

The Auditor-General  
ANAO Report No.45 2017–18  
Performance Audit

# **The Integration of the Department of Immigration and Border Protection and the Australian Customs and Border Protection Service**

Department of Home Affairs

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Canberra ACT

6 June 2018

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Home Affairs titled *The Integration of the Department of Immigration and Border Protection and the Australian Customs and Border Protection Service*. The audit was conducted 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 to the Parliament.

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

Yours sincerely

Grant Hehir  
Auditor-General

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

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# Summary and recommendations

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## Background

1. In February 2014, the National Commission of Audit (NCOA) recommended:  
... that a single, integrated border agency, to be known as Border Control Australia, be established through the merger of the border control functions of the Department of Immigration and Border Protection and the Australian Customs and Border Protection Service.
2. On 9 May 2014, the Minister for Immigration and Border Protection announced that the government would carry out this recommendation and integrate Australia's immigration and customs functions into a single entity—the Department of Immigration and Border Protection (DIBP—the department). The Australian Border Force (ABF), headed by a Commissioner, would be established within the department as the 'frontline operational border agency'. The new department and the ABF came into existence on 1 July 2015, and operated under this nomenclature through to 2017.
3. On 18 July 2017, while this audit was in progress, the Prime Minister announced that the government had decided to establish a Home Affairs portfolio. From 20 December 2017, the Department of Home Affairs has assumed all of the department's functions (including the ABF) in addition to functions from each of the Departments of Prime Minister and Cabinet; Social Services; Infrastructure and Regional Development and the Attorney-General's department.
4. In addition to the ABF, the Home Affairs portfolio also includes the following entities:
  - the Australian Federal Police;
  - the Australian Criminal Intelligence Commission;
  - the Australian Transaction Reports and Analysis Centre; and
  - the Australian Security Intelligence Organisation.
5. This audit principally focusses on the period May 2014 to December 2017, while the department was known as DIBP. However, some of the department's responses to ANAO inquiries occurred after it became the Department of Home Affairs. For simplicity, this report refers to 'the department' to signify both the Department of Immigration and Border Protection and the Department of Home Affairs (except where the context requires a distinct reference).

## Rationale for undertaking the audit

6. Effective immigration and border control are essential to Australia's national security. The possibility of combining both functions within one entity have been considered on a number of occasions historically. The emergence of threats such as people smuggling and transnational crime led the government to decide in 2014 that integration of the Department of Immigration and Border Protection (DIBP) and the Australian Customs and Border Protection Service (ACBPS) would more effectively address the emerging threats and deliver efficiencies.
7. Both DIBP and ACBPS are sizeable entities from a geographical and functional perspective, and have a history of publicised administrative issues. The ANAO has previously audited both

entities on numerous occasions, and this audit presented an opportunity to provide assurance that risks associated with the integration process were being properly managed.

### **Audit objective and criteria**

8. The objective of this audit was to examine the effectiveness of the integration of the Department of Immigration and Border Protection (the department) and the Australian Customs and Border Protection Service (ACBPS).

9. To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:

- Did the department establish sound governance arrangements for implementation of the integration and capability reform process?
- Did the department manage the integration and capability reform process in accordance with government decisions and relevant plans?
- Can the department demonstrate that the intended outcomes of integration and the capability reform process are being achieved, including financial outcomes?

### **Conclusion**

10. The Department of Immigration and Border Protection achieved the integration of DIBP and ACBPS and the creation of the Australian Border Force in a structural sense and is also progressing with the implementation of a suite of reform projects. However, it is not achieving commitments made to government in relation to additional revenue, and is not in a position to provide the government with assurance that the claimed benefits of integration have been achieved.

11. The department established largely effective governance arrangements which were revised over time in response to emerging issues.

12. The department's record keeping continues to be poor.

13. The department is effectively managing a suite of 38 capability reform projects and has developed sound monitoring arrangements, although the Executive Committee does not have visibility of the overall status of individual projects.

14. The efficiency savings committed to by the department were removed from its forward estimates and have thus been incorporated in the budget. However, the department has not verified whether efficiencies have been delivered in the specific areas which were nominated in the Integration Business Case.

15. Based on progress to the end of December 2017, if collections continue at the current rate the department will only collect 31.6 per cent of the additional customs duty revenue to which it committed in the Integration Business Case.

16. In the Integration Business Case, the department committed to a detailed Benefits Realisation Plan. The plan was not implemented despite several reviews identifying this omission. As a result, the department cannot demonstrate to the government that the claimed benefits of integration have been achieved.



## Supporting findings

17. The department moved quickly to establish a sound governance framework for the integration. The framework was revised on a number of occasions in response to emerging issues, particularly with respect to the capability reform projects. The abolition of the Reform and Integration Task Force resulted in a loss of momentum in the reform process and a drop-off in internal communication with staff. The department recognised this and re-established a similar coordination mechanism. More recently, the department has engaged a consultant to review the framework.

18. Reporting to the Executive focused primarily on integration and organisational reform, with minimal coverage of progress in delivery of the suite of 38 capability reform projects. Following the identification of this as a gap in the 2017 Gateway Review, an Enterprise Transformation Blueprint was established to provide the Executive Committee with greater visibility over the progress of activity across the department.

19. There was no evidence identified to indicate that written briefings were provided to the Minister on progress throughout the implementation process.

20. Detailed communication plans were established and implemented to support the integration process. 'Pulse Check' surveys were regularly taken to evaluate staff satisfaction and engagement with the process.

21. The audit found that the department did not maintain adequate records of the integration process. This finding repeats the outcomes of a substantial number of audits and reviews going back to 2005. The department's own assessment is that its records and information management is in a critically poor state. The problems and their solutions are known to the department, and it has an action plan to address them, although numerous previous attempts to do so have not been successful.

22. The department also experienced a loss of corporate memory due to the level of turn-over of SES staff, with almost half of SES officers present in July 2015 no longer in the department at July 2017.

23. The department initially identified possible risks to effective integration. However, regular reporting against those risks ceased when the Reform and Integration Task Force was disbanded.

24. The department made extensive use of consultants to assist it with the integration process. Despite a requirement to evaluate contracts upon completion, this did not occur in 31 out of 33 (94 per cent) of contracts with a value of more than \$1 million examined by the ANAO, and therefore it is unclear whether these services represented value for money.

25. Following a series of governance changes in October 2015, the department established an effective Project and Program Management Framework which was broadly consistent with the intended future governance state described in the Integration Business Case. While some projects are facing challenges, it is too early to form a view about whether all will be delivered on time and within budget.

26. The department has been subject to budgetary reductions equal to the efficiency savings required by government. It has not verified whether efficiencies were achieved in the specific areas identified in the Integration Business Case.

27. By the end of December 2017, the department had only delivered 42.2 per cent of the additional revenue to which it committed in the Integration Business Case, and if collections continue at the current rate, it will only collect 31.6 per cent of the additional revenue.

28. The department cannot demonstrate that the claimed benefits of integration have been achieved because it did not implement the Benefits Realisation Plan which formed part of the Integration Business Case.

## Recommendations

**Recommendation no.1**  
**Paragraph 2.46** The Department of Home Affairs give priority to addressing its records and information management deficiencies including by implementing the *Records and Information Management Action Plan 2016–20*.

**Department of Home Affairs' response:** *Agreed.*

**Recommendation no.2**  
**Paragraph 2.64** The Department of Home Affairs develop a business assurance approach to enforce its requirement in the *Contract Management Manual* that contracts be evaluated on completion.

**Department of Home Affairs' response:** *Agreed.*

**Recommendation no.3**  
**Paragraph 4.17** The Department of Home Affairs implement the Benefits Realisation Plan which was included in the Integration Business Case to allow the government to assess whether the claimed benefits of integration have been realised.

**Department of Home Affairs' response:** *Agreed.*

## Summary of entity response

29. The Department of Home Affairs (Home Affairs) recognises and appreciates the efforts of the Australian National Audit Office staff who conducted the audit.

30. Overall the report concludes that the then Department of Immigration and Border Protection (DIBP) successfully achieved integration and continues with the implementation of reform projects. With integration achieved through the establishment of a sound Governance Framework and an effective Project and Program Management Framework, that was supported by detailed communication plans and 'pulse check' surveys. Having in place these frameworks enabled flexible and timely responses to the management of emerging issues.

31. Home Affairs does acknowledge that record-keeping at that time was not in line with best practice and has undertaken significant steps to rectify the situation. Additionally continual improvements are being made in contract management with an automated solution being put in place that will facilitate the assessment of contract performance.

32. Home Affairs disputes in some instances the financial conclusions drawn within the report, and whether or not certain elements were outside the scope of the audit, as well as statements made in regards to project management and the overall visibility of the Executive in relation to the integration project.

33. With the inception of Home Affairs the ongoing development and review of new organisational priorities and strategies, to ensure that governance arrangements are robust, remains a primary focus.

## Key learnings for all Australian Government entities

34. Below is a summary of key learnings identified in this audit report that may be considered by other Commonwealth entities when managing large scale organisational change.

### Governance and risk management

- When managing large scale organisational change or a complex suite of projects, entities should ensure that there is an appropriate mechanism, under the leadership of an appropriately senior officer, to:
  - manage change and implementation activities across the entire entity;
  - identify and manage key interdependencies or resource conflicts as (or ideally, before) they arise;
  - develop and maintain a fit for purpose reporting framework which meets the needs of stakeholders (including Ministers, if appropriate), and effectively escalates issues requiring priority attention; and
  - coordinate internal communications to ensure all staff are engaged with, and feel part of, the process.
- The Reform and Integration Taskforce (RITF) initially established by the Department was an effective example of a body setup with the objective of undertaking these tasks. The RITF's role was to:
  - coordinate and manage the integration and change process for the portfolio;
  - provide a focal point for the preparation of advice to the Government on matters related to portfolio reform; and
  - provide project management oversight, support and reporting of the business led integration and reform activity.
- An effective governance framework with clearly assigned responsibilities and scopes of authority is essential. Entities should be prepared to revise the framework in response to experience or changing circumstances.

### Performance and impact measurement

- Benefits Realisation Plans should clearly identify intended strategic benefits. When drafting such plans, entities should think carefully about whether indicators designed to demonstrate benefits are 'real', measurable and reportable (as opposed to simply aspirational). Implementation work on plans needs to commence from the outset, not left until after the change (or project) is completed.

**Record keeping**

- In operating an Electronic Data Records Management System, entities should mandate its use and provide relevant training to all staff in order to ensure the full benefits are obtained through the consolidation of fragmented systems and manual records.

