more visible executive champion.

The future program management framework

4.59 During the course of the audit, there were a number of major developments in the AFP's administration of its project, program and portfolio management environment. In particular:

- on 1 July 2010, executive responsibility for the function was transferred to an operations support area, where it would be organisationally co-located with an experienced IT project management team; and
- on 8 November 2010, to revitalise the portfolio, program and project management environment in the AFP, the Commissioner agreed to the creation of a new Portfolio Management Office (PMO), with increased funding, to replace PMOT.

4.60 The AFP plans to complete the implementation of the arrangements by December 2011. Implementation dates and milestones for key elements of the change program are detailed at Table 4.3.

Table 4.3

Key PMO implementation dates and milestones

Activity	Date
Launch PMO Program	November 2010
Deliver business actions previously provided by PMOT	December 2010
Decide PMO model to be customised for use by the AFP	January 2011
Define (and Design) the PMO model to be used by the AFP	August 2011
Implementation of the PMO function	November 2011
Evaluation of the PMO implementation	November 2011
Completion of the PMOT to PMO change program	December 2011

Source: ANAO analysis of PMO proposal agreed to by AFP Commissioner on 8 November 2010.

4.61 The proposal to the Commissioner noted that the PMO will immediately begin delivering the business activities previously provided by PMOT. The PMO proposal indicates this will entail:

- supporting Corporate Finance to submit information to DoFD for the five-year Capital Budget process;

- reconciling existing and upcoming projects and programs to provide a clear picture to the executive of its existing commitments;
- using basic portfolio management tools to create a baseline of the AFP's current commitment of projects, programs and initiatives; and
- agreeing priorities and strategic objectives with the executive out-of-session.

4.62 The AFP advised the ANAO that an initial report on the current status of progress in implementing NPIs and other significant projects occurred in December 2010. This addressed an important gap in current assurance arrangements, as no coordinated corporate NPI implementation reporting had been undertaken since the report on progress in the December 2009 quarter.

4.63 Key elements of the PMO and its operations are yet to be defined. The AFP has advised that organisational arrangements, the broad policy framework and operational practices should be settled by the end of 2011. Decisions on these matters would be informed by an examination of the structure, resourcing and function of project management offices within other government agencies, including Customs.

4.64 In addition to needing to settle a number of key policy and operational matters relating to the new PMO, the AFP also have yet to settle longer term resourcing for the function. While additional resources for 2010–11 have been identified, funding for 2011–12 and beyond will not be determined until the AFP conducts a more detailed examination of future financial and resourcing requirements (due to be completed by August 2011).

4.65 The AFP's decision to take steps to reinvigorate project, program and portfolio management creates an opportunity to identify and implement improved practices to address known risks. However, these risks have been known to the AFP for some time and the AFP has acknowledged the need to learn from the difficulties faced in implementing an effective remedial strategy. When asked to approve the creation of the new PMO, the Commissioner was advised that:

Lessons that were learnt from the PMOT implementation should inform what (not) to do in the new design for how the AFP provides corporate portfolio management functions and services. One major lesson is that a quick fix approach ... will most likely not deliver the results the AFP is after.

4.66 In establishing the new PMO, it will be important for the AFP to ensure the function is properly resourced and skilled, and that high-level leadership

and executive engagement is sustained. The effectiveness of the PMO will also be influenced by the extent to which the AFP clearly defines and articulates the policy and procedural arrangements, provides improved project management support, and implements effective quality control and organisational learning arrangements.

Conclusion

4.67 The AFP's decision in 2008 to strengthen implementation planning and introduce coordinated corporate NPI implementation reporting was made following an internal stocktake that identified major deficiencies in project management, and advice from the Cabinet Implementation Unit (within PM&C) that the AFP should act to develop a stronger project management culture. Late in 2008 the initial strategy was expanded to encompass support, training and guidance to project managers in the AFP; executive reporting of progress against time, cost and quality measures; and the establishment of an 'organisational knowledge repository' on program and project management and NPI management.

4.68 However, at the time of audit fieldwork, proposed improvements in implementation planning and management methodologies had not generally been realised. There had been difficulties in sustaining even the modest level of resources originally allocated to project support, executive reporting and the establishment of a centre of project management excellence, resulting in substantial delays in achieving key implementation milestones for improving implementation planning and project management. Consequently, planning for the implementation of NPIs was inconsistent, with only 30 per cent of implementation plans including clear milestones, success indicators, financial plans and risk management strategies. There was no structured feedback to project managers or other measures aimed at promoting consistency and improving quality.

4.69 The approach to project management was similarly inconsistent, with less than one third of project managers surveyed by the ANAO indicating that they were managing their projects in accordance with the AFP's preferred project management approach. Although adoption of the new arrangements among project managers was limited, the AFP senior executive expressed support for the direction of the change and a view that considerable benefits had been realised when more rigorous project management techniques had been applied to projects.

4.70 In late 2010, the AFP advised the ANAO of a strategy to reinvigorate corporate project, program and portfolio management, with increased resourcing and a new PMO replacing earlier arrangements. The effectiveness of the PMO will be influenced by the extent to which the AFP clearly defines and articulates the policy and procedural foundations supporting the proposed project management framework arrangements and the extent to which the AFP is able to sustain high-level leadership and executive engagement.

4.71 In moving forward with the establishment of the PMO, it will also be important for the AFP to provide sufficient, appropriately skilled resources to support this initiative and to communicate both a clear mandate and strong executive support for the new arrangements. Effectively embedding a consistent and rigorous approach to NPI implementation planning and monitoring in the AFP would be an important step in adequately addressing the significant risks to organisational performance and accountability identified by both internal and external advisers in 2007 and 2008.

4.72 In this context, the ANAO has made two recommendations aimed at supporting the development of a more effective project, program and portfolio management environment within the AFP. These recommendations are provided at the conclusion of Chapter 5 of this report.

5. Executive oversight and developing organisational capability

This chapter examines the oversight arrangements put in place by the AFP to strengthen executive awareness of, and accountability for, NPI implementation. It also considers the AFP's approach to building capability through organisational learning.

Introduction

5.1 Effective implementation monitoring and review enables agencies to ensure that adequate resources continue to be available to deal with the scope, risk and sensitivity of implementation. It allows stakeholders to assess implementation progress, identify and address problems and review ongoing relevance and priority. It also supports the development of organisational knowledge and capability. In 2004, the Secretary of PM&C observed that the monitoring and review process:

allows both decision makers and programme deliverers to learn from the process and where necessary to adapt their expectations, adjust their approaches and identify new opportunities.⁹⁴

5.2 A process of coordinated corporate NPI implementation reporting allows an organisation to recognise the particular risks and opportunities arising in the implementation of projects. Once an NPI is fully implemented and the associated activities either completed or effectively incorporated into an organisation's usual business processes, ongoing monitoring (where required) is most appropriately conducted through normal agency arrangements for performance planning and reporting.

5.3 The effectiveness of organisational monitoring and oversight is greatest when:

- the oversight regime is comprehensive—that is, all relevant matters are including in the monitoring arrangements, based on an informed assessment of relative risk;

⁹⁴ ANAO / PM&C, *Better Practice Guide—Implementation of Programme and Policy Initiatives*, October 2006, p. 51.

- progress is assessed against a clearly understood and agreed framework comprising relevant baseline data, well-specified deliverables and measurable indicators of success;
- data is accurate, comprehensive, comparable and quality assured; and
- it is undertaken by personnel with appropriate skills and knowledge who have adequate resources to critically assess and process project manager reports.

5.4 The ANAO examined the organisational monitoring and oversight arrangements implemented in the AFP following the internal and external reviews conducted in 2007 and 2008. This included reviewing reports provided by project managers and the reports submitted to the AFP executive, as well as the organisational arrangements for assuring the robustness of reports were:

- complete and accurate;
- made against an agreed and understood baseline;
- verifiable and using consistently derived and presented information on achievements and costs; and
- subject to appropriate quality assurance.

5.5 The ANAO also examined the arrangements implemented by the AFP to capture the outcomes of responses to implementation issues and build the intended 'centre of excellence' to provide organisational leadership and support best practice project management within the AFP.

Executive oversight

5.6 Following the 2008 stocktake of NPIs, the AFP developed an initial suite of NPIs that would be subject to the new coordinated corporate NPI implementation reporting arrangements. This included NPIs which commenced after 2001–02 and which were funded in 2008–09 (that is, measures which terminated or lapsed earlier than June 2008 were excluded). Twenty-two NPIs were excluded on the grounds that funding for the measure had been 'rolled into the base'. This was considered to have occurred if the Government had agreed to the NPI funding being provided on an ongoing

basis ('rolled in' to the forward estimates of expenditure) with no defined requirement for external review.⁹⁵

Coverage

5.7 To form a view on the comprehensiveness of the coordinated corporate NPI implementation reporting arrangements, the ANAO sought to reconcile the AFP NPIs announced by the Government in 2003–04 and later budgets, with the NPIs identified and included in the AFP's internal monitoring arrangements. The ANAO identified seven NPIs (with associated expenditure exceeding \$200 million over four years) which had been managed outside of the AFP's coordinated corporate NPI implementation reporting arrangements (see Table 5.1).

Table 5.1

NPIs managed outside of the coordinated corporate NPI implementation reporting arrangements

Title (from Budget Papers)	Budget	Value (\$m nominal)	Funded to
National Illicit Drugs Strategy – AFP communications network	2003–04; 2007–08	\$10.3	2010–11
National Illicit Drugs Strategy – AFP Law Enforcement Cooperation Programme	2003–04; 2007–08	\$17.5	2010–11
National Illicit Drugs Strategy – enhanced technical capacity for the Australian Crime Commission and the AFP	2003–04; 2007–08	\$8.0	2010–11
Investing in Australia's Security – Jakarta Centre for Law Enforcement Cooperation	2004–05; 2009–10	\$56.3	2012–13
Australian Federal Police – increase to the criminal history check fee (savings measure)	2009–10	-\$1.6	2012–13
Aus/US Free Trade Agreement	2004–05 (AE's); 2005–06	\$1.4	2008–09
Enhancement of Protective Security Services	2006–07	\$111.6	2009–10

Source: ANAO analysis of AFP documentation.

⁹⁵ The effect of this decision was that some NPIs whose implementation had yet to be concluded were excluded from reporting arrangements. This is discussed further at paragraphs 5.11 and 5.12.

5.8 The AFP advised the ANAO in November 2010 that, while the measures listed in Table 5.1 were not part of the coordinated corporate NPI implementation reporting arrangements, they were subject to normal oversight arrangements. The AFP was of the view that there was, for each measure, 'substantive evidence to demonstrate active governance and monitoring'. The AFP identified various assurance mechanisms it considered generally relevant to the NPIs in Table 5.1 including:

- high-level oversight by the SLG;
- regular Business Activity Analysis reviews⁹⁶;
- regular financial reporting including oversight of financial performance by the AFP Finance Committee;
- regular audit activity; and
- the operation of PMOT and the proposed PMO.⁹⁷

5.9 The ANAO did not, in the course of the audit, seek to form a view on the effectiveness of the AFP's implementation of each of the measures listed in Table 5.1. However, it was clear from the evidence available to the ANAO that these measures had not been captured by the arrangements put in place by the AFP to address the specific organisational risks associated with the implementation of NPIs.