**Program implementation**

- During major organisational change, regular and effective internal communication is critical to fostering staff engagement. Both content and the choice of 'channel' (for example, emails, blogs, FAQs and staff meetings) are important and communication should continue until change has been completed and embedded.

**Procurement**

- Entities should consider introducing an internal requirement to conduct end-of-contract evaluations of consultancies and other contracts (possibly with a value above a set amount). This would help to ensure that value for money is being achieved from contracts and to identify providers who have not performed satisfactorily.

## **Audit findings**

# 1. Background

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## Introduction

1.1 In February 2014, the National Commission of Audit (NCOA)<sup>1</sup> recommended:

... that a single, integrated border agency, to be known as Border Control Australia, be established through the merger of the border control functions of the Department of Immigration and Border Protection and the Australian Customs and Border Protection Service.

1.2 On 9 May 2014, the Minister for Immigration and Border Protection announced that the government would carry out this recommendation and integrate Australia's immigration and customs functions into a single entity—the Department of Immigration and Border Protection (DIBP – the department). The Australian Border Force (ABF), headed by a Commissioner, would be established within the department as the 'frontline operational border agency'.<sup>2</sup> The new department and the ABF came into existence on 1 July 2015, and operated under this nomenclature through to 2017.

1.3 On 18 July 2017, the Prime Minister announced that the government had decided to establish a Home Affairs portfolio which would have responsibility for:

- federal law enforcement;
- national security;
- transport security;
- criminal justice;
- emergency management;
- immigration and multicultural affairs; and
- border-related functions.

1.4 The Department of Home Affairs has assumed all of the department's functions (including the ABF) in addition to functions from each of the Departments of Prime Minister and Cabinet; Social Services; Infrastructure and Regional Development and the Attorney-General's department.

1.5 In addition to the ABF, the Home Affairs portfolio also includes the following entities:

- the Australian Federal Police;
- the Australian Criminal Intelligence Commission;
- the Australian Transaction Reports and Analysis Centre; and
- the Australian Security Intelligence Organisation.<sup>3</sup>

1.6 The new entity formally came into existence on 20 December 2017. Fieldwork for this audit was undertaken between June and December 2017. This audit principally focusses on the period

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1 The NCOA was established in October 2013 by the newly elected government to 'review and report on the performance, functions and roles of the Commonwealth government.' The key objective was to make recommendations to return the budget to a sustainable surplus of 1% of GDP by 2023–24.

2 The Australian Customs and Border Protection Service would be abolished.

3 Subject to the passage of legislation by the Parliament.

May 2014 to December 2017, while the department was known as DIBP, however some of the department's responses to ANAO inquiries occurred after it became the Department of Home Affairs. For simplicity, this report refers to 'the department' to signify both the Department of Immigration and Border Protection and the Department of Home Affairs (except where the context requires a distinct reference).

## Audit approach

1.7 The objective of this audit was to examine the effectiveness of the integration of the Department of Immigration and Border Protection (the department) and the Australian Customs and Border Protection Service (ACBPS).

1.8 To form a conclusion against the audit objective, the ANAO adopted the following high-level criteria:

- Did the department establish sound governance arrangements for implementation of the integration and capability reform process?
- Did the department manage the integration and capability reform process in accordance with government decisions and relevant plans?
- Can the department demonstrate that the intended outcomes of integration and the capability reform process are being achieved, including financial outcomes?

1.9 The ANAO examined the department's high-level arrangements for tracking the progress and financial status of the reform program, but did not examine the administration of individual projects within the program.

1.10 The announcement of the creation of the Home Affairs portfolio occurred after the audit had commenced and is not within the scope of the audit.

1.11 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$530,000.

1.12 Team members for this audit were Julian Mallett, Bradley Medina, Anne Kent, David Lacy and Paul Bryant.

## Reviews

1.13 There have been a number of internal and external reviews of aspects of the department's administration of the integration and reform process. These are shown in Table 1.1. The ANAO has drawn upon these reviews during the audit and, where appropriate, referred to them throughout this report.

**Table 1.1: Reviews of the department's implementation of integration and reform**

| Date                                       | Title                                                                                   | Commissioned by       | Comment                                                                                                                                                                 |
|--------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 2014<br>February 2016<br>May 2017 | Gateway Review Reports of the Customs Reform Program                                    | Department of Finance | Gateway reviews are required for major government-funded projects and programs. <sup>a</sup> They are conducted at key stages of eligible projects or programs.         |
| June 2015                                  | Capability Reform Programme Readiness Review                                            | DIBP                  | Prepared by Boston Consulting Group.                                                                                                                                    |
| September 2015                             | Management initiated review of DIBP readiness for gateway review                        | DIBP                  | Prepared by a DIBP's contracted provider of internal audit services (Ernst and Young).                                                                                  |
| September 2015                             | Portfolio Reform and Integration: Year in Review                                        | DIBP                  | Prepared by Third Horizon.                                                                                                                                              |
| September 2016                             | Assessment of the consolidation of ACBPS and DIBP                                       | DIBP                  | Prepared by the RAND Corporation.                                                                                                                                       |
| October 2016                               | Functional and efficiency review of the Department of Immigration and Border Protection | Department of Finance | Functional and efficiency reviews aim to comprehensively assess the efficiency and effectiveness of all aspects of an entity's operations, programs and administration. |
| November 2016                              | Management initiated review of Reform Project Assurance                                 | DIBP                  | Prepared by DIBP's contracted provider of internal audit services (Ernst and Young).                                                                                    |

Note a: This includes projects with an estimated cost of more than \$30 million or programs with a total estimated cost of more than \$50 million. Review teams are appointed by the Department of Finance in consultation with the relevant entity.

Source: ANAO from DIBP data.



## 2. Implementing governance arrangements

### Areas examined

This chapter examines the high-level governance arrangements adopted by the department for the process of integrating the department with the ACBPS.

### Conclusion

The department established largely effective governance arrangements which were revised over time in response to emerging issues.

The department's record keeping continues to be poor and there was no evidence that the Minister was provided with written briefing on the progress of integration.

### Area for improvement

The ANAO recommended that the department develop a strategy to enforce its requirement for contract evaluations.

2.1 The government made the decision to integrate the department and ACBPS in May 2014. Full implementation required the passage of legislation, and it was decided that the effective date for the formal creation of the new department, the creation of the ABF and the abolition of the ACBPS would be 1 July 2015. There was consequently a period of over 12 months in which the department had time to commence structural reorganisation and to prepare the staff from the respective entities for the change.

2.2 In addition to the 'organisational' integration of the two entities, the proposal approved by the government included:

- a series of projects which had been initiated as part of an earlier Customs Reform Program commenced in 2013; and
- new projects designed to develop or enhance border capabilities.<sup>4</sup>

2.3 The overall program, known at the time as the Portfolio Reform Program, included two implementation plans: one for the period from the Minister's announcement in May 2014 to June 2015 and the other for the period from 1 July 2015 onwards. The initial allocation of funds for the Portfolio Reform Program in the 2014–15 budget was \$710.4 million.<sup>5</sup> Additional funds were approved in successive budgets which brought the total funding for the Program to \$977.8 million. Further detail about the funding arrangements is included in Chapter 3.

### Structure of the Portfolio Reform Program

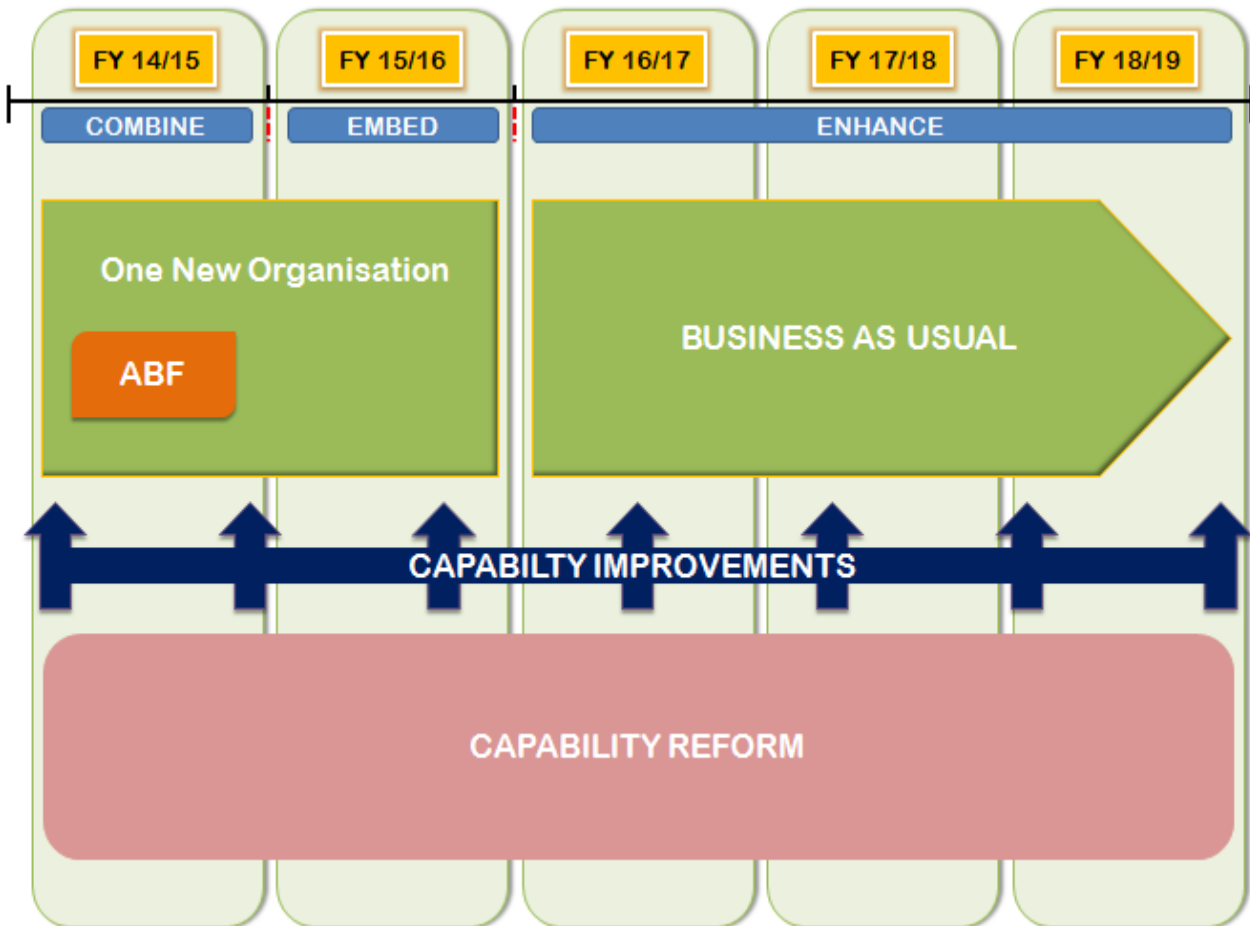
2.4 The conceptual structure of the Portfolio Reform Program is shown in Figure 2.1.

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4 DIBP defines capability as 'the capacity and ability to achieve and sustain a desired effect or output in order to meet one or more of the Department's strategic objectives'. A capability may include the acquisition of capital equipment (such as a boat or a CCTV system) but can also include training, facilities, information and systems, equipment and supplies, support and laws, policy, procedures and administration.

5 All funding approved for reform and integration was offset in accordance with government policy. Funding comprised offsets through increased revenue collection, efficiencies and redirection of existing funding. See Chapter 3 for further information.

**Figure 2.1: Conceptual structure of the Portfolio Reform Program**



Source: DIBP.

2.5 As shown in Figure 2.1, there were three core tasks facing the department:

- the structural and organisational reform necessary to merge the ‘old’ department and the ACBPS to create one new organisation;
- the creation and establishment of the Australian Border Force; and
- the management of 38 major capability reform projects with a total value of \$977.8 million.

2.6 The Portfolio Reform Program approved by government included a detailed Business Case (the Integration Business Case) which had 13 appendices and ran to almost 1 000 pages. The Integration Business Case included:

- high-level specification of capability reform projects;
- a Portfolio Reform Program management plan and delivery schedule;
- risk management plan;
- benefits realisation plan;
- an organisational change management plan; and
- a procurement strategy.

2.7 The Integration Business Case was the key document detailing the overarching plan for the integration of the department and ACBPS. It also represented the department's commitment to the government on what was to be achieved, by when, and the expected benefits of integration.

2.8 The overarching objectives contained in the Integration Business Case were to:

- Objective 1: Consolidate the Department of Immigration and Border Protection (DIBP) and the Australian Customs and Border Protection Service (ACBPS) as a single border organisation.
- Objective 2: Establish the Australian Border Force as part of the single organisation.
- Objective 3: Implement reform measures to strengthen Australia's borders, tackle crime, and support economic growth and productivity by supporting legitimate trade and travel by reducing the burden of compliance.
- Objective 4: Bring forward submissions to Government to secure funding and establish the authority to continue the integration and reforms in the out years.

2.9 The Integration Business Case also outlined the benefits expected to accrue from integration. This is discussed further in Chapter 4.

### Did the department establish a sound governance framework?

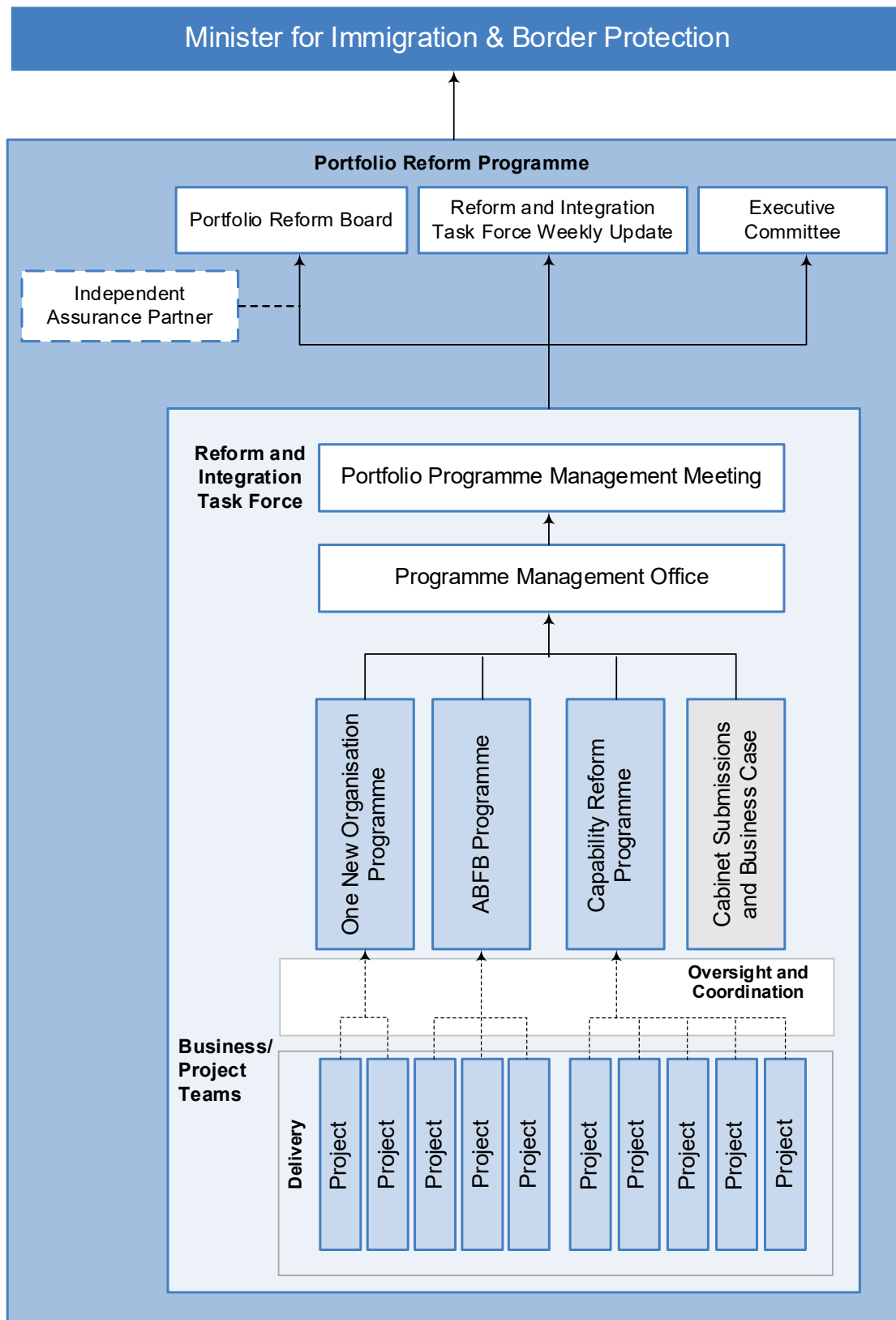
The department moved quickly to establish a sound governance framework for the integration. The framework was revised on a number of occasions in response to emerging issues, particularly with respect to the capability reform projects. The abolition of the Reform and Integration Task Force resulted in a loss of momentum in the reform process and a drop-off in internal communication with staff. The department recognised this and re-established a similar coordination mechanism. More recently, the department has engaged a consultant to review the framework.

2.10 Following the Minister's 9 May 2014 integration announcement, a Portfolio Reform Task Force<sup>6</sup> was created on 12 May 2014, a Portfolio Reform Board (PRB) met for the first time on 16 May 2014 and a new Executive Division, combining the most senior executives of the former department and the ACBPS, was 'stood up' in August 2014. In October 2014, the Secretary released a *Blueprint for Integration* which provided staff with details of the department's mission, the new organisation, the organisational focus and the integration timeline.

2.11 The Integration Business Case outlined a proposed high-level governance framework as shown in Figure 2.2.

6 The Portfolio Reform Task Force was renamed the Reform and Integration Task Force (RITF) in November 2014.

**Figure 2.2: Portfolio Reform Program governance framework (January 2015)**



Note: The Independent Assurance Partner was Third Horizon.

Source: DIBP.

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2.12 The role and functions of key parts of the framework are shown in Table 2.1.

**Table 2.1: Interim governance framework to 1 July 2015**

| Body                                                  | Roles and responsibilities                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Portfolio Reform Board                                | Provide strategic oversight, prioritisation, direction, and decision-making for integration, establishment of the new ABF and capability reform.                                                                                                                                                                                                                                   |
| Executive Committee                                   | The department's premier discussion, strategic planning and decision making forum. <sup>7</sup>                                                                                                                                                                                                                                                                                    |
| Independent Assurance Partner <sup>a</sup>            | Consultant (Third Horizon) engaged to provide an assurance and compliance function over the consolidation approach.                                                                                                                                                                                                                                                                |
| Reform and Integration Task Force (RITF) <sup>b</sup> | <ul style="list-style-type: none"> <li>coordinate and manage the integration and change process for the portfolio;</li> <li>provide a focal point for the preparation of advice to the Government on matters related to portfolio reform; and</li> <li>provide project management oversight, support and reporting of the business led integration and reform activity.</li> </ul> |
| Programme Management Office (part of the RITF)        | <ul style="list-style-type: none"> <li>project scheduling and reporting</li> <li>program/project change management</li> <li>management and integration of portfolio costings.</li> </ul>                                                                                                                                                                                           |

Note a: The Assurance Partner was engaged by DIBP as a consultant for the period 19 June 2014 to 18 June 2016 with a contract value of \$2 million. The total paid to the consultant was \$1.6 million. Due to the department's concerns with the Assurance Partner's performance, the engagement ended early in August 2015.

Note b: The RITF was a division of the department with four branches and comprised approximately 100 people.

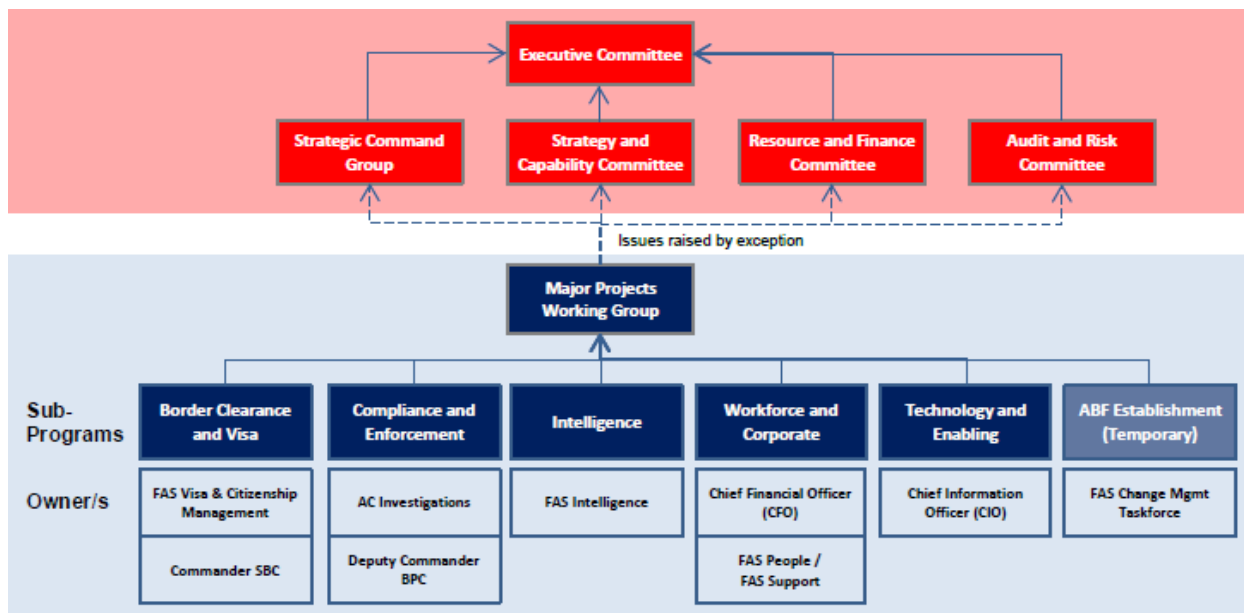
Source: DIBP.