5.10 In the course of the ANAO's review of the comprehensiveness of the coordinated corporate NPI implementation reporting arrangements, it became apparent that the AFP's initial selection of NPIs for monitoring, and the subsequent introduction or removal of NPIs from the reporting framework, did not reflect the NPIs' implementation status. Instead, whether or not an NPI was captured by the AFP's coordinated corporate NPI implementation reporting arrangements, the period for which it remained subject to the requirements of the arrangements and the way in which it transitioned to the usual processes for the management of ongoing AFP business was determined by the budgetary status of the NPI. By way of illustration, an NPI for which the Government had agreed ongoing funding, without the requirement for later

⁹⁶ This program of reviews ceased in 2009.

⁹⁷ The ANAO note that the NPIs in Table 5.1 were not subject to oversight by PMOT as they were outside of the coordinated corporate NPI implementation reporting arrangements. The proposed PMO arrangements are yet to have any substantive operational impact.

review, would not be subject to coordinated corporate NPI implementation reporting arrangements at any stage in its implementation. In contrast, an NPI where funding was scheduled to lapse or was conditional upon further review, would continue to be subject to the arrangements, even if implementation had effectively concluded.

5.11 One consequence of this approach is that some NPIs for which implementation was clearly incomplete were not included in the initial suite of NPIs subject to the coordinated corporate NPI implementation reporting arrangements.

5.12 The risk inherent in the approach was demonstrated in 2009 when the 2001–02 Budget initiative ‘Back Capture of DNA samples from federal prisoners’, a measure introduced to allow the AFP to collect DNA samples from convicted serious offenders for case analysis and to establish a DNA database, was subject to internal audit by the AFP. The AFP auditors reported significant underperformance and were unable to establish who was responsible for the progress of the Commonwealth element of the program. They concluded that there had been a failure of project governance. Although, at the time of the NPI stocktake, implementation of the initiative was not complete, because of its funding status it was not included in the coordinated corporate NPI implementation reporting. Since the AFP internal audit report, monitoring of this NPI has been enhanced, however there has been no move to further clarify the criteria for inclusion or exclusion of NPIs from the formal NPI monitoring framework.

5.13 The ANAO considers the coordinated corporate NPI implementation reporting arrangements would be more robust and would offer greater assurance to the AFP executive if they provided a comprehensive overview of the risks and opportunities associated with project implementation, including for budget-funded NPIs. The AFP may wish to consider whether there is a need for a separate, defined process for executive oversight of ongoing operations which carry specific risks or have high levels of stakeholder (including Parliamentary) interest.

Content

5.14 A primary goal of the coordinated corporate NPI implementation reporting arrangements instituted in 2008 was to provide assurance to the AFP executive regarding the individual NPIs’ achievements against the key milestones spelt out in each NPI’s implementation plan. As of December 2009,

status reports were being submitted by the managers of 38 NPIs and two internally funded projects. The internally funded projects were outside of the scope of this audit and the effectiveness of reporting against these initiatives was not considered by the ANAO.

5.15 In examining the content, quality and level of assurance provided by project reports, the ANAO examined a range of documents relating to the reporting process, including internal AFP assessments of issues in the reporting framework. The ANAO examined reports from individual projects, the consolidated quarterly reports provided to the AFP executive and held discussions with staff in relation to the administration of the reporting process.

5.16 The ANAO found that the AFP was aware of a number of issues relating to the quality and content of project reporting, including in relation to financial performance. The Chief Operating Officer was advised in May 2009 that:

The number of NPIs receiving an amber rating ... has increased ... due to the apparent inability of NPI holders to present recent, meaningful financial information relating to individual NPIs. Information available indicates that NPI holders have no real vision in relation to the actual amount of funds expended against their particular NPI at any point in time.

5.17 Although there is evidence of internal consultation to identify strategies to improve reporting, there remained clear deficiencies in relation to the robustness and timeliness of reporting. The Chief Operating Officer was advised in December 2009 that:

Whilst preparing the report, a number of key issues were identified that have the potential to impact on the veracity of the Quarterly report on NPIs supplied to the AFP Executive:

- Timeliness of reports being submitted. Some reports were submitted considerably late and several follow up requests were necessary to finalise the material.
- A number of the reports submitted to PMOT lack substance.
- Some of the NPI Reports supplied to PMOT by the Functions are a 'cut and paste' from earlier reports...It would appear that, in the first instance, an attitude exists whereby the submission of any information will suffice.

5.18 Also in December 2009, the AFP Finance Committee was advised that while the current system of costing enabled the ready reporting and monitoring of some specific components of NPI funding, it did not provide a

clear picture of total funding. The committee was also advised that there was considerable variability in the approach taken to track NPI expenditure and that project managers were not well positioned to report on overall NPI expenditure (this was undertaken centrally and only when required for external purposes).

5.19 At the time of audit fieldwork, the most recent coordinated corporate NPI implementation report relates to performance in the December 2009 quarter. An ANAO review of the report indicates that significant problems existed, particularly in relation to financial reporting, with six of the 38 initiatives failing to include any reference to progress against financial targets. Although this level of financial reporting represented a significant improvement when compared with the level of financial reporting included in earlier reports, for several initiatives the failure to report against financial targets had been persistent.

5.20 Explicit policy and procedural guidance makes the requirements placed on project managers clear, supports consistency and comprehensiveness of reporting, and also provides a clear statement of organisational expectations in regard to the priority attached to the executive oversight arrangements. It further provides a basis for informed judgement as to the level of assurance the executive of an organisation may reasonably draw from the reports provided. Notwithstanding the ongoing concerns regarding the accuracy and timeliness of project management reports, the AFP has not formally clarified the responsibilities of project managers in regard to reporting. In common with other elements of the project implementation and management framework, there was no widely available documentation setting out the key elements of the framework, the obligations of individual project managers in relation to reporting or the processes to be followed by project managers in preparing implementation or financial progress reports.

Assurance

5.21 An apparently robust reporting framework can fail to provide real assurance to stakeholders if input data is not subject to effective quality control arrangements.

5.22 The ANAO sought advice from the AFP on the extent of validation and quality assurance undertaken in relation to NPI and project reporting. The AFP advised the ANAO that validation of project manager data was 'difficult' but that it had no procedures for quality assurance checking of data provided for

inclusion in coordinated corporate NPI implementation reports. Only a minimal analysis of the information supplied by project managers was undertaken, generally restricted to a comparison with previously submitted status reports and implementation plans held by PMOT.

5.23 The ANAO found the effectiveness of the limited analysis was further restricted as PMOT did not hold current implementation plans for all NPIs included in the coordinated corporate NPI implementation reporting arrangements. An ANAO review of the documentation held by PMOT indicated that PMOT held no implementation plans for 10 of the 38 projects whose progress was being reported and, of the 28 implementation plans held by PMOT, ten were no longer current,⁹⁸ with some out of date by as much as two years.

Improving effectiveness

5.24 The ANAO notes that there is value in coordinating the provision of advice to the AFP executive on the progress of NPI implementation. However, the value is reduced if the implicit assurance is not supported by an effective and rigorous quality assurance of the included data and a robust analytical process to support the high-level conclusions being conveyed to the executive.

5.25 The ANAO considers that, at present, the AFP lacks a clear view of project implementation objectives and strategies against which to assess performance reports, and accordingly lacks a clear baseline against which to form a view on overall project performance. Improving implementation planning, including clearly identifying financial and performance targets (discussed in Chapter 4), would allow the AFP to build clearer linkages between implementation planning and reporting. These linkages would strengthen the assurance provided by project reporting.

5.26 Overall, the coordinated corporate NPI implementation reporting arrangements could be enhanced by:

- clearly articulated policy, published guidance and technical support for project managers;

⁹⁸ Based on the ANAO's comparison of the implementation plan held by PMOT with that provided to the ANAO by the project manager.

- improving implementation planning (discussed in Chapter 4), with the new PMO playing a greater role in maintaining a current awareness of project implementation strategy and goals;
- instituting a common systems approach for tracking NPI expenditure, which would promote consistency, simplify the reporting process and allow for a greater degree of organisational assurance; and
- providing systematic quality assurance of project management reporting, in accordance with documented and agreed procedures.

Recent developments

5.27 As with other elements of the AFP's project, program and portfolio management arrangements, AFP practice in regard to coordinated corporate NPI implementation reporting arrangements was subject to considerable change over the course of the audit.

5.28 Significant changes approved by the relevant senior officer in April 2010 included:

- NPI implementation reporting would occur every six months, rather than every quarter; and
- 14 of the 38 previously monitored projects being classified as business as usual activities, reflecting changes to their financial status rather than the completion of outstanding implementation tasks. These initiatives would be subject to normal governance arrangements for managing ongoing business.

5.29 The ANAO was subsequently informed that, in November 2010, the Strategic Investment Committee (SIC) had requested the introduction of quarterly dashboard reporting on the progress of all projects, programs and initiatives (including NPIs), with an initial report to be provided for the February 2011 SIC meeting. Work was underway within the AFP to establish clear definitions to allow relevant projects to be identified and adequately differentiated from business as usual activity.

5.30 At the time of audit fieldwork, there had been no consolidated reporting in relation to NPI implementation activity since the report related to activity in the December quarter 2009. The AFP has since advised that a report against all NPIs was provided to the December 2010 meeting of the SLG and that future reporting to the SLG will be on a six-monthly basis. Decisions about the frequency of such reporting require management consideration of the

balance between the benefits of more timely information and the costs of preparing it. Whether reporting is undertaken quarterly (as previously was the case) or half-yearly (as proposed), the resumption of regular reporting based on clear business rules and definitions provides the new PMO with the opportunity to establish effective ongoing engagement with project managers and provides the AFP executive with greater opportunity to identify and respond to projects in difficulty.

Organisational learning and capability development

5.31 The establishment of a 'centre of excellence' for project management is a key element of the AFP response to the deficiencies in project management and oversight identified through internal and external reviews in 2007 and 2008.

5.32 The centre of excellence is a concept that has emerged to promote growth within disciplines, associations or groups that share common practice. A centre of excellence is more than a passive vehicle for improving project management practice; through combining a systematic approach to organisational learning and with the transfer of best practice, it can actively support knowledge management and improved organisational decision-making.⁹⁹

5.33 Establishing a successful project management centre of excellence is a substantive exercise and needs to be contemplated as a long-term, foundation-building effort. It requires significant change in an organisation and needs to be supported by careful planning and significant executive commitment.¹⁰⁰

5.34 The key elements of establishing an effective project management centre of excellence include not only the direct engagement of expert resources in organisational project planning and management, but also the development of appropriate standards and tools, the provision of education and support for

⁹⁹ D Christenson, and D Walker, 'Project Management Centres of Excellence example - a knowledge management perspective', in Refereed Papers: 18th Annual Conference of the Australian and New Zealand Academy of Management ANZAM 2004, Dunedin, New Zealand, 8–11 December 2004.