2.13 The Integration Business Case included a proposed single accountability framework post 1 July 2015. It also noted that in the interim period prior to integration, 'Delivery of in-flight programmes and projects in 2014–15 will continue to be governed by existing arrangements within the respective organisation.'

2.14 In April 2015, as the date of formal integration approached, the Executive Committee decided to adopt a governance model that ensured that 'accountability for change outcomes is placed squarely with relevant business owners' to better align capability delivery and business needs and approved a revised governance framework as shown in Figure 2.3.

<sup>7</sup> After 1 July 2015, the Executive Committee comprised the Secretary, the ABF Commissioner and all deputy secretaries and deputy commissioners

**Figure 2.3: Revised governance framework**



Source: DIBP.

2.15 The key differences between the new framework and the previous one were:

- the creation of a Major Projects Working Group to manage and coordinate capability reform projects through a number of ‘business-led’ sub-programs (as opposed to a more ‘centralised’ model through the RITF and its Programme Management Office);
- the Portfolio Reform Board was subsumed into the Executive Committee; and
- the RITF was disbanded.

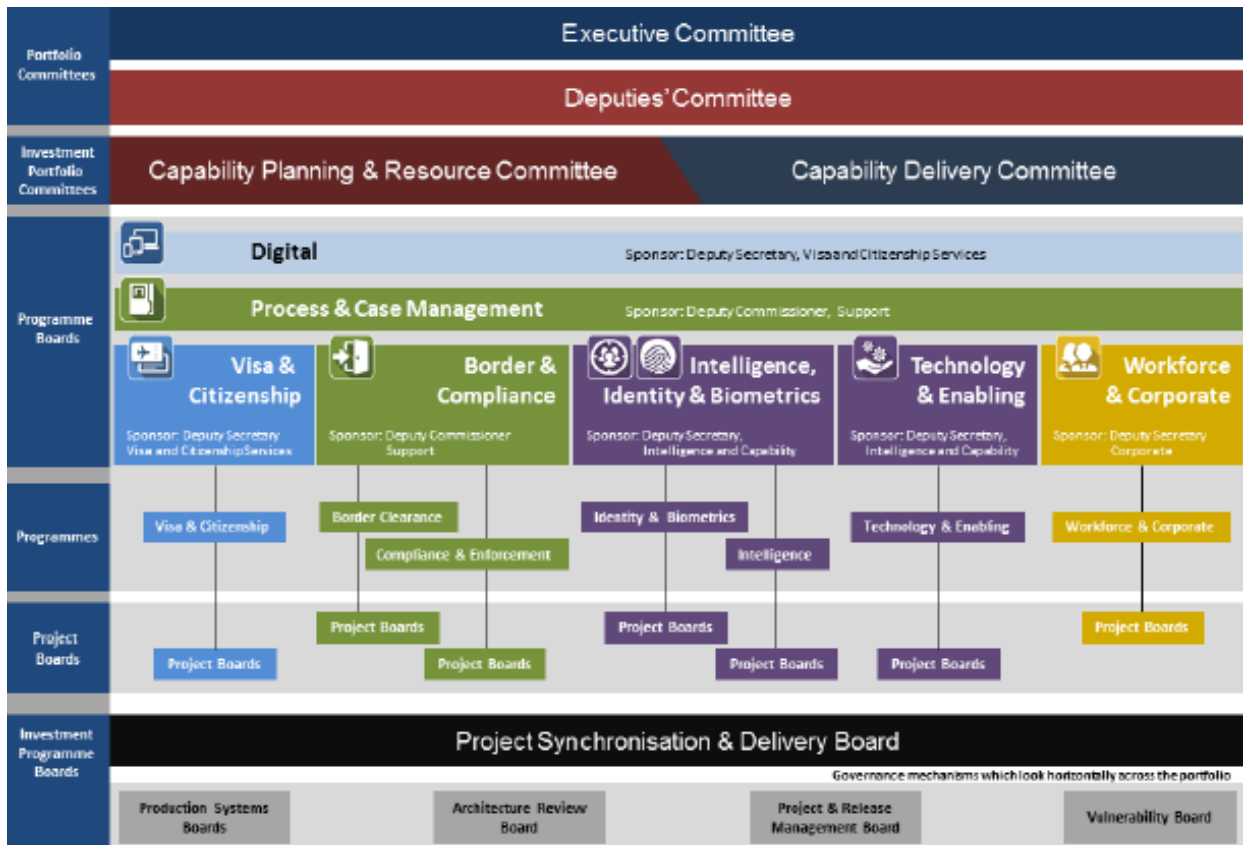
2.16 In May 2015, shortly after the revised governance framework was approved, the department commissioned the Boston Consulting Group to undertake a review of the department’s readiness to deliver the 38 capability reform projects. The resulting report<sup>8</sup>, which was delivered in June 2015, found that:

- Although there is a high-level vision, the outcomes that capability reform needs to deliver are not clear enough to guide implementation;
- Despite recent measures, the department’s governance and capability functions were not yet mature enough to effectively co-ordinate and support the business-led delivery model for what is a major, complex change programme; and
- The approach to implementation did not have a clear sequencing or prioritisation logic.

2.17 Following consideration of the ‘readiness’ review, the Executive Committee decided upon a substantial revision of the governance framework as shown in Figure 2.4. The key change in the framework was the creation of a ‘Deputies’ Committee’ comprising all Deputy Secretaries and Deputy Commissioners to provide high level oversight of capability reform projects. In particular, emphasis was given to the establishment of program boards, each chaired by a Deputy Secretary.

8 Capability Reform Programme Readiness Review, June 2015.

**Figure 2.4: Governance framework as at October 2015<sup>9</sup>**



Source: DIBP.

2.18 As noted at paragraph 2.15, the RITF was disbanded in April 2015. Its responsibilities for the coordination of the broader organisational change and integration agenda (such as facilitation of processes for ICT integration, staff engagement mechanisms, change management and stakeholder coordination) were not initially reallocated elsewhere. The 2016 review *Assessment of the consolidation of ACBPS and DIBP* observed that during this period, there was a ‘loss of momentum’ in the reform process. In discussion with the ANAO, senior department officers agreed that the disbanding of the RITF contributed to a loss of visibility by the Executive of the ‘implementation effort’ and a drop-off in internal communications to staff. In December 2017, the department advised:

As identified internally, and in the 2016 Rand Report, a loss of momentum with Reform occurred following integration, so the SRG [Strategic Reform Group] was established to provide a central area to coordinate and oversight Reform.

2.19 The SRG was established in December 2015. It was disbanded in December 2016 and its functions transferred to the Enterprise Strategy, Reform and Performance division.

2.20 In December 2016, with the structural integration of DIBP and the ACBPS completed, the department engaged Deloitte to review its governance arrangements. The review found that while the various committees which form the governance structure are operating as designed, ‘the

<sup>9</sup> The chart shown in Figure 2.4 is the governance framework that existed at the time of the ANAO audit and differs in a few minor respects from the one that was approved in October 2015.

committee structure is not operating as effectively as it could to support enterprise-wide decision making.' Since the review, the Home Affairs portfolio has been created, with consequential changes needed to governance arrangements. The department advised that it has used the review to inform the development of new governance arrangements.

## Was implementation progress reported to relevant stakeholders?

Reporting to the Executive focused primarily on integration and organisational reform, with minimal coverage of progress in delivery of the suite of 38 capability reform projects. Following the identification of this as a gap in the 2017 Gateway Review, an Enterprise Transformation Blueprint was established to provide the Executive Committee with greater visibility over the progress of activity across the department.

There was no evidence identified to indicate that written briefings were provided to the Minister on progress throughout the implementation process.

### Reporting on structural and organisational reform

2.21 As noted previously, the Portfolio Reform Board (PRB) and the Reform and Integration Task Force (RITF) were the two key internal bodies managing and coordinating the reform and integration process until they were discontinued in April 2015.<sup>10</sup> The ANAO examined the records of both bodies to assess the adequacy of the processes for reporting on progress.

#### *Portfolio Reform Board*

2.22 The PRB met fortnightly on 16 occasions between 16 May 2014 and 2 April 2015. The agenda and minutes of the meetings demonstrate that the PRB fulfilled the role described in the Integration Business Case. Matters considered, discussed and (where necessary) decided by the PRB included:

- workforce planning;
- consolidation of common functions such as ICT<sup>11</sup>, corporate services and intelligence;
- corporate strategy and planning;
- change management strategy and approach;
- integration risk planning;
- organisational design and structure;
- revised integrity framework; and
- legal framework for the department and ACBPS and establishment of the ABF.

#### *Reform and Integration Task Force*

2.23 The RITF was a division of the department. In addition to its role in coordinating and managing the integration process, it also provided the secretariat function to the PRB.

2.24 The First Assistant Secretary (Senior Executive Band 2) of the RITF chaired a weekly meeting, known as the Portfolio Programme Management meeting. This body met some 40 times between

<sup>10</sup> The Integration Business Case did not specify at what stage the PRB and RITF should be disbanded.

<sup>11</sup> Information and Communications Technology.



July 2014 and May 2015. Senior Executive Service Band 1 officers were required to provide the RITF with a two-page weekly report (using a standard template) on 'matters of significance' within their areas of responsibility, which the department described as a 'succinct summary of achievement over the last week and a forecast of planned management focus over the coming week'.

### Reporting to the Executive on capability reform

2.25 As noted at paragraph 2.5, the integration of the department and ACBPS comprised the integration of the 'old' department and ACBPS, the creation of the ABF as well as a suite of 38 capability reform projects with a value of \$977.8 million. While the PRB and RITF documents examined by the ANAO demonstrated that there was routine reporting on organisational change and integration, there appeared to be minimal emphasis on reporting to the Executive about, and consideration of, progress in the suite of 38 capability reform projects.

2.26 While the ANAO located a small number of 'project dashboard' reports prepared during 2015, these carried the caveat 'preliminary' and were incomplete as they contained no financial status reporting.

2.27 The 2017 Gateway Review report<sup>12</sup> noted that:

... under the current assurance arrangements there is formal program reporting to the program board only and there is no routine provision of critical Program performance information to the Executive Committee. The review team considers that line of sight of Program issues to the Executive Committee is of critical importance.<sup>13</sup>

2.28 Although it noted that the department had made considerable progress since its last (2016) review, the Review Report went on to recommend that the department:

Ensure that the Executive Committee has visibility of critical project and program performance information through regular reporting.

2.29 In July 2017, the Enterprise Strategy, Reform and Performance division provided the Executive Committee with an Enterprise Transformation Blueprint which had been in development for some months. The purpose of the Blueprint was to provide the Executive Committee with a document which detailed eighteen 'change initiatives' across six 'transformation outcomes'.<sup>14</sup> For each initiative<sup>15</sup>, the Blueprint showed key milestones and whether each was complete, on track, a cause for concern or requiring corrective action. As a high-level document, while the Blueprint did not explicitly show the status of each of the 38 capability reform projects, it provided a consolidated high-level overview of 'transformation' activity across the department. Arrangements for monitoring the progress of capability reform projects is discussed in Chapter 3.

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12 See Table 1.1.

13 Program boards form part of the current governance framework: see Figure 2.4.

14 These were immigration, border, trade, intelligence and identity, technology and workforce and corporate.

15 'Initiatives' included the 38 capability reform projects, initiatives being 'executed through everyday branch activity', 'emerging' initiatives, areas of Ministerial priority and other investment proposals under consideration for internal capital funding.

## Reporting to the Minister

2.30 The Integration Business Case stated that one of the responsibilities of the PRB was to 'report progress to the Minister'. In examining PRB documents and minutes, the ANAO found reference to officials having met with the Minister (or staff in his office) at various times but saw no written briefs to formally advise on progress, despite the commitments the department gave the government in the Integration Business Case that it would provide an assessment of the benefits of integration (see Chapter 4).

## Did the department establish communication plans?

Detailed communication plans were established and implemented to support the integration process. 'Pulse Check' surveys were regularly taken to evaluate staff satisfaction and engagement with the process.

2.31 The department recognised that communication of the reform agenda to its staff would be a key to success. In July 2014, it commissioned Nous Group to assess the 'change readiness' of the former department and ACBPS and to recommend appropriate strategies. The consultant's report found that while the workforce recognised that integration could bring future opportunities, change readiness and engagement in both entities was low and there were low levels of confidence in the ability of mid-level and senior leaders to achieve integration and reform.

2.32 Following the Minister's announcement in May 2014, there was a range of activities to inform the department's staff about integration. These included launches by the Secretary and Australian Border Force Commissioner, all staff emails, information packs for all staff and more than 200 'National Roadshow' sessions held across Australia. In October 2014, the Secretary and Commissioner released the *Blueprint for Integration* which provided staff and external stakeholders with information about the department's mission, organisation and focus as well as an indicative timeline.

2.33 A portfolio integration communication plan was developed in July 2015.

2.34 A *Plan for Integration* was released in February 2015, building on the *Blueprint for Integration* and in July 2015, the *Strategy 2020* was released, which outlined the department's:

- mission and vision;
- culture, values and behaviours;
- strategic environment; strategic objectives; and
- strategic response.

2.35 Surveys of staff engagement have demonstrated mixed results. A 'Pulse Check'<sup>16</sup> survey conducted in April/May 2015 found on the one hand, that 'communication, when content is informative, timing is appropriate and regular, and feedback opportunities are provided (i.e. all-staff emails and weekly newsletters), has contributed to employee awareness and understanding of integration and reform outcomes'. However, the survey also reported that 'Communications thus far have failed to provide relevant, targeted detail that is satisfactory to employees... Some of the

16 The survey had 3,300 responses from DIBP staff and also included focus groups with over 200 employees in NSW, VIC, QLD, SA, WA and the ACT.

workforce have felt overwhelmed by too many high-level, untargeted all-staff communications. Key messages in emails are lost in large bodies of text and are not effectively disseminated to employees by their leaders’.

2.36 In 2016, the department engaged the RAND Corporation to undertake an assessment of the ‘consolidation’ of ACBPS and the department. The RAND review report observed that there had been a ‘loss of momentum’ shortly after integration formally began and stated that ‘Several interviewees mentioned that the early road shows used to talk about the integration of the workforce had stopped and had not been replaced with any other engagement efforts. This was mentioned as a shortfall from all levels, from DIBP headquarters to the regional commands’.

2.37 The most recent Pulse Check (conducted in early 2016) showed that there had been increases in the proportions of staff who: will contribute to the department’s objectives where possible; understand their role in achieving the department’s role and mission; and are clear about how the implementation of the department’s objectives will impact them. However, there were significant decreases in the proportions of staff who: felt valued for their contribution; had confidence in the senior leadership to achieve the department’s vision and mission; and believed that communication between senior leaders is open and transparent.

## Has the department maintained adequate records?

The audit found that the department did not maintain adequate records of the integration process. This finding repeats the outcomes of a substantial number of audits and reviews going back to 2005. The department’s own assessment is that its records and information management is in a critically poor state. The problems and their solutions are known to the department, and it has an action plan to address them, although numerous previous attempts to do so have not been successful.

The department also experienced a loss of corporate memory due to the level of turn-over of SES staff, with almost half of SES officers present in July 2015 no longer in the department at July 2017.

2.38 In accordance with its usual practice, the ANAO sought the department’s assistance in locating key documents which were referred to in other documents.

2.39 In some cases, the ANAO was able to subsequently locate the documents through its own searches of the department’s systems, although key records forming parts of series were not able to be located. In a significant number of cases, the department was unable to locate the documents. Searches are made difficult by the fact that although the department has an Electronic Document and Records Management System (EDRMS) called TRIM, many staff do not use it, preferring to store documents in ‘network drives’ or local area networks (LANs)<sup>17</sup> which are not designed or approved

17 The ANAO found numerous non-personal network drives with names which give no indication of their contents such as ‘Random useful stuff’, ‘old stuff’, ‘Ministerial stuff’ and simply ‘stuff’.

for electronic document storage, retention or retrieval.<sup>18</sup> The department's inability to locate some documents requested was not assisted by a high turn-over of senior staff, leading to a loss in corporate memory.<sup>19</sup>

2.40 Inadequate record keeping has been a persistent theme in the ANAO's audits of the department. Since July 2010, seven audit reports of the department have identified issues with record keeping<sup>20</sup>, with three of the reports having made specific recommendations aimed at improving the department's record keeping, to which the department agreed.

2.41 Other independent reviews have also pointed to record keeping deficiencies and their consequences:

- as far back as 2005, a report<sup>21</sup> into the unlawful detention of Ms Cornelia Rau<sup>22</sup> found:  
... evidence of a record keeping system that is seriously flawed. It was difficult to pull together all DIMIA<sup>23</sup> records on this case because relevant documents were kept in several different locations and as both hard copy and computer records. Throughout its investigations the inquiry found DIMIA file management practices poor, and there seemed to be no unified organisational approach to file establishment, access and control ... File discipline was lax. This situation exposes DIMIA to risk.
- Similarly, an unpublished report found that the unlawful detention in June 2017 of two Australian citizens was caused partially by access to poor data.
- a May 2016 report<sup>24</sup> of a panel into the wellbeing and protection of children in immigration detention and regional protection centres commented:  
The Panel experienced considerable challenges in reviewing some of the cases presented by the Secretariat because of poor record keeping by the Department and some service providers.

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18 The website of the National Archives of Australia states that 'a network drive is not a records management system' and lists several risks in using it as such: records stored in network drives can be easily altered or deleted by anyone who has access to the drive; it is difficult to demonstrate the authenticity, integrity and trustworthiness of uncontrolled records in network drives; metadata is often missing and there are no links between documents and their business context; poor management can result in large volumes of uncontrolled information which is difficult to manage and takes up network space; it can be difficult to find relevant records, posing a reputational risk; and it can be difficult to identify the status or version of information.

19 The ANAO compared the 1 July 2015 and 3 July 2017 SES organisation charts. Of the SES Band 3 (Deputy Secretary) officers shown on the July 2015 chart, 50 per cent had left the organisation by July 2017. At the SES Band 2 (First Assistant Secretary) level, 61 per cent had left and at SES Band 1 (Assistant Secretary), 43 per cent had left. Overall, 47 per cent of SES officers present in July 2015 were no longer in the department in July 2017. Some (but not all) of the consequential vacancies were filled.

20 No.21 2012–13 *Individual Management Services Provided to People in Immigration Detention*; No.13 2014–15 *Management of the Cape Class Patrol Boat Program*; No.47 2014–15 *Verifying Identity in the Citizenship Program*; No.13 2015–16 *Managing Compliance with Visa Conditions*; No.16 2016–17 *Offshore Processing Centres in Nauru and Papua New Guinea: Procurement of Garrison Support and Welfare Services*; No.32 2016–17 *Offshore Processing Centres in Nauru and Papua New Guinea: Contract Management of Garrison Support and Welfare Services*; No.39 2016–17 *The Australian Border Force's Use of Statutory Powers*.

21 *Inquiry into the circumstances of the immigration detention of Cornelia Rau*, M J Palmer, July 2005.

22 Ms Rau was a permanent resident who was detained in March 2004 as a suspected illegal immigrant for about 300 days.

23 At that time, DIBP was the Department of Immigration and Multicultural and Indigenous Affairs.

24 *Making Children Safer: The wellbeing and protection of children in immigration detention and regional processing centres*, report of the Child Protection Panel, May 2016

2.42 The department is aware of the record keeping issues. A November 2016 submission to the Executive Committee entitled *Records and information action plan 2016–20* stated:

Since 2006 at least 17 reviews of various aspects of records and information management (IM) have been completed, all of which identify significant scope for improvement. An assessment of the collective review recommendations confirms a consistent theme throughout each; a lack of sustained follow through, which in turn has left the Department's IM in a critically poor state.

2.43 The department has 200 million documents stored in network drives (estimated to be growing at 55 per cent per year), 238 million records in TRIM<sup>25</sup>, 553 000 cartons (or 241 'shelf kilometres') of paper-based files and an 'unknown quantity' of records stored in emails. The submission noted that:

These issues aren't new and have been highlighted in various reviews over the last decade resulting in:

- Poor decision making and advice to key stakeholders or for individuals
- Failure to comply with legislative requirements due to poor information and records managements policies, systems and practices
- Failure to deliver on strategic objectives and priorities (risk and crisis management).