¹⁰⁰ D Bolles, *Building Project Management Centres of Excellence*, New York, ANACON - American Management Association, 2002, p. 4.

cultural change and a systematic approach to enhancing overall project management understanding and maturity.¹⁰¹

5.35 Accordingly, the ANAO reviewed the AFP's progress in setting in place arrangements for the centre of excellence. In particular, the ANAO considered the progress made by the AFP in establishing key functions and arrangements to support the centre of excellence and whether there was clear organisational leadership in this area. The ANAO also considered the arrangements in place to capture the lessons arising from AFP experience, to support the effective building and management of project management knowledge.

Establishing a centre of excellence

5.36 The AFP's strategy for the establishment of an effective corporate portfolio, program and project management environment was set out in advice to the AFP executive in December 2008 and April 2009. The strategy included a number of proposed actions that would have supported the establishment of a centre of excellence capability, for example:

- the establishment of a community of practice to support organisational skill development by 31 May 2009;
- the development of documentation and processes for NPI management and administration, their endorsement by senior management and other key stakeholders and their publication to the AFP Intranet by 30 June 2009; and
- the active engagement of PMOT in aspects of project management through the 'Configuration Librarian'¹⁰² function by 1 July 2009.

5.37 The AFP has experienced significant delays in progressing these matters:

- The establishment of the community of practice had yet to occur when the PMOT function was transferred internally within the AFP in mid-

¹⁰¹ D Christenson, and D Walker, 'Project Management Centres of Excellence example - a knowledge management perspective', in Refereed Papers: 18th Annual Conference of the Australian and New Zealand Academy of Management ANZAM 2004, Dunedin, New Zealand, 8–11 December 2004.

¹⁰² This involved PMOT acting as the 'custodian and guardian' of the master copies of all project and program documentation, for the purposes of 'recording all NPI related activities and to provide the organisation with corporate history and corporate learning opportunities' (internal AFP correspondence dated 1 April 2009).

2010, and while it may be progressed by the new PMO, there was no action in train at the time of the audit.

- At the time of audit fieldwork, no documentation or procedural advice regarding NPI management and administration had been published through the AFP Intranet. The anticipated process of having this material developed by an expert consultant and agreed through broad consultation with stakeholders had not occurred and the matter remains to be progressed by the new PMO.
- Plans no longer exist to progress more effective engagement in project management in the AFP through establishing a central 'Configuration Librarian' function. While the AFP have advised that PRINCE2 no longer supports the role of 'Configuration Librarian', alternative strategies to promote engagement by the new PMO with project managers within the AFP have yet to be settled.

Establishing a leadership role

5.38 The lack of an articulated project and program management policy means there is no clear organisational statement on either the processes to be employed or the priority to be accorded to managing the implementation of NPIs. The effective positioning of PMOT as leading the establishment of the centre of excellence required a clear understanding of the AFP's intention to move to a consistent corporate practice and of the relationship between the key elements of the project and program management framework. It was not evident, during the ANAO's consultation with project managers within the AFP that such an understanding existed. The ANAO was informed during the consultations that:

- current processes rely on individuals from within a business line to perform in accordance with their personal preference, rather than in accordance with an agreed business operating procedure, methodology or approach; and
- more AFP corporate guidance on project initiation and management would be welcomed as would more responsive mechanisms for addressing project management issues identified through internal review.

5.39 Effective implementation of a project management centre of excellence requires not only a clear statement of policy intent, supported by appropriate procedural documentation and engagement with stakeholders, but also

confidence that the centre of excellence is equipped to effectively lead, and contribute to, project management in the organisation. Consultation with AFP project and National Managers suggested that PMOT had not been equipped (in terms of skills or resources) to undertake an effective leadership or centre of excellence role.

5.40 The AFP advised the ANAO in July 2010 that PMOT had no substantive project management experience among its staff. Only one ongoing staff member had PRINCE2 training beyond Foundation level. This limited PMOT's capability to establish or maintain organisational leadership in a challenging and dynamic field, or to set directions for and drive significant organisational improvement. This is further reflected in advice to the ANAO, in the course of consultation with National Managers, that:

The AFP is still undertaking 'baby steps' in the governance and oversight of NPIs. I believe that the team currently lack the requisite skill or experience set seen in other agencies...[PMOT] has not yet developed the level of sophistication to be seen as a project/business partner.

Organisational learning—engagement

5.41 The original strategy for implementing PMOT, developed in 2008 and early 2009, included PMOT taking on the role of Configuration Librarian by mid-2009. The Configuration Librarian was a key role in the then current iteration of PRINCE2, having a central role in maintaining, monitoring and initiating an individual project's management documentation, maintains the project's Issues Log, provides status information in relation to project management and provides direct support to the Project Manager. The AFP advised the ANAO in July 2010 that no progress had been made in implementing this capability and no timetable was able to be provided for its completion. In October 2010, the AFP further advised that this role has been removed from the latest edition of PRINCE2 and it would not be adopted.

5.42 The role of Configuration Librarian would have provided for PMOT to broadly engage with project management in the AFP and would provide considerable insight into, and a broad overview of, current practice. It would also have provided a significant opportunity to demonstrate leadership and build a strong body of organisational knowledge.

5.43 In further articulating the operational parameters of the new PMO, it will be important for the AFP to explore opportunities for enhanced engagement with project managers within the AFP, beyond the limited

compliance focus that characterised former arrangements. It would be relevant for the AFP to consider the experience of other agencies in developing and implementing strategies for ensuring appropriate insight into, and influence over, project management practice in the agency.¹⁰³

Organisational learning—closure reports

5.44 The ANAO also found limited progress with the development of mechanisms to capture and consolidate organisational learning of project management methodology. In 2009, the AFP undertook steps to initiate a ‘community of practice’ to provide a forum for sharing project management experience and consolidating learning. In July 2010, the ANAO was advised that this initiative had not been further progressed.

5.45 Establishing mechanisms to capture organisational experience of project management also provides an avenue for building corporate knowledge and understanding. The use of closure reports and implementation evaluations can provide valuable insight into well-managed projects as well as those which required management intervention to secure organisational objectives. However, the AFP has no documented policy in relation to the collection and dissemination of closure reports. In addition, current practice is to require reports only from projects that cease due to activity or funding termination—that is, they were not required where projects are successfully concluded and activities moved to operating on an ongoing basis.

5.46 When combined with the AFP’s current approach of ceasing to monitor activities as projects when activity funding is consolidated into base AFP funding, the AFP has limited opportunity to gather information from successfully implemented AFP projects, creating a considerable gap in the organisation learning framework.

5.47 The ANAO was also informed that, at present, no use was being made of closure reports that were received:

PMOT is currently storing the closure reports received from projects and filing those reports for later use.¹⁰⁴

¹⁰³ For example, the ANAO was advised in August 2010 that staff of the Design and Corporate Project Office within Customs participate in all project management boards. Customs consider this provides a degree of insight and assurance critical to its mission and which might otherwise not be available.

¹⁰⁴ Advice from the outgoing Coordinator PMOT to the ANAO, 7 June 2010.

5.48 The development of a comprehensive framework for gathering and making effective use of closure reporting will be a significant task for the new PMO.

Organisational learning—capturing successful strategies

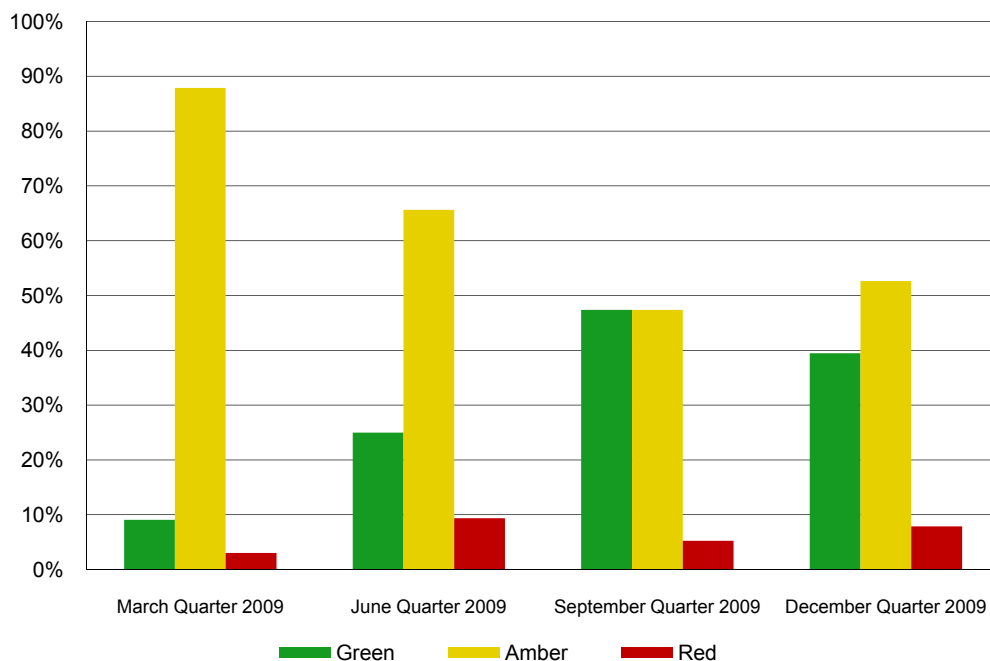
5.49 The ANAO examined the AFP's approach to collecting, evaluating and reporting on the actions taken in relation to the management of projects where some form of enhanced management intervention or oversight has been recommended.

5.50 The coordinated corporate NPI implementation reporting arrangements operating in the AFP up to the December 2009 quarter used a 'traffic light' rating system, with each project receiving a green, amber or red rating. While the precise definition of each rating was varied in December 2009, over the life of the NPI reporting regime a green rating was used to indicate that implementation was on track while an amber or red indicated that real risks to the achievement of project outcomes had been identified and that specific action to address those risks was necessary.

5.51 An overview of the balance of ratings arrived at through the quarterly reporting process in 2009 is at Figure 5.1. On average, 70 per cent of project ratings were amber or red. Over the year 2009, 50 per cent of projects did not receive a green rating in any quarter. (As previously noted, there have been no comparable consolidated executive reports on the progress of NPI implementation in 2010).

Figure 5.1

Project traffic lights reported to the AFP executive in 2009



Source: ANAO analysis of AFP documentation.