2.44 The submission noted that while two projects had been approved totalling \$4.29 million<sup>26</sup>, this represented funding for 2016–17 only, and that an investment of \$14.55 million over five years would be required to implement the recommendations of an earlier review. It also stated that should the Executive Committee wish to 'expedite critical aspects of the Action Plan', additional resourcing of two staff and \$320 000 would be required. In May 2018, the department advised that this additional resourcing had not been provided.

2.45 With the creation of the Home Affairs portfolio in December 2017 and the transfer into the department of a number of organisational functions and units from the Departments of Prime Minister and Cabinet, Social Services, Infrastructure and Regional Development and the Attorney-General's department, the department's information holdings will increase further. Unless urgent and significant action is taken to address the record keeping problems and issues which have previously been repeatedly identified, the ANAO continues to consider that there is a risk to the department's core functions. The *Records and information action plan 2016–20* identified possible risks in the following terms:

- Poor decision making and advice to key stakeholders or for individuals;
- Poor intelligence to support operational requirements;
- Inability to accurately and comprehensively locate information on demand;
- Ongoing resource and productivity impacts as staff are redirected from core duties to manually locate or manipulate records and information;
- Rapidly escalating storage costs for both physical and digital material;

25 The submission noted that this figure is growing at an estimated 30 per cent year on year and that 'TRIM is aging technology which the Department is quickly outgrowing'.

26 The department advised in March 2018 that the budget for these projects was now \$6.14 million.

- Rapidly increasing resource costs and demands to manage records and information;
- Failure to comply with legislative requirements due to poor and inconsistent records and information management policies, systems, strategies and practices;
- Failure to deliver on strategic objectives and priorities (risk and crisis management);
- Increasing costs to defend the Department’s reputation; and
- Excess exposure to litigation, FOI, investigations, audits and government accountability.

## Recommendation no.1

2.46 The Department of Home Affairs give priority to addressing its records and information management deficiencies including by implementing the *Records and Information Management Action Plan 2016–20*.

**Department of Home Affairs response:** *Agreed.*

2.47 *The Records Management Action Plan 2016–20 commenced in mid-2016 with a number of foundational activities having been completed. This included the introduction of mandatory online training, the development of a Business Classification Scheme and Taxonomy, and completed transition to a single records management System (TRIM RM8). There will be ongoing reviews undertaken to assess record keeping practices in high-risk business areas which will commence in 2018–19.*

## Did the department develop an integration risk management plan and strategy?

The department initially identified possible risks to effective integration. However, regular reporting against those risks ceased when the Reform and Integration Task Force was disbanded.

2.48 The *Public Governance Performance and Accountability Act 2013* and the *Commonwealth Risk Management Policy*<sup>27</sup> require all Commonwealth entities to establish and maintain appropriate systems of risk oversight, management and internal control.

2.49 Prior to integration, both the department and ACBPS had established risk management frameworks in accordance with policy and legislative requirements. After the integration announcement in May 2014, the department recognised that the process of integration would present its own set of risks. The Integration Business Case included a list of these integration risks and noted that once the two entities were integrated, there would be a need for the separate development of an Enterprise Risk Management framework in relation to ‘business as usual’.

### Integration risks

2.50 The 16 integration risks that were developed are shown in Table 2.2.

<sup>27</sup> *Commonwealth Risk Management Policy*, Department of Finance, July 2014.

**Table 2.2: Integration risks**

| Risk no. | Risk                                                                                                                                |
|----------|-------------------------------------------------------------------------------------------------------------------------------------|
| 1        | Reform and Integration fails to meet its objectives due to complex interdependencies.                                               |
| 2        | Industrial disharmony negatively impacts the achievement of portfolio reform and integration outcomes.                              |
| 3        | Insufficient organisational capacity and capability to sustain integration and reform activities.                                   |
| 4        | Technology architecture and systems integration does not support the delivery of Portfolio outcomes.                                |
| 5        | Reduction in reform and integration benefits due to divergence between programme objectives and changing organisational priorities. |
| 6        | Resistance from external stakeholders and partners prevents or delays the agreed reforms.                                           |
| 7        | Design and implementation of the foundation and functions of the ABF fail to meet Government intent.                                |
| 8        | Failure to achieve timely legislative reform.                                                                                       |
| 9        | Inadequate change leadership, due to lack of experience or failure to engage with reform & integration.                             |
| 10       | Integrity and fraud exposure arising from reform and integration activities.                                                        |
| 11       | Deterioration of enterprise information quality and data integrity.                                                                 |
| 12       | Change adversely affects staff morale, productivity and commitment to the organisation.                                             |
| 13       | Funding for future reform initiatives not released in a timely manner.                                                              |
| 14       | Effective portfolio integration is undermined by cultural dissonance.                                                               |
| 15       | Loss of critical skills and subject matter expertise impact achievement of reform and integration objectives.                       |
| 16       | Reduction in border operations and security during reform and integration activities.                                               |

Source: DIBP.

2.51 Each of the risks was assigned to a Risk Lead at the SES officer level. The status of each risk was reported through the RITF to the PRB. As with other aspects of the RITF's work, integration risk reporting ceased in April 2015 when the RITF was disbanded and the PRB was subsumed into the Executive Committee.

2.52 Project-level risks for capability reform projects were included in the Project Initiation Document (PID) for each project, and are managed in centralised project risk registers. High and extreme risks are extracted into the project monthly status reports for executive reports and governance bodies.

## What external assistance did the department engage to assist with integration?

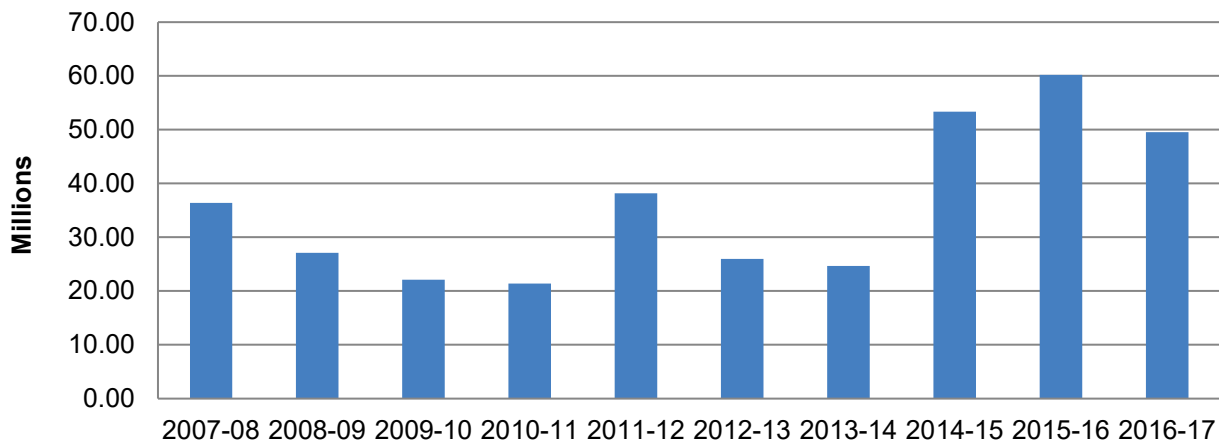
The department made extensive use of consultants to assist it with the integration process. Despite a requirement to evaluate contracts upon completion, this did not occur in 31 out of 33 (94 per cent) contracts with a value of more than \$1 million examined by the ANAO, and therefore it is unclear whether these services represented value for money.

2.53 Consultancies are a particular type of contract and can be distinguished from other types of contracts in that:

- the contract involves the development of an intellectual output that assists with decision making;
- the intellectual output represents the independent view of the service provider; and
- the output is the sole or majority element of the contract in terms of relative value or importance.<sup>28</sup>

2.54 All entities are required to report details of contracts that they enter into on AusTender, the Australian government’s procurement information system. Consultancy contracts are required to be indicated with a ‘flag’.<sup>29</sup> Figure 2.5 shows the value of consultancy contracts entered into by the department since 2007–08. The total value of consultancy contracts entered into by the department between 2007–08 and 2016–17 was \$358.9 million.

**Figure 2.5: Value of consultancy contracts entered into, 2007–08 to 2016–17**



Note: Data for years prior to integration includes ACBPS and the department combined.

Source: ANAO analysis of AusTender data.

28 Available from: <<http://www.finance.gov.au/procurement/procurement-policy-and-guidance/buying/reporting-requirements/consultancies-reporting/tips.html>>.

29 The ANAO’s examination of AusTender data showed that some contracts which were almost certainly consultancies were not flagged as such. The department accepted that there have been discrepancies in AusTender reporting of consultancy contracts and advised that it has instituted processes to scrutinise contracts more closely to better identify which ones were consultancy contracts. Consequently, in addition to those consultancy contracts which were flagged as such by DIBP, the ANAO has included contracts whose description included ‘consultant’, ‘review’ or ‘evaluation’ (and variants thereof). Equally, however, some contracts flagged as being consultancies are probably not.



2.55 Figure 2.5 shows that the value of consultancies entered into by the department increased significantly following the government's announcement of integration, although the department was not able to identify which consultancy contracts related to integration (as opposed to its 'business as usual').

### Evaluation of consultancy contracts

2.56 The department requires its staff to evaluate contracts (whether consultancies or not) upon completion. Its Contract Management Manual (CMM) provides guidance and direction for staff about all aspects of the contract management lifecycle. The chapter on 'Ending the Contract' states:

It is DIBP policy that an evaluation of the contract and contract outcomes must be undertaken at the end of each contract. The evaluation should encompass the overall performance of both the contractor and DIBP.

2.57 The CMM provides an evaluation checklist covering the following points:

- Has the contract facilitated the achievement of the activity identified in the approach to the market?
- Did the contract achieve its objectives?
- Were stakeholders' requirements met?
- Did the contract deliver quality outcomes?
- How well did the performance regime work?
- Did the management arrangements established by DIBP facilitate achievement of contract outcomes?

2.58 The CMM requires staff managing contracts to 'document the lessons learnt' and 'keep sufficient records', which includes providing a report 'in which conclusions are supported by the data'.

2.59 As the department was unable to advise which consultancy contracts related specifically to integration (see paragraph 2.55), the ANAO asked the department to provide a copy of the end of contract evaluation report for all consultancy contracts which:

- had a contract start date on or after 9 May 2014<sup>30</sup>;
- were completed as at 30 June 2017; and
- had a contract value of \$1 million or greater.