5.52 The ANAO understands that the rating attached to a particular project as part of the quarterly reporting process is reflective of the management response necessary to ensure project outcomes are delivered. It is not an assessment that the project has or will fail to deliver critical outcomes. However, a systematic analysis of the action taken to ensure satisfactory outcomes are achieved in relation to projects consistently rated red or amber would be a valuable input into the development of a body of corporate expertise in relation to project management, while also providing assurance in relation to the achievement of critical outcomes and the efficient and effective expenditure of project funds.

5.53 There are no established processes for capturing the executive response to adverse traffic light progress reports, either as a control mechanism for ensuring follow-up action had been completed or as a contribution to building the AFP's project management knowledge and understanding. For example, implementation of the International Liaison Officer Network NPI was rated red in the September 2009 'Executive Quarterly Report on New Policy Initiatives and Major Projects' with the observation that '(t)his initiative

requires intervention to achieve the deliverables set out in the NPI'. The December 2009 report also concluded that '(t)his initiative requires significant intervention if the deliverables set out in the NPI are to be achieved' but included no assessment of the nature or adequacy of the response to the earlier red assessment. PMOT records for the NPI included no reference to the executive's recommendations in relation to the NPI, either to ensure that the intervention actions recommended by the executive were implemented or to allow PMOT to consider the impact of the recommended intervention on NPI implementation. Addressing these matters would improve the effectiveness of the monitoring process as an assurance mechanism and also provide support for enhanced organisational learning.

External reporting and oversight

5.54 The AFP's internal monitoring and reporting arrangement sits within the context of a broader government implementation monitoring framework. The Cabinet Implementation Unit (CIU) within PM&C provides advice and support to the Prime Minister and Cabinet on the management and delivery of the Government's strategic priorities. This includes providing regular progress reports and assessments, and working across government to ensure that key government decisions are implemented on time, on budget and to expectations.¹⁰⁵

5.55 Active external monitoring provides additional assurance to the AFP executive and other key stakeholders in relation to NPI implementation. While it does not substitute for effective internal monitoring arrangements (with accountability for effective implementation remaining with the Commissioner), it is appropriate under such circumstances to seek to maximise integration of reporting processes and to create a consistent framework for AFP project managers.

5.56 The ANAO's review of CIU monitoring of AFP implementation of NPIs indicates that, between 2006 and 2010, CIU oversight became considerably more focused. In 2006, at least 16 separate AFP projects were subject to CIU oversight and progress reporting to Cabinet. In 2009–10, one NPI was subject to monitoring and reporting. The reduction in external scrutiny highlights the

¹⁰⁵ <http://www.dpmc.gov.au/about_pmc/docs/about_pmc.doc> [accessed 26 August 2010].

importance of the AFP developing a rigorous and sustainable internal monitoring and reporting framework.

Assessing organisational portfolio, program and project management maturity—P3M3 and the AFP

5.57 On 6 November 2009, the Secretary of the Department of Finance and Deregulation (DoFD) wrote to FMA agency heads, including the AFP Commissioner, advising that the Government had agreed to the implementation of a common methodology for assessing organisational capability to commission, manage and realise benefits from ICT-enabled investment. He further advised that the AFP was required to utilise the UK Office of Government Commerce *Portfolio, Programme and Project Management Maturity Model* (P3M3®) to make such an assessment and to prepare a capability improvement plan by December 2010.

5.58 P3M3 looks beyond an organisation's performance in respect of any individual measure to consider whether an organisation has been able to build and sustain an effective capability to deliver projects and programs. The UK Office of Government Commerce (OGC), authors of the P3M3 model, note that:

In the absence of an organization-wide infrastructure, repeatable processes and results depend entirely on the availability of specific individuals with a proven track record, which may not provide a basis for long-term success and continuous improvement throughout the organization.¹⁰⁶

5.59 The OGC note that an organisation that is immature in management terms may nonetheless, from time to time, deliver initiatives that produce excellent results. However, building project and program management maturity knowledge may assist an organisation to:

- build a more robust and informed organisational capacity to review performance and evaluate schedules and budgets, ensuring that these are realistic and achievable;
- embed processes to support effective learning from previous initiatives; and

¹⁰⁶ Office of Government Commerce, *Portfolio, Programme and Project Management Maturity Model (P3M3®)—Introduction and Guide to P3M3®*, 2010.

- give appropriate priority to establishing and embedding management processes that support the organisation acquiring and retaining the skills and competencies necessary to consistently deliver desired business outcomes.

5.60 The ANAO reviewed the AFP's independent P3M3 assessment, which was completed in October 2010. The assessment rated the AFP's program and project management maturity at Level 1, which is given when an organisation is able to recognise its projects and programs but has little structured approach to dealing with them. A Level 2 rating would suggest an organisation is beginning to use standard approaches for projects and programs but has no consistency or approach across the organisation.

5.61 The assessor declined to apply the portfolio level of the P3M3 model, noting that:

There is a lack of current data and evidence of the historical application of Portfolio Management on a wide scale within AFP.

Conclusion

5.62 Delays in establishing an effective means of capturing organisational experience in relation to project management has limited the effectiveness of the AFP's attempts to establish a project management centre of excellence. There have been similar delays in establishing mechanisms to improve organisational engagement with, and capacity to influence, day-to-day project management practice in the AFP. Efforts have been hampered by:

- a lack of a clear policy framework to support and endorse coordinated engagement with project management across the organisation;
- difficulties in adequately and appropriately resourcing the function at a corporate level, thereby reducing the confidence of stakeholders;
- the absence of an implemented framework to capture organisational learning; and
- limited engagement by PMOT in project and program management across the AFP.

5.63 Productive engagement with managers across the organisation, and a thorough and contemporary appreciation of current practice, are likely to be key influences in the AFP's ability to build an effective centre of excellence and improve organisational practice over time. Moving forward with the

establishment of a centre of excellence and organisational leadership will be a key challenge for the new PMO and important to strengthen the AFP's overarching administration of NPIs.

5.64 There is no clear policy or documentation supporting the current oversight arrangements. The approach to reporting on project finances and the realisation of key project benefits would benefit from greater guidance for project managers, more rigorous quality assurance and a more consistent adoption of implementation planning and project management methodologies.

5.65 As previously noted, the ANAO considers that the broad strategy developed by the AFP to improve organisational oversight of, and accountability for, the implementation of NPIs is sound. Regular exposure of progress reporting to the SLG and other key governance bodies assists in recognition of implementation issues, allowing the development of coordinated mitigation strategies, and building an overarching organisational awareness of the challenges and opportunities presented by NPIs individually and collectively.

5.66 Current arrangements limit the extent to which the AFP executive have clear visibility of, and assurance in relation to, the risks associated with the implementation of NPIs. Overall, there is considerable scope for the AFP to strengthen monitoring processes, promoting greater consistency and quality in the information provided to the executive, and to implement arrangements to strengthen organisational accountability and learning. Acknowledging that arrangements are continuing to evolve, the AFP would benefit from formalising and documenting policy, enhancing procedural and technical guidance, and ensuring the new PMO has the capacity and expertise to support its advising and oversight roles.

Recommendation No.3

5.67 To improve organisational capability, assurance and accountability, the ANAO recommends that the AFP:

- (a) clearly articulates the corporate strategy for planning, monitoring and managing the implementation of major new initiatives, including budget-funded NPIs, within the AFP;
- (b) establishes clear rules for the transition of NPIs from defined project management oversight to management in accordance with business as usual arrangements;

- (c) seeks early executive consideration and endorsement of the proposed strategy for planning, monitoring and managing the implementation of major new initiatives and the associated implementation arrangements; and
- (d) having regard to the experience of comparable public sector agencies, explores the resource requirements and operational procedures necessary to support implementation of the revised arrangements.

AFP response

5.68 The AFP agreed with the recommendation.

Recommendation No.4

5.69 To provide greater clarity and support effective organisational oversight of NPI implementation, the ANAO recommends the AFP:

- (a) develops guidance for project managers regarding implementation planning, project management and periodic reporting;
- (b) explores options for improving the quality and consistency of the financial data included in periodic reports; and
- (c) examines options for improving implementation feedback to the executive and the capture and dissemination of lessons learnt from project implementation.

AFP response

5.70 The AFP agreed with the recommendation.



Ian McPhee
Auditor-General

Canberra ACT
16 February 2011

Appendices

Appendix 1: NPIs involving the AFP since 2000–01

Table A 1

NPIs involving the AFP since 2000–01

Number	Measure Title	Appears in	Funding (\$m)
1	Continued Australian Police Presence in the UN Transitional Administration in East Timor	2000–01 Budget Paper 2	104.3
2	Protection of the National Information Infrastructure	2000–01 Budget Paper 2	0.2
3	Unauthorised arrivals in Australia—additional resourcing to investigate and detect organised people smuggling	2000–01 Budget Paper 2	16.1
4	Revised funding arrangements for the AFP Reform Programme and AFP adjustments scheme	1999–00 PAES and 2000–01 Budget Paper 2	38.0
5	Civilian Police for the UN Transition Administration in East Timor	2000–01 Budget Paper 2	26.2 (Note 1)
6	Microwave Video Link Capacity for law enforcement agencies	2000–01 Budget Paper 2	1.1
7	Australian Federal Police Reform Programme Stage 2	2001–02 Budget Paper 2	110.5
8	Back Capture of DNA samples from federal prisoners	2001–02 Budget Paper 2	0 (Note 2)
9	Payment to Australian Federal Police East Timor peacekeepers	2001–02 Budget Paper 2	3.1
10	Protection of the National Information Infrastructure	2001–02 Budget Paper 2	0.2
11	Additional funding to address unauthorised arrivals	2001–02 MYEFO and 2002–03 Budget Paper 2	0 (Note 3)
12	Australian Federal Police rapid response capability	2002–03 Budget Paper 2	6.0
13	Double the strike team capacity of the Australian Federal Police	2002–03 Budget Paper 2	44.7
14	Enhanced analytical and predictive crime capability for the Australian Bureau of Criminal Intelligence	2002–03 Budget Paper 2	9.6
15	Enhanced aviation security	2002–03 Budget Paper 2	144.8
16	Enhanced technical capacity	2002–03 Budget Paper 2	11.0

Number	Measure Title	Appears in	Funding (\$m)
17	Enhancement of protective security services	2002–03 Budget Paper 2	119.3
18	E-security national agenda	2002–03 Budget Paper 2	5.2
19	Expand the research and development capability of the Australian Federal Police	2002–03 Budget Paper 2	1.6
20	Expansion of the Law Enforcement Cooperation Programme	2002–03 Budget Paper 2	44.7
21	Extension of Project Axiom	2002–03 Budget Paper 2	19.6
22	Extension of the National Heroin Signature Programme (NHSP) to cocaine and amphetamines	2002–03 Budget Paper 2	4.7
23	Increased number of explosive detector dogs at Australian airports	2002–03 Budget Paper 2	4.4
24	Provision of five boats to the Indonesian Police	2002–03 Budget Paper 2	1.5
25	A Safer Australia—enhanced checking of aviation security identification card holders (includes revenue and outlays)	2003–04 Budget Paper 2	-1.5 (net value)
26	National Illicit Drugs Strategy—Australian Federal Police communications network	2003–04 Budget Paper 2	5.1 (Note 1)
27	National Illicit Drugs Strategy—Australian Federal Police Law Enforcement Cooperation Programme	2003–04 Budget Paper 2	8.7 (Note 1)
28	National Illicit Drugs Strategy—Australian Federal Police Overseas Liaison Network	2003–04 Budget Paper 2	5.9 (Note 1)
29	National Illicit Drugs Strategy—enhanced technical capacity for the Australian Crime Commission and the Australian Federal Police	2003–04 Budget Paper 2	4.0 (Note 1)
30	Australian Federal Police—continued funding for people smuggling strike team	2004–05 Budget Paper 2	17.4
31	Australian Federal Police—continued presence and support in Melanesia	2004–05 Budget Paper 2	20.3
32	Australian Federal Police—supplementation for Bali investigation costs	2004–05 Budget Paper 2	12.7 (Note 1)
33	East Timor—Support to the UN Mission	2004–05 Budget Paper 2	6.5
34	Investing in Australia's Security—Air Security Officer Programme	2004–05 Budget Paper 2	15.7

Number	Measure Title	Appears in	Funding (\$m)
35	Investing in Australia's Security—Critical Infrastructure Protection	2004–05 Budget Paper 2	0 (Note 3)
36	Investing in Australia's Security—Jakarta Centre for Law Enforcement Cooperation	2004–05 Budget Paper 2	36.8 (Note 1)
37	Investing in Australia's Security—rapid deployment capability	2004–05 Budget Paper 2	36.8
38	National Illicit Drugs Strategy—Additional Funding	2004–05 Budget Paper 2	0 (Note 3)
39	Papua New Guinea deployment	2003–04 PAES and 2004–05 Budget Paper 2	766.3
40	Solomon Islands—Health Services for Australian personnel	2004–05 Budget Paper 2	24.0
41	Solomon Islands—Regional Assistance Mission	2004–05 Budget Paper 2	93.9
42	Surveillance—enhanced capabilities and oversight	2004–05 Budget Paper 2	7.9
43	Aviation security—enhancement	2003–04 MYEFO and 2004–05 Budget Paper 2	12.5
44	Combating trafficking in persons—whole of government strategy	2003–04 MYEFO and 2004–05 Budget Paper 2	6.6
45	East Timor—Support for police and justice institutions	2003–04 MYEFO and 2004–05 Budget Paper 2	16.8
46	Solomon Islands—Regional Assistance Mission	2003–04 MYEFO and 2004–05 Budget Paper 2	122.0
47	Regional Assistance Mission to Solomon Islands	2005–06 Budget Paper 2	538.0
48	Providing for Australia's Security—AFP surge capacity expansion	2005–06 Budget Paper 2	21.9
49	Providing for Australia's Security—diplomatic guarding	2005–06 Budget Paper 2	120.0
50	Providing for Australia's Security—regional counter-terrorism assistance—biometric technology	2005–06 Budget Paper 2	7.6
51	Tsunami—Financial Assistance	2005–06 Budget Paper 2	4.9
52	Enhanced counter-terrorism capacity—Counter-terrorism teams	2004–05 MYEFO and 2005–06 Budget Paper 2	25.7 (Note 1)
53	Enhanced counter-terrorism capacity—intelligence officers and other specialists	2004–05 MYEFO and 2005–06 Budget Paper 2	17.0
54	Enhanced counter-terrorism capacity—counter-terrorism surveillance	2004–05 MYEFO and 2005–06 Budget Paper 2	34.2

Number	Measure Title	Appears in	Funding (\$m)
55	Enhanced counter-terrorism capacity—capacity building	2004–05 MYEFO and 2005–06 Budget Paper 2	9.1
56	Enhanced counter-terrorism capacity—language training	2004–05 MYEFO and 2005–06 Budget Paper 2	11.2
57	Jakarta bombing investigation	2004–05 MYEFO and 2005–06 Budget Paper 2	5.0
58	National child sex offenders strike team	2004–05 MYEFO and 2005–06 Budget Paper 2	35.0 (Note 1)
59	Australian Institute of Police Management—improved facilities	2004–05 MYEFO and 2005–06 Budget Paper 2	11.3
60	Protective Security—Australian Federal Police National Operations Centre	2004–05 MYEFO and 2005–06 Budget Paper 2	15.4 (Note 1)
61	Protective Security—Australian Federal Police surge capacity	2004–05 MYEFO and 2005–06 Budget Paper 2	14.2 (Note 1)
62	Identity security—establishing new strike teams	2006–07 Budget Paper 2	13.0
63	Missing persons—improving national coordination	2006–07 Budget Paper 2	3.9
64	National Security—continuing enhanced protective security services	2006–07 Budget Paper 2	111.6 (Note 1)
65	National Security—enhancing technical surveillance capacity	2006–07 Budget Paper 2	35.0
66	National Security—enhancing the collection, assessment and storage of sensitive intelligence	2006–07 Budget Paper 2	51.6
67	National Security—establishing Joint Airport Intelligence Groups	2005–06 PAES and 2006–07 Budget Paper 2	30.6 (Note 1)
68	National Security—funding Counter-Terrorism First Response Teams at airports	2006–07 Budget Paper 2	176.3 (Note 1)
69	National Security—improving community policing at airports	2006–07 Budget Paper 2	354.6
70	National Security—maintaining telecommunications interception capability	2006–07 Budget Paper 2	8.7
71	National Security—regional law enforcement liaison and capacity building	2006–07 Budget Paper 2	25.0
72	Operation Wickenby—addressing offshore tax schemes	2005–06 PAES and 2006–07 Budget Paper 2	59.1

Number	Measure Title	Appears in	Funding (\$m)
73	Securing Borders against Illegal Foreign Fishing—enhanced regional engagement	2006–07 Budget Paper 2	1.6
74	Australia-Turkey Bilateral Relations and Cooperation	2005–06 MYEFO and 2006–07 Budget Paper 2	2.5 (Note 1)
75	Aviation Security—Airport Police Commanders	2005–06 MYEFO and 2006–07 Budget Paper 2	21.1
76	Aviation Security—establishing Joint Airport Investigations Teams	2005–06 MYEFO and 2006–07 Budget Paper 2	36.5
77	National Security—establishing a Chemical Warfare Agent Laboratory Network	2005–06 MYEFO and 2006–07 Budget Paper 2	2.5 (Note 1)
78	National Security—establishing a Chemical, Biological, Radiological and Nuclear Data Centre	2005–06 MYEFO and 2006–07 Budget Paper 2	17.3 (Note 1)
79	Sudan—providing an Australian Federal Police Contribution for the UN Mission in Sudan	2005–06 MYEFO and 2006–07 Budget Paper 2	3.7
80	Addressing violence and child abuse in Indigenous Communities—Joint strike teams	2006–07 MYEFO	1.9
81	Addressing violence and child abuse in Indigenous communities—National Indigenous Violence and Child Abuse Intelligence Task Force	2006–07 MYEFO	1.2
82	Australian Federal Police—international deployments	2006–07 MYEFO	493.2 (Note 1)
83	Australian Federal Police—accommodation scoping study	2007–08 Budget Paper 2	3.3
84	Australian Federal Police—contribution to Afghanistan	2007–08 Budget Paper 2	7.3 (Note 1)
85	Australian Federal Police—contribution to East Timor	2007–08 Budget Paper 2	67.2 (Note 1)
86	Australian Federal Police—future operational systems	2007–08 Budget Paper 2	65.2 (Note 1)
87	Cole Inquiry—possible criminal offences	2006–07 PSAES and 2007–08 Budget Paper 2	10.2
88	Combating illicit drugs—enhanced Australian Federal Police investigative capacity	2007–08 Budget Paper 2	5.9

Number	Measure Title	Appears in	Funding (\$m)
89	Combating illicit drugs—expansion of the Australian Federal Police international liaison officer network	2007–08 Budget Paper 2	4.4
90	Combating illicit drugs—National Illicit Drug Strategy—enhanced technical capacity	2007–08 Budget Paper 2	4.0 (Note 1)
91	Combating trafficking in persons—extension and expansion	2007–08 Budget Paper 2	9.1
92	Intellectual property crime—investigation and prosecution	2007–08 Budget Paper 2	8.3
93	National Illicit Drug Strategy—Australian Federal Police communications network	2007–08 Budget Paper 2	5.2 (Note 1)
94	National Illicit Drug Strategy—Australian Federal Police law enforcement cooperation programme	2007–08 Budget Paper 2	8.8 (Note 1)
95	National Illicit Drug Strategy—Australian Federal Police overseas liaison network	2007–08 Budget Paper 2	6.0 (Note 1)
96	Strategy to prevent people smuggling—increased human source capacity for the Australian Federal Police	2007–08 Budget Paper 2	4.8
97	Strengthening National Security—aviation security accommodation	2007–08 Budget Paper 2	151.4
98	Strengthening National Security—implementing the Anti-Terrorism Act (No.2) 2005	2007–08 Budget Paper 2	20.5 (Note 3)
99	Strengthening National Security—Reducing national e-security risk	2007–08 Budget Paper 2	15.6 (Note 3)
100	Sudan—providing an Australian Federal Police contribution for the United Nations Mission in Sudan	2007–08 Budget Paper 2	2.5
101	NetAlert—Protecting Australian Families Online—additional resourcing	2007–08 MYEFO	43.0
102	Northern Territory Emergency Response—promoting law and order	2007–08 MYEFO	25.9
103	Australian Federal Police—Regional Assistance Mission to Solomon Islands	2008–09 Budget Paper 2	5.6
104	Australian Federal Police retention and recruitment program	2008–09 Budget Paper 2	25.0
105	Cyber-safety Plan	2008–09 Budget Paper 2	49.0
106	National Security—Air Security Officer program	2008–09 Budget Paper 2	8.4 (Note 1)