2.60 There were 33 consultancies with a total value of \$83.3 million which met these criteria. Of these, only two (with a total value of \$8.1 million) had been evaluated as required by the CMM.

2.61 During the fieldwork phase of the audit, the ANAO found evidence that suggested that the department had not been satisfied with the performance of two consultancies which had values of

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30 This was the date of the government's announcement of the integration of DIBP and Customs.

\$17.6 million and \$2.0 million respectively. Despite this, neither of these consultancies had been evaluated.<sup>31</sup>

2.62 The ANAO sought the department's advice on how it proposed to ensure future compliance with the requirements of the CMM. In March 2018, the department advised:

The Department has already commenced a project to implement an end to end Procure to Pay system which will enforce the requirement and more importantly support consideration of past performance as part of the ongoing procurement process.

2.63 The ANAO examined the Project Initiation Documentation (PID) for the Procure to Pay system. While the system is intended to 'provide improved information and analytic capability for contract management', the PID is a project planning document and does not refer to the CMM requirement for evaluation of contracts.

## Recommendation no.2

2.64 The Department of Home Affairs develop a business assurance approach to enforce its requirement in the *Contract Management Manual* that contracts be evaluated on completion.

**Department of Home Affairs response:** *Agreed.*

2.65 *The Department is currently implementing a Procure to Pay (P2P) solution that will provide an automated process to guide contract managers when commencing and finalising arrangement/contracts.*

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31 The consultancy worth \$17.6 million was 'terminated for convenience' on 30 June 2015 at the end of the first year of a two year contract. By that time, \$17.1 million (97.1 per cent) of the contract's value had been paid. With respect to the consultancy worth \$2 million, the department's concerns about its performance caused it to revise the scope of the contract. The department advised that this reduced the cost of the contact by approximately \$80,000 (four per cent of the contract's value).

### 3. Capability reform projects

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#### Areas examined

This chapter examines the department's governance and management of a program of 38 capability reform projects, delivery of efficiency savings and collection of additional revenue in accordance with its commitments to the government.

#### Conclusion

The department is effectively managing a suite of 38 capability reform projects and has developed sound monitoring arrangements, although the Executive Committee does not have visibility of the overall status of individual projects.

The efficiency savings committed to by the department were removed from its forward estimates and have thus been incorporated in the budget. However, the department has not verified whether efficiencies have been delivered in the specific areas which were nominated in the Integration Business Case.

Based on progress to the end of December 2017, if collections continue at the current rate the department will only collect 31.6 per cent of the additional customs duty revenue to which it committed in the Integration Business Case.

#### Has the department managed capability reform projects effectively?

Following a series of governance changes in October 2015, the department established an effective Project and Program Management Framework which was broadly consistent with the intended future governance state described in the Integration Business Case. While some projects are facing challenges, it is too early to form a view about whether all will be delivered on time and within budget.

3.1 Since the governance changes in October 2015 outlined in Chapter 2, the Major Capability Division (MCD) has had carriage of the 38 capability reform projects. Figure 3.1 shows the department's 'capability lifecycle' and the project governance arrangements that the MCD has instituted.

**Figure 3.1: The department’s Capability Lifecycle with Governance**



Source: DIBP.

3.2 The functions of the key committees shown in Figure 3.1 are outlined in Table 3.1.

**Table 3.1: Capability reform project governance**

| Committee                                  | Key functions                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capability Planning and Resource Committee | <ul style="list-style-type: none"> <li>determine high-level capability requirements;</li> <li>oversee planning and development strategies;</li> <li>oversee capability budget;</li> <li>make recommendations to Deputies and Executive committees on resource allocation; and</li> <li>oversee capability performance and expenditure.</li> </ul> |
| Capability Delivery Committee (CDC)        | <ul style="list-style-type: none"> <li>monitor performance of approved projects;</li> <li>project and program governance;</li> <li>benefits management; and</li> <li>identify and develop strategies to improve project and program delivery.</li> </ul>                                                                                          |

| Committee                                  | Key functions                                                                                                                                                                                                                                                                                             |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Programme Boards                           | <ul style="list-style-type: none"> <li>project oversight, tracking, performance monitoring and business direction;</li> <li>key internal decision making forum to direct the projects towards delivery of outputs; and</li> <li>embedding newly delivered capability.</li> </ul>                          |
| Project Synchronisation and Delivery Board | <ul style="list-style-type: none"> <li>review projects with a focus on delivery consistency, coordination, exception and dependency management; and</li> <li>guidance to the CDC on performance issues, support identification, resolution and endorsement of outstanding decisions and risks.</li> </ul> |

Source: DIBP: *Programme and Project Delivery at a glance*.

3.3 The 38 capability reform projects are grouped together into five programs. Table 3.2 shows the programs and the budget as originally approved by government.

**Table 3.2: Capability reform projects**

| Program                      | Description                                                                                                                                                                                                                                                   | No of projects | Original approved budget<br>\$ |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------|
| Border clearance             | Capability to assist with the clearance of travellers, goods and cargo through Australia's borders. Projects in this stream relate to processing of goods for customs purposes and facilitation of passengers.                                                | 10             | 266.0                          |
| Compliance and enforcement   | Capability to assist with the delivery of compliance, monitoring and status resolution activities for Immigration and Customs Operations, including ABF enforcement and operational activities.                                                               | 8              | 182.6                          |
| Workforce and corporate      | Capability to assist with the delivery of strategy and provide enabling services across the agency to support the delivery of all functions. Capabilities include property, payroll, procurement services.                                                    | 9              | 114.8                          |
| Intelligence and information | Capability to assist with the gathering of data and information from all sources so that it can be analysed and assessed. These capabilities support risk assessment, prioritisation, targeting and resource allocation for immigration and cargo processing. | 5              | 357.7                          |
| Technology and enabling      | Capability within the department related to ICT infrastructure, end user computing, software developments and management, including project management and delivery services.                                                                                 | 6              | 56.7                           |
| <b>Total</b>                 |                                                                                                                                                                                                                                                               | <b>38</b>      | <b>977.8</b>                   |

Source: ANAO from DIBP data.

3.4 In accordance with the department's project management framework, each of the 38 projects has a detailed project plan which sets out:

- project purpose, definition and approach;

- dependencies with other projects;
- a detailed business case;
- project phases (which are *envisage, establish, execute, embed* and *evaluate*);
- schedule;
- financial overview and budget;
- project team structure;
- quality management plan;
- risk management plan; and
- resource management strategy and plan.

3.5 ANAO review confirmed that there is a Project Initiation Document (or project plan) for each project and that the costings were agreed by the Department of Finance in accordance with usual practice.

### **Project reporting**

3.6 As noted at paragraph 2.25, the department's Executive Committee has not been routinely receiving reports on the status of capability reform projects. However, since January 2016, MCD has prepared monthly 'dashboards' for each program which are being provided to each respective program board. For each program, the dashboards contain a wide range of information including:

- the overall program status;
- cumulative, actual and forecast budgets;
- the current top three program risks and issues;
- for each project, a short narrative description and status summary;
- the six-year capability delivery roadmap; and
- a summary of current exception reports.<sup>32</sup>

3.7 The ANAO did not attempt to verify the accuracy of the dashboards but noted that for the purposes of the individual program boards, they provide a comprehensive overview of the status of the capability reform program.

### **Current status of capability reform projects**

3.8 Appendix 2 lists the 38 capability reform projects as reported by the department and their status as at 31 December 2017. In summary:

- five projects have been completed;
- ten projects are in progress and are on schedule;
- three projects are in progress and are ahead of schedule;
- fifteen projects are in progress and are behind schedule;

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32 Under DIBP's project management framework, an exception report must be prepared when there has been a significant change to the project's scope, milestone/schedule, finance, quality, risk, issues, resource, benefits and dependencies. Exception reports are provided to the Senior Responsible Officer.

- two projects have been cancelled, one is under review, one is closed and one is yet to commence.

## Has the department delivered required efficiency savings and additional revenue?

The department has been subject to budgetary reductions equal to the efficiency savings required by government. It has not verified whether efficiencies were achieved in the specific areas identified in the Integration Business Case.

By the end of December 2017, the department had only delivered 42.2 per cent of the additional revenue to which it committed in the Integration Business Case, and if collections continue at the current rate, it will only collect 31.6 per cent of the additional revenue.

3.9 As outlined in Chapter 1, a significant component of the integration of the department and the ACBPS was a suite of 38 capability reform projects to be implemented over eight years, commencing in 2014–15 and costing \$977.8 million. This allocation of funds was to be more than offset by:

- \$560.1 million in savings from efficiencies gained by integrating the department and ACBPS; and
- \$498.0 million in additional revenue through improved customs duty compliance (known as revenue uplift).

**Table 3.3: Integration approved funding and efficiencies, 2014–15 to 2020–21**

|                                 | 2014–15     | 2015–16     | 2016–17     | 2017–18     | 2018–19       | 2019–20       | 2020–21       | 2021–22       | Total         |
|---------------------------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|
|                                 | \$m         | \$m         | \$m         | \$m         | \$m           | \$m           | \$m           | \$m           | \$m           |
| Approved funding                | 69.2        | 126.0       | 229.3       | 231.2       | 143.6         | 100.0         | 53.3          | 25.2          | 977.8         |
| Efficiencies and revenue uplift | (20.1)      | (93.6)      | (166.6)     | (192.6)     | (192.6)       | (192.6)       | (100.0)       | (100.0)       | (1 058.1)     |
| <b>Net</b>                      | <b>49.1</b> | <b>32.4</b> | <b>62.7</b> | <b>38.6</b> | <b>(49.0)</b> | <b>(92.6)</b> | <b>(46.7)</b> | <b>(74.8)</b> | <b>(80.3)</b> |

Source: ANAO analysis of DIBP data.

### Efficiency savings

3.10 In his speech in May 2014 announcing the government's decision to integrate the department and the ACBPS and create the ABF, the Minister referred to the potential for efficiency savings to be achieved. The Integration Business Case stated that the department had developed an Efficiency Delivery Strategy which identified the following areas where savings were proposed to be achieved:

- staffing reductions by reducing the number of SES officers; increasing the ‘spans of control’ of Executive Level staff; and other reductions in staffing at more junior levels;
- property expenses: reduction in the number of properties leased by the department and ABF and more efficient facilities management;
- ICT costs: merging existing technology and telecommunications contracts as they expire and reducing the number of ICT contractors and consultants; and
- other contracts: reductions in spending<sup>33</sup> on non-ICT contractors and consultants.