Number	Measure Title	Appears in	Funding (\$m)
107	National Security—counter-terrorism rapid deployment capability	2008–09 Budget Paper 2	34.1 (Note 1)
108	Office of National Security—establishment	2008–09 Budget Paper 2	-0.4
109	Overseas development assistance—assistance to Iraqi Police Service	2008–09 Budget Paper 2	13.8
110	Overseas development assistance—Australian Federal Police contribution to Afghanistan	2008–09 Budget Paper 2	0 (Note 2)
111	Overseas development assistance—enhanced Australian Federal Police deployment to Afghanistan	2008–09 Budget Paper 2	47.0
112	Overseas development assistance—Pacific Police Development Program	2008–09 Budget Paper 2	74.9
113	Overseas development assistance—Timor-Leste Police Development Program	2008–09 Budget Paper 2	53.6
114	Responsible Economic Management—Australian Federal Police—termination of residential and accommodation leases in Papua New Guinea	2008–09 Budget Paper 2	-0.7
115	Responsible Economic Management—Australian Federal Police airport liaison officer network	2008–09 Budget Paper 2	-1.5
116	Responsible Economic Management—Australian Federal Police surge capacity	2008–09 Budget Paper 2	-2.5
117	Responsible Economic Management—International Deployment Group workforce re-phasing	2008–09 Budget Paper 2	-10.0
118	Responsible Economic Management—National Security—regional rapid deployment teams	2008–09 Budget Paper 2	-2.2
119	Responsible Economic Management—Protecting Australian Families Online	2008–09 Budget Paper 2	-51.8
120	Sworn Australian Federal Police officers—increase	2008–09 Budget Paper 2	191.9 (Note 1)
121	Africa—law and justice frameworks—Australian assistance	2009–10 Budget Paper 2	4.8
122	Air Security Officer program—continuation	2009–10 Budget Paper 2	8.5 (Note 1)
123	Contribution to the United Nations Mission in Sudan	2009–10 Budget Paper 2	2.7

Number	Measure Title	Appears in	Funding (\$m)
124	Increase Australia's law enforcement contribution to Pakistan	2009–10 Budget Paper 2	18.7
125	Logistics and security arrangements for the deployment in Afghanistan—further efficiency	2009–10 Budget Paper 2	-19.3
126	Aviation security—Airport Police Commanders	2009–10 Budget Paper 2	5.2
127	Aviation security—Airport Uniform Police supplementary funding	2009–10 Budget Paper 2	9.0
128	Aviation security—Joint Airport Investigation Teams	2009–10 Budget Paper 2	9.1
129	Aviation security—Unified Policing Model—lease and operating costs for accommodation	2009–10 Budget Paper 2	Not published (Note 4)
130	Border protection—combating people smuggling—enhancing Australian Federal Police and regional capability	2009–10 Budget Paper 2	41.5
131	Cole Inquiry Taskforce—continuation of funding	2009–10 Budget Paper 2	1.4
132	Diplomatic Guarding program—continuation of funding	2009–10 Budget Paper 2	122.4 (Note 1)
133	Fighting terrorism at its source	2009–10 Budget Paper 2	82.8 (Note 1)
134	Global terrorism—enhancing Australia's commitment to Afghanistan	2009–10 Budget Paper 2	6.9
135	Jakarta Centre for Law Enforcement Cooperation— continuation	2009–10 Budget Paper 2	26.7 (Note 1)
136	Overseas development assistance—Regional Assistance Mission to Solomon Islands—continuation	2009–10 Budget Paper 2	436.3 (Note 1)
137	Police Aviation Liaison Officers—continuation of funding	2009–10 Budget Paper 2	1.5 (Note 1)
138	Regional Rapid Deployment Teams—continuation of funding	2009–10 Budget Paper 2	18.3 (Note 1)
139	Strategic compliance—continuing to address the abuse of tax havens	2009–10 Budget Paper 2	22.8
140	Surge Capacity Phase Two—continuation of funding	2009–10 Budget Paper 2	19.7 (Note 1)
141	Internally Funded Capital Program	2009–10 Budget Paper 2	-34.0

Number	Measure Title	Appears in	Funding (\$m)
142	Australian Federal Police—Funding for the Timor-Leste Emergency Response	2009–10 MYEFO	1.5 (Note 1)
143	Australian Federal Police—increase to the criminal history check fee	2009–10 MYEFO	1.2
Total			5,945.9

Source: ANAO analysis of Budget Papers, including Budget Paper No. 2, Portfolio Budget Statements (PBS), the Mid-Year Economic Fiscal Outlooks (MYEFO), the Portfolio Additional Estimates Statements (PAES) and the Portfolio Supplementary Additional Estimates Statements (PSAES), from 2000–01 to 2009–10.

Note 1: The funding allocation for this measure was not explicitly identified in the relevant Budget Papers (generally as some or all funding for the measure had already been included in the forward estimates). Accordingly, the estimated total funding figures reflect statements made in the relevant Budget Papers and/or the previously advised cost of ongoing measures.

Note 2: The cost of the NPI was absorbed by the AFP's core budget.

Note 3: The level of funding provided to the AFP is not specified in the Budget Papers.

Note 4: AFP have advised that this information has not been published and remains commercially sensitive.

Appendix 2: Establishment of the Australian Federal Police

This limited overview of the administrative arrangements that preceded the establishment of the Australian Federal Police (AFP) in 1979 has been prepared to provide context for the consideration of the AFP's subsequent organisational development and its response to the emerging challenges of the late 1990s and early 2000s.

A Commonwealth Police Force was established in 1917 by regulation issued under the *War Precautions Act 1914*¹⁰⁷ to 'protect Commonwealth interests and prevent insurrection'.¹⁰⁸ Although only operating in this form for two years, it was abolished in 1919 and its principal functions taken over by the newly established Commonwealth Investigation Branch (CIB) within the AGD.¹⁰⁹ The CIB was replaced in 1946 by the Commonwealth Investigation Service (CIS). In 1960, the CIS and the Peace Office Guard (who were formed in 1925 to provide protective security services) were joined to form a new body also known as the Commonwealth Police Force.¹¹⁰

A separate Federal Capital Territory (ACT) Police Force, to enforce local laws in the ACT and also to guard Government House, was established in 1927.¹¹¹ Aside from a temporary administrative rearrangement of policing resources in 1975¹¹², the Commonwealth Police and ACT Police forces were the primary federal policing agencies up to 1978.

On 13 February 1978, a bomb exploded outside Sydney's Hilton Hotel during the first Commonwealth Heads of Government Regional Meeting. Three

¹⁰⁷ The *War Precautions Act 1914* was an Act of the Parliament of Australia which gave the Government of Australia special powers for the duration of World War I and for six months afterwards.

¹⁰⁸ J Byrnes, 'Warwick Incident Anniversary', *Platypus Magazine*, Edition 96 September 2007, pp. 33–37.

¹⁰⁹ <<http://www.aph.gov.au/library/intguide/law/crimlaw.htm>> [accessed 12 August 2010].

¹¹⁰ <<http://www.naa.gov.au/collection/explore/security/index.aspx>> [accessed 12 August 2010].

¹¹¹ J Byrnes, 'Warwick Incident Anniversary', *Platypus Magazine*, Edition 96 September 2007, pp. 33–37.

¹¹² In March 1975, the Commonwealth Police Force and the ACT Police Force were brought together administratively, along with the Northern Territory Police and the Narcotics Bureau of the Department of Customs and Excise, to form the Australia Police. Legislation to formalise these arrangements was introduced into the Parliament in late 1975 but lapsed following the change of government in December 1975, and the administrative changes were subsequently reversed, available from <http://recordsearch.naa.gov.au/SearchNRetrieve/Interface/DetailsReports/AgencyDetail.aspx?reg_no=CA%201892> [accessed 12 August 2010].

people were killed, with several others injured.¹¹³ The Federal government subsequently engaged Sir Robert Mark, a former Commissioner of the London Metropolitan Police, to investigate and advise on the organisation of federal police resources, and measures for protective security and counter terrorism on a nation-wide basis.

Sir Robert's report (the Mark Report)¹¹⁴, delivered to the Government in April 1978, favoured the creation of 'a police system for the whole of Australia, comprising operationally autonomous police forces and a national investigative agency controlled in equal partnership, by central and State governments' rather than the more limited reform options possible within the terms of reference given to Sir Robert. Consequently, having set out his reservation, the balance of the Mark Report addressed the arrangement of existing federal police resources.

The Mark Report concluded that the existing arrangements were 'lacking in important factors essential for effectiveness and public confidence' and recommended combining the Commonwealth Police and the ACT Police forces to create a new police force to be called the Australian Federal Police (AFP). The report set out six ongoing roles for the AFP:

- policing of the ACT;
- investigating infringement of Commonwealth laws;
- coordination of training and support for counter-terrorist activities;
- Special Branch duties within Commonwealth territory¹¹⁵;
- escort of VIPs and coordination of protection by State governments and police; and
- provision of federal officers to other Commonwealth investigative agencies (such as the Narcotics Bureau).

Sir Mark envisaged a temporary role for the AFP in policing at airports, pending the transfer of the function to State police.¹¹⁶

¹¹³ <<http://www.abc.net.au/gnt/history/Transcripts/s1202891.htm>> [accessed 4 November 2010].

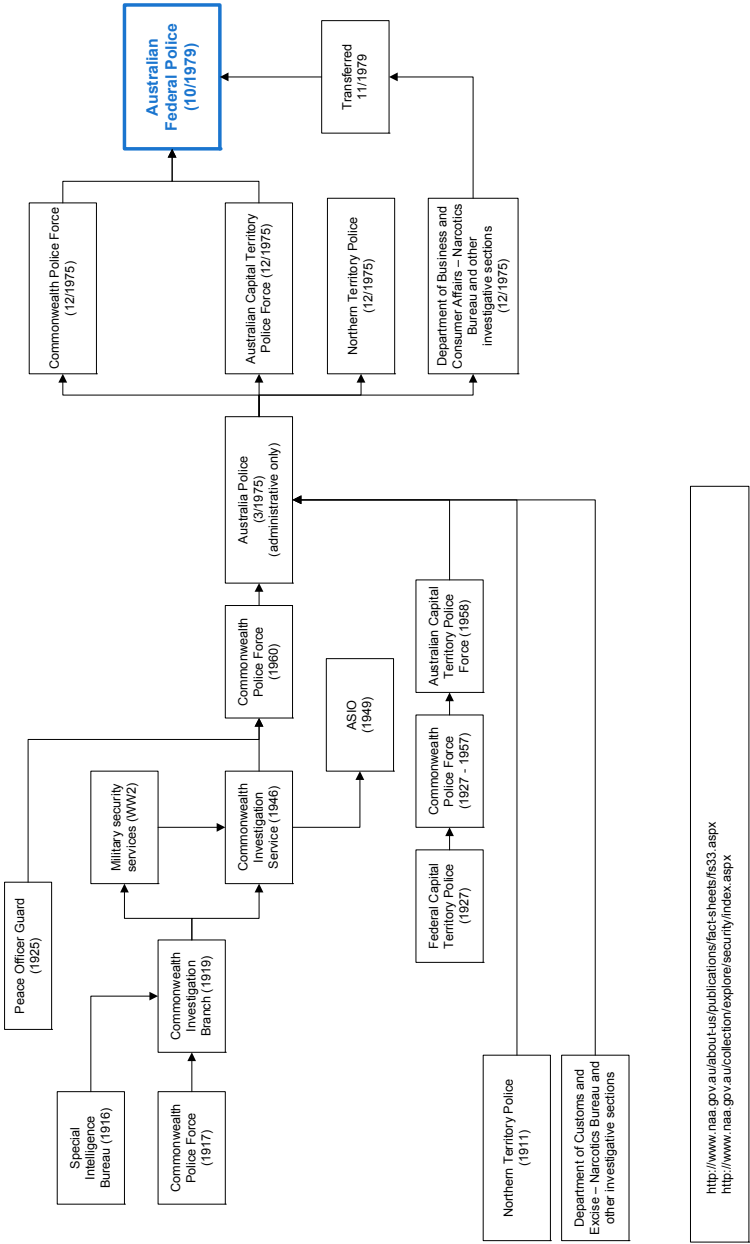
¹¹⁴ R Mark, *Report to the Minister for Administrative Services on the Organisation of Police Resources in the Commonwealth Area and Other Related Matters*, Australian Government Publishing Service, Canberra 1978.

¹¹⁵ Such activities being primarily concerned with gathering information about threats to public order (either internal or external) and providing assistance to the security services.

A bill to establish an Australian Federal Police Force was introduced into the Commonwealth Parliament on 10 May 1979. The bill was passed by the House of Representatives on 6 June 1979 and the Senate on 8 June 1979, and received Royal Assent on 15 June 1979. Subsequently, Sir Colin Woods, then Chief Inspector of Constabulary for England and Wales, was appointed as the first Commissioner of the Australian Federal Police. The AFP commenced operations on 19 October 1979 (the date that the *Australian Federal Police Act 1979* (the Act) was proclaimed).

¹¹⁶ R Mark, *Report to the Minister for Administrative Services on the Organisation of Police Resources in the Commonwealth Area and Other Related Matters*, Australian Government Publishing Service, Canberra 1978, pp. 12–13.

Figure A 1
The formation of the AFP



Source: Various.

Appendix 3: Ministerial Directions under s. 37(2) of the Australian Federal Police Act 1997

Table A 2

Directions under s. 37(2)¹¹⁷ of the Australian Federal Police Act 1997

Number	Date	Scope	Reference
NA ¹¹⁸	9 August 1979	Initial charter indicating the broad objectives for the AFP	<i>AFP Annual Report 1980–81</i> , p. 51 (not reproduced)
1	23 October 1979	Limited to dissemination of information by the AFP	<i>AFP Annual Report 1990–91</i> , p. 201 (reproduced in full)
2	undated	General policy statement	<i>AFP Annual Report 1980–81</i> , p. 51 (reproduced in full)
3	9 September 1981	Limited to collection, maintenance of and access to police records	<i>AFP Annual Report 1990–91</i> , p. 200 (reproduced in full)
4	15 August 1985	General policy statement	<i>AFP Annual Report 1990–91</i> , p. 198 (reproduced in full)
5	24 December 1986	Limited to road rescue services in the ACT	<i>AFP Annual Report 1990–91</i> , p. 197 (reproduced in full)
6	4 December 1991	General policy statement	<i>AFP Annual Report 1991–92</i> , p. 176 (reproduced in full)
7	23 December 1994	General policy statement	<i>AFP Annual Report 1994–95</i> , p. 107 (reproduced in full)
8	30 April 1995	Limited to dealing with the disclosure of information by the AFP	<i>AFP Annual Report 1995–96</i> , p. 4 (not reproduced) ¹¹⁹
9	25 February 1999	General policy statement	<i>AFP Annual Report 1998–99</i> , p. 79 (reproduced in full)

¹¹⁷ In July 2000, s. 13(2) of the Act became s. 37(2) of the Act. While the numbering changed, the provision remained the same. Accordingly, directions prior to July 2000 were, at that time, issued pursuant to s. 13(2) of the Act.

¹¹⁸ This initial statement of expectations was issued prior to the proclamation of the Act on 19 October 1997 and accordingly cannot be considered to be a formal Ministerial direction pursuant to the s.37(2). However, it is of a similar character to subsequent directions and sets out the Government's expectations in regard to the priorities and performance of the AFP.

¹¹⁹ The reference in the Annual Report suggests that a copy of the direction is included at Appendix 10 of that document, however Appendix 10 consists only of a reproduction of the 23 December 1994 direction.

Number	Date	Scope	Reference
10	27 September 2000	Limited to people smuggling and unauthorised arrivals	<i>AFP Annual Report 2001–02</i> , p. 8 (not reproduced therein but published on the agency web site)
11	31 August 2004	General policy statement	<i>AFP Annual Report 2004–05</i> , p. 7 (not reproduced in full therein but published on the agency website)
12	12 October 2007	General policy statement	<i>AFP Annual Report 2007–08</i> , p. 10 (not reproduced in full therein but published on the agency website)
13	28 August 2008	General policy statement	<i>AFP Annual Report 2008–09</i> , p. 10 (not reproduced in full therein but available from the agency website)
14	14 April 2010	General policy statement	Not published – see Direction of 1 July 2010
15	1 July 2010	Reiteration of 14 April 2010 direction, with an additional requirement to consult on resource reallocation in certain circumstances	Available from the agency website.

Source: AFP records, ANAO Analysis of AFP Annual Reports.

Appendix 4: Current Ministerial Direction under subsection 37(2) of the *Australian Federal Police (AFP) Act 1979*¹²⁰

This Ministerial Direction is issued under subsection 37(2) of the Australian Federal Police (AFP) Act 1979 and outlines the Government's priorities and expectations for the AFP. Under section 37(1) of the Act, the Commissioner has the general administration, and the control of the operations, of the AFP. It supersedes the Direction issued on 25 August 2008.

The AFP is the Australian Government's primary law enforcement agency. It is Australia's international law enforcement and policing representative and the chief source of advice to the Government on policing issues. AFP functions are set out in section 8 of the AFP Act 1979. Within that framework, the AFP pursues clearly defined outcomes agreed by the Government.

The Government is committed to the goal of the AFP being a law enforcement agency second to none. It is also committed to ensuring the AFP is adequately positioned and appropriately resourced to deal with a complex and shifting law enforcement environment.

My expectation of the AFP, where appropriate in partnership with other Commonwealth agencies, is to address the following key strategic priorities:

- Countering the threat of terrorism to the safety and security of Australians and Australian interests, inside and outside Australia, including through countering violent extremism;
- Supporting the implementation of the Commonwealth Organised Crime Strategic Framework and preventing, deterring, disrupting and investigating serious and organised criminal activities impacting on the interests of the Australian community;
- Safeguarding the economic interests of the nation from criminal activities such as serious fraud, money laundering, corruption, intellectual property crime and technology enabled crime;

¹²⁰ Reproduced from <<http://www.afp.gov.au/about-the-afp/governance/ministerial-direction.aspx>> [accessed 28 October 2010].

- Contributing effectively to Australia's border management and security, particularly protecting Australia from people smuggling, including prevention, deterrence and disruption;
- Contributing effectively to the Government's international law enforcement interests including matters involving cooperation to combat transnational organised crime, responses to emergencies, law and order capacity building missions, and participation in internationally mandated peace operations;
- Countering the threat of cyber-crime including through achieving and maintaining a technological edge over criminals;
- Leading and managing the law enforcement and crime prevention aspects of aviation security;
- Ensuring that specific individuals, establishments and events, identified by the Australian Government as being at risk, are protected;
- Implementing the relevant recommendations of the Federal Audit of Police Capabilities New Realities: National Policing in the 21st Century, particularly achieving a revised program structure and consolidation of most of the core, lapsing and terminating funding into base funding; and enhancing core investigative capabilities;
- Contributing actively to broader government programs or initiatives where their successful implementation requires the engagement of law enforcement capabilities;
- Where possible identifying emerging criminal threats to the national interest and, for issues in which the AFP have operational expertise, advising on appropriate approaches, to counter such threats.

In performing its functions and prioritising its activities I expect the AFP to adhere to Government policies and to:

- Work cooperatively and collaboratively with Australian Government, State and Territory Government and international counterpart departments and agencies in developing, implementing and managing national security, law enforcement and crime prevention policies, and operational activities, including through information and intelligence sharing;

- Take account of the Government's long-standing opposition to the application of the death penalty, in performing its international liaison functions;
- Continue to develop, implement and manage advanced information and support systems that enable the sharing of criminal information and intelligence among law enforcement and intelligence agencies;
- Maintain and enhance a professional culture, based on AFP core values, that ensures the community's confidence is maintained at all times including through effective policing and the AFP workforce respecting and reflecting the diversity of the Australian community;
- Maintain a contemporary workforce strategy encompassing attraction and retention strategies in relation to Australians from all backgrounds;
- Build a relationship of trust with the indigenous community through the expansion of indigenous recruitment, enhancement of cultural sensitivity within its workforce and improved engagement with Aboriginal and Torres Strait Islander people, including maintaining its Reconciliation Action Plan and Indigenous Employment Strategy;
- Manage AFP resources efficiently and effectively in accordance with the Financial Management and Accountability Act 1997 and the Finance Minister's Orders;
- Maintain a high standard of corporate governance, including risk management, through legislative compliance and fostering a culture of continuous improvement;
- Protect privacy, occupational health and safety and workplace diversity.

Reporting

- The Government expects the AFP to report regularly to the Minister for Home Affairs on its performance. The Government also expects the AFP to report biannually on the nature and number of cases where information is provided to foreign law enforcement agencies in cases involving the death penalty. Consistent with the outcomes of the Attorney-General's 2009 review, the AFP should take account of the Governments' long standing opposition to the application of the death penalty;

- Be responsive to requests from the Government, my Office and the Department and keep me informed about significant events related to the AFP's activities through clear, concise and timely advice, particularly in relation to issues which may affect the AFP's capacity to achieve the priorities outlined above or functions under the AFP Act 1979;
- From July 1 2010, and consistent with the accountability expected as a result of the new AFP appropriations arrangements announced in the 2010/11 Budget, I expect the AFP to consult me when considering any significant reallocation of resources. Should the AFP be considering a reallocation of resources that may impact upon the implementation of the strategic priorities set out in this Ministerial Direction, or may impact upon the implementation of strategic government priorities, the AFP Commissioner or his nominee will consult me and other relevant Ministers prior to finalising these deliberations.

I also ask that you consult with my Department if for any reason you believe any of these priorities may not be achievable or if you believe the list of priorities should be amended.