3.11 Table 3.4 shows the efficiency savings proposed as a result of the Efficiency Delivery Strategy.

**Table 3.4: Efficiency Delivery Strategy – proposed savings**

|                     | 2015–16<br>\$m | 2016–17<br>\$m | 2017–18<br>\$m | 2018–19<br>\$m | Total<br>\$m |
|---------------------|----------------|----------------|----------------|----------------|--------------|
| Staffing reductions | 19.6           | 37.5           | 45.9           | 46.7           | 149.4        |
| Property            | 3.6            | 12.4           | 16.4           | 18.1           | 50.5         |
| ICT                 | -              | 13.0           | 20.2           | 20.3           | 53.5         |
| Other contracts     | -              | 2.0            | 4.1            | 4.1            | 10.2         |
| <b>Total</b>        | <b>23.2</b>    | <b>64.9</b>    | <b>86.6</b>    | <b>88.9</b>    | <b>263.6</b> |

Source: Integration Business Case

3.12 In the 2015–16 budget, the government reduced the department’s budget funding for existing operations by \$270.1 million over 2015–16 to 2018–19.<sup>34</sup> This was to partly offset the new expenditure on the capability reform projects. In that sense, the proposed savings were factored into the budget process. The ANAO examined whether the department had taken steps to implement the Efficiency Delivery Strategy as proposed.

3.13 Since 2014–15, the department has not undertaken any detailed analysis to confirm that the efficiency measures which were directly costed and agreed in the Integration Business Case have been completely implemented or achieved at the rate proposed. This is inconsistent with the commitments made to government in relation to the achievement of efficiency savings.

3.14 In January 2018, the department advised that to date, it had:

- undertaken an analysis of contracts existing at the then ACBPS and the department and identified which contracts could be consolidated over future periods;
- merged corporate, enabling and governance functions and developed a new organisational structure;
- developed a ‘*Strategic Plan for Onshore Commercial Property 2015–2025*’, which analysed the then ACBPS’ and the department’s leased property footprint to identify future requirements and presence that could be consolidated to fewer locations;

33 Expenditure to be reduced by 2.5 per cent in 2016–17 and 5 per cent per annum after that.

34 The \$263.6 million shown in Table 3.4 was adjusted to \$270.1 million in the budget process.



- undertaken a workforce requirements analysis and functional accountability review that examined, amongst other things, span of control.

3.15 These activities were all agreed actions as part of the original Integration Business Case.

### Revenue uplift

3.16 As the government's second-largest collector of revenue behind the Australian Taxation Office (ATO), the department collects a range of duties, taxes and other charges. The most substantial of these is Customs duty, which totalled \$14.2 billion in 2016–17. Like the ATO, the department has a responsibility to ensure that companies and individuals comply with their payment obligations. 'Compliance' covers a range of regulatory activities intended to collect duty that has not been paid, whether inadvertently or as a result of deliberate evasion. Revenue uplift was the term given in the Integration Business Case to a number of initiatives aimed at improving the effectiveness of the department's compliance efforts. At the time of integration, ACBPS' compliance activity resulted in additional duty collection of approximately \$29 million per year.

3.17 In April 2014, prior to the public announcement of integration, the department had proposed to the government that it would improve revenue collection and compliance and collect an additional \$346.6 million over the six years from 2014–15 to 2019–20.

3.18 In April 2015, after further analysis and assessment requested by the government, the department proposed (and the government agreed) to increase the commitment by \$151.4 million, bringing the total commitment to \$498.0 million over six years.<sup>35</sup>

3.19 Table 3.5 details the amount of additional revenue that the department ultimately committed to collecting in each year.

**Table 3.5: Commitment to improved revenue collection and compliance, 2014–15 to 2021–22**

|                                                | 2014–15     | 2015–16     | 2016–17      | 2017–18      | 2018–19      | 2019–20      | Total        |
|------------------------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
|                                                | \$m         | \$m         | \$m          | \$m          | \$m          | \$m          | \$m          |
| First revenue uplift commitment (April 2014)   | 17.0        | 52.8        | 69.2         | 69.2         | 69.2         | 69.2         | 346.6        |
| Further revenue uplift commitment (April 2015) | 3.1         | 16.7        | 31.4         | 33.4         | 33.4         | 33.4         | 151.4        |
| <b>Total revenue uplift commitment</b>         | <b>20.1</b> | <b>69.5</b> | <b>100.6</b> | <b>102.6</b> | <b>102.6</b> | <b>102.6</b> | <b>498.0</b> |

35 The April 2014 and April 2015 commitments to increased revenue collection were based upon a March 2014 *Value Determination Study* by a consultant engaged by ACBPS, and a September 2014 report entitled *Delivering the Revenue Commitment*. These reports examined ACBPS revenue compliance work in earlier years and developed a number of 'initiatives' which it believed would deliver the additional revenue proposed. Some of the initiatives required the development of 'predictive analytic models'. The March 2014 Study proposed ten initiatives and the revised September 2014 report proposed fourteen.

Source: DIBP.

3.20 After the initial revenue uplift commitment in April 2014 (but before the further commitment in April 2015), the Executive Committee had received Monthly Finance Updates in March 2015 and April 2015 which highlighted trends indicating that the initial uplift commitment would not be realised. By May 2015, the Monthly Finance Update advised that ‘the annual revenue uplift will fall well short of the full year forecast’.

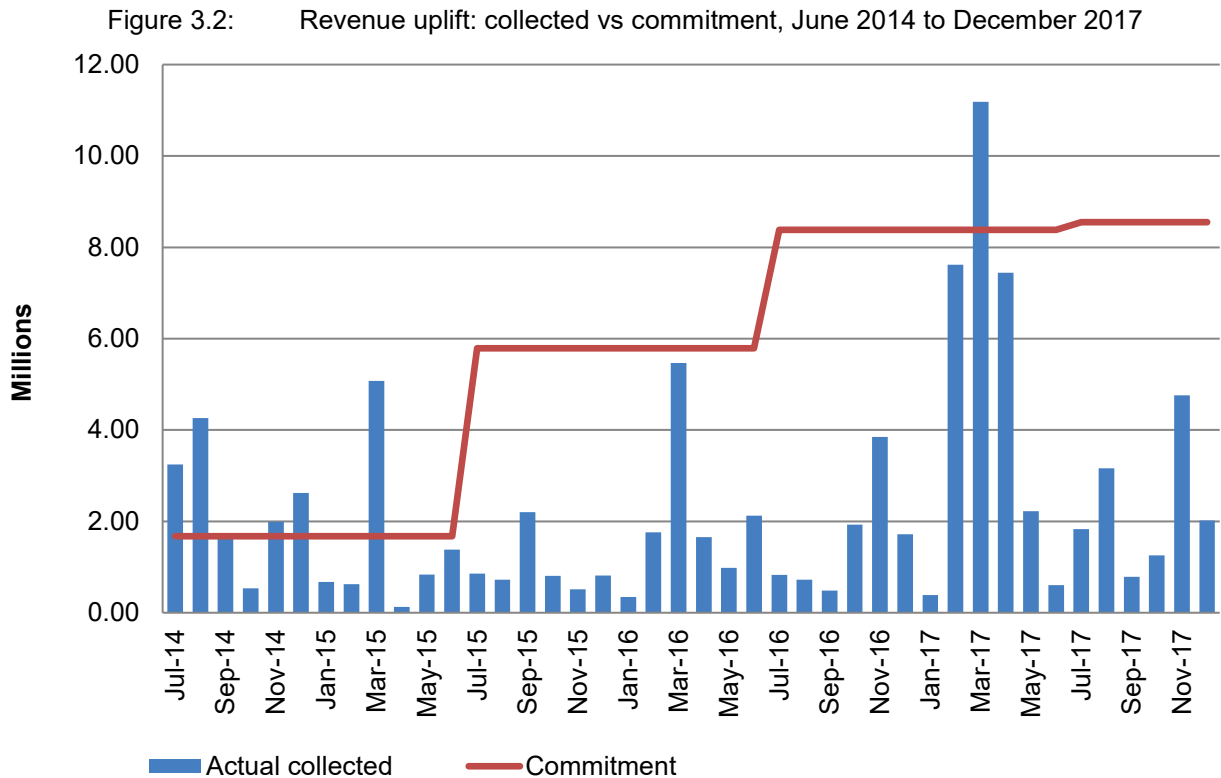
3.21 An April 2015 report entitled *Revenue Uplift – the way forward* noted that targets were not being met and growing shortfalls were developing. The report stated that development of the initiatives had encountered ‘technical design difficulties’, and that the only initiative that had been fully completed to date had raised doubts about how effective it would be in predicting non-compliance that was not already known to ACBPS.

3.22 Further reports to the executive in July, August and November 2015 confirmed growing shortfalls in revenue uplift collections and outlined a number of reasons, including:

- problems with the development of analytic models by the consultant;
- the redirection of officers from revenue compliance activities to ‘other activities considered of higher operational priority’;
- workforce issues including long-term vacancies; and
- delays in implementing the ‘initiatives’.

3.23 In October 2016, revenue uplift was discontinued as a separate capability reform project and the responsibility was transferred into ‘business as usual’ operations in the Customs Compliance branch. An End Project Report completed to close out the process noted that there had been difficulties in developing the proposed fourteen initiatives, and another February 2016 report stated that ‘the predictive analytics models originally planned to be developed by the Task Force were not feasible’. The Customs Compliance branch has continued with revenue compliance work, but work on the originally envisaged advanced analytics approach and the ‘fourteen initiatives’ appears to have ceased.

3.24 In the meantime, revenue uplift collection results have continued to be reported to the executive. Figure 3.2 shows amounts of additional revenue actually identified for collection compared with the commitment given to the government in April 2015.



Note a: The peaks shown in February to April 2017 are due to a small number of large value transactions associated with elements such as tobacco product imports. Figures shown are additional to the baseline collection of approximately \$29.0 million per year (see paragraph 3.16).

Source: ANAO from DIBP data.

3.25 By the end of 2016–17, the amount of additional revenue collected since July 2014 was \$80.3 million compared with a commitment for the same period of \$190.2 million (42.2 per cent). If revenue uplift collections continue at the same average monthly rate as to date (\$2.2 million per month), the shortfall by the end of 2019–20 will be \$340.6 million and the department will have achieved less than a third (31.6 per cent) of its commitment to the government. Figure 3.2 shows that the revenue uplift commitment was met in six of 36 months in the period 2014–15 to 2016–17.

3.26 In the light of the significant shortfall to date, the ANAO asked the department whether it believed that the original revenue commitment of \$498.0 million would still be achieved. In February 2018, the department advised:

As the performance of Customs Duty to budget is in line with expectations (variation of <1%) to the published PAES 2016–17 budget numbers, the department considers we are achieving our revenue targets.

3.27 The department’s advice is inconsistent