The Hon Brendan O'Connor MP
Minister for Home Affairs
1 July 2010

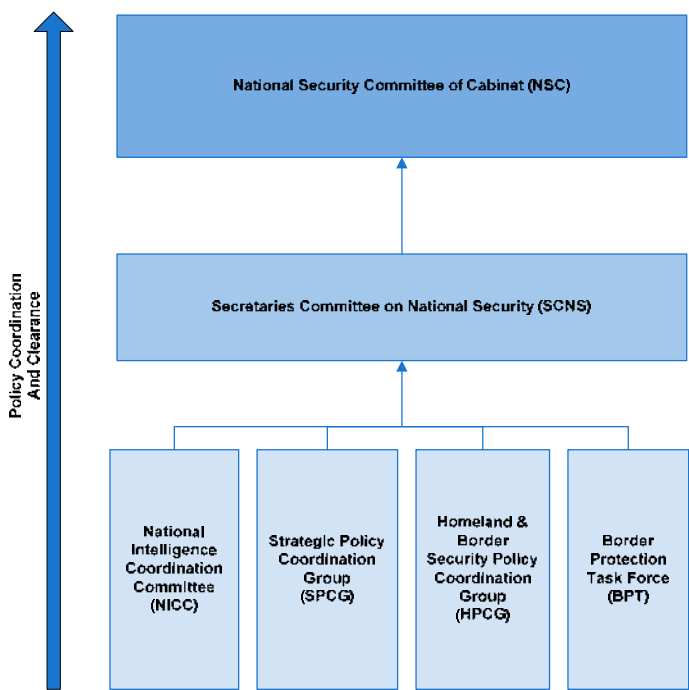
Appendix 5: The National Security Governance and Policy Framework

This broad overview of the National Security Governance and Policy Framework provides context to the consideration of the relationship of the AFP's strategic governance and planning arrangements with broader Government policy and process.

Cabinet is the apex of executive government. Meeting regularly, it sets the broad directions of government, takes the most important decisions facing a government and resolves potential conflicts within government. Some work of the Cabinet is dealt with by its committees, including dealing with the highly sensitive, for example, revenue or security matters. The National Security Committee of Cabinet (NSC) was established to provide an appropriate forum for decision-making on national security matters.

Figure A 2

National Security Coordination



Source: Department of Defence, *The Strategy Framework 2010*, Commonwealth of Australia, 2010 p. 13. PM&C advised the ANAO that the Border Protection Committee (included in *The Strategy Framework 2010*) was dissolved in July 2010 and that all people smuggling and border security matters for Cabinet consideration are now addressed through the NSC or full Cabinet.

The NSC is chaired by the Prime Minister. Other standing members are the Deputy Prime Minister, the Cabinet Secretary, the Attorney-General, the Treasurer, the Minister for Foreign Affairs, the Minister for Defence and the Minister for Immigration and Citizenship. The Minister for Finance and Deregulation is co-opted for expenditure matters. The NSC can make decisions without reference to the full Cabinet, though the Cabinet remains fully informed.

The officials who attend NSC include the Secretaries of the Departments of the Prime Minister and Cabinet, Treasury, Defence, Foreign Affairs and Trade, Immigration and Citizenship and Attorney-General's as well as the National Security Adviser, the Chief of the Defence Force and the Directors-General of the Office of National Assessments, Australian Security Intelligence Organisation and Australian Secret Intelligence Service. No official directly represents the AFP at NSC. Ministers and officials exchange advice and views so that Ministers have the best information to make a decision.¹²¹

The Secretaries' Committee on National Security is the senior inter-departmental committee supporting the National Security Committee. It considers all matters to be put before the National Security Committee and has a strong role in ensuring that Australia maintains a coordinated policy approach on all national security issues.

The Secretaries' Committee on National Security is chaired by the Secretary of the Department of the Prime Minister and Cabinet with the National Security Adviser as Deputy Chair. Other members are the Secretaries of the Departments of Treasury, Defence, Foreign Affairs and Trade, Immigration and Citizenship and Attorney-General's, the Chief of the Defence Force, the Commissioner of the AFP, the Chief Executive Officers of Customs and the Australian Crime Commission, and the Directors-General of the Office of National Assessments, Australian Security Intelligence Organisation and Australian Secret Intelligence Service.

The National Security Adviser is the source of advice to the Prime Minister on all policy matters relating to the security of the nation and oversees the

¹²¹ More detailed descriptions of the governance framework for Australia's national security are provided in the Department of Defence, *The Strategy Framework 2010*, Commonwealth of Australia 2010, and A Gynge, *National Security Lecture*, University of Canberra, 28 May 2010, available from <<http://www.ona.gov.au/about-ona/for-the-record/national-security-lecture-by-allan-gynge.html>> [accessed 4 November 2010].

implementation of all national security policy arrangements. Assisted by the National Security and International Policy Group within the Department of the Prime Minister and Cabinet, the National Security Adviser's responsibilities complement the roles and responsibilities of the heads of individual national security agencies by enhancing whole-of-government coordination.

Key coordinating committees within the National Security Framework, in which the AFP participates, include:

- the National Intelligence Coordination Committee (NICC), which seeks to ensure that Australia's foreign, security and law enforcement intelligence activities are closely aligned and consistent with national security priorities, and that the national intelligence effort is effectively integrated. The National Intelligence Coordination Committee is chaired by the National Security Adviser;
- the Strategic Policy Coordination Group (SPCG), which coordinates key policy issues affecting Australia's international strategic concerns. The Strategic Policy Coordination Group is chaired by the Deputy National Security Adviser;
- the Homeland and Border Security Policy Coordination Group (HPCG), which acts on national security issues of a domestic nature in a similar coordination role as the Strategic Policy Coordination Group. The Homeland and Border Security Policy Coordination Group is also chaired by the Deputy National Security Adviser; and
- the Border Protection Task Force (BPT), which develops policy advice and provides expert input from across government to better coordinate and streamline arrangements to manage and respond to irregular maritime arrivals. The National Security Adviser chairs the Border Protection Task Force.

The Government's national security policy framework was set out broadly in the Prime Minister's National Security Statement of 4 December 2008.¹²² The National Security Statement expanded the traditional framework for considering national security matters to include 'non-traditional threats', including transnational crime—such as trafficking in persons, drugs and arms;

¹²² <<http://pmrudd.archive.dpmc.gov.au/node/5424>> [accessed 13 August 2010].

people smuggling and the illegal exploitation of resources—and serious and organised crime.

Subsequently, the *2009 Federal Audit of Police Capabilities* noted that policing had been recognised as a central component of national security, but suggested the need for a comprehensive approach to ordering priorities and budgets directed at enforcing criminal law at the Commonwealth level. The report suggested:

National Security strategic planning, budget and other complementary processes should take a broad approach to considering the national interests that are vulnerable to criminality as a basis for driving priority setting. It would be desirable to develop whole of government plans dealing with strategies to protect these national interests.¹²³

The Government has since made a number of major policy announcements detailing its strategy for responding to major areas of interest within the broad national security framework. These statements provide further policy context for the Commissioner's administration of the AFP and include:

- the 2009 Commonwealth Organised Crime Strategic Framework;
- the 2009 Strategic Border Management Plan;
- the 2009 National Aviation Policy White Paper;
- the 2010 Counter-Terrorism White Paper; and
- the 2010 Critical Infrastructure Resilience Strategy.

At the same time, the Government has moved to strengthen arrangements that enhance coordinated national security policy and action by establishing a National Security Strategic Policy Framework. As part of the Framework:

- the National Security Adviser periodically coordinates an evaluation of the performance of agencies with national security responsibilities, and provides feedback to the Prime Minister and the national security community;
- the Government periodically reviews its national security priorities; and

¹²³ Allen Consulting Group, *New Realities: National Policing in the 21st Century (Federal Audit of Police Capabilities)*, 30 June 2009, p. 7.

- the Government annually agrees national security spending in the Budget context. The Coordinated National Security Budget process seeks to promote the optimal allocation of resources to achieve the Government's national security priorities, informed by advice provided by the National Security Adviser

The Strategic Policy Framework is supported by a range of tools and products, including an assessment, coordinated by the Office of National Assessments, of Australia's national security challenges, including changes in the strategic environment that might affect Australia's national security for the coming three to five years.

Index

A

Attorney-General's Department, 18, 31–32, 44, 64, 66–68, 130

Audit Committee, 57–58, 71, 89, 152

Australian Customs and Border Protection Service (Customs), 22, 70–71, 85, 94, 110, 130, 141

B

Beale Review 2009 (*Federal Audit of Police Capabilities*), 14, 30–31, 33, 40–42, 55, 137, 143

Budgets and Monitoring Committee, 53–56

C

Cabinet Implementation Unit, 16, 19, 41, 77–78, 88, 95, 113

Centre of excellence, 21–22, 98, 106–107, 108, 115

Closure reporting, 110–111

D

Department of Finance and Deregulation, 31, 61, 64, 66, 93, 114

Department of the Prime Minister and Cabinet, 7, 22, 41, 44–46, 60, 68, 74–77, 86–87, 95, 97, 113, 140–142

Downie Review 2006 (*Australian Federal Police – Review of Policy Capability*), 49–50, 61

E

Early Review 2007 (*Strategic Review of the AFP's Financial Outlook*), 50

Executive Management Board, 48, 50

Expenditure - AFP, 11, 32, 35, 37, 39–41, 61, 64, 79, 85, 88, 99, 103, 105, 112, 141

F

Firearms and Explosive Detection Dogs (FEDD), 69–70, 72

K

Key committee framework, 51–54

M

Mark Report 1978 (*Report to the Minister for Administrative Services on the Organisation of Police Resources in the Commonwealth Area and Other Related Matters*), 131–132

Ministerial Directions, 6, 29, 30, 45, 134

N

National Security Committee of Cabinet, 45, 64, 70, 140–141

New Policy Initiative development, 16, 18–19, 44, 60–62, 65, 78, 92

New Policy Proposal Coordination Committee (NPPCC), 17–18, 61–63, 65

NPI executive reporting, 16–17,
19–20, 79–80, 82, 87, 89, 94–95,
97–101, 104–105, 111

NPI implementation planning, 13,
16–17, 19–21, 26, 44, 61, 63, 65,
71–72, 74, 76–78, 86–88, 95–96,
104–105, 116–117

O

Outcomes - AFP, 31–32, 37

P

Performance & Budget Monitoring
Committee, 53, 55–56

Portfolio, Programme and Project
Management – P3M3, 8, 114–115

PRINCE2, 65, 80, 83–84, 87, 89–91,
108–109

Program Monitoring and Oversight
Team, 79–94, 100, 102, 104,
107–110, 113, 115

Project Management Office - AFP,
17, 20, 23, 65, 84, 86, 93–94, 96,
100, 105–106, 108–111, 116

R

Risk management - AFP, 18, 20,
57–59, 72, 76, 89, 95, 138

Robinson Review 2007 (*Review of
Governance & Executive Structure
of the Australian Federal Police*),
49–50, 76, 92

Robinson Review 2008 (*Review of
the Australian Federal Police
Functional Business Model*), 49–50

S

Staffing - AFP, 11, 15, 32, 35–36, 40,
49, 56, 70, 85–86

Strategic Investment Committee,
18, 52–54, 65, 105

Strategic Leaders Group, 21, 50–51,
53, 61–63, 67, 82, 100, 105, 116

T

Training - AFP, 19–20, 30, 33, 70, 80,
83, 90–91, 95, 109, 124, 131, 149

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Building Better Financial Management Support	Nov 1999
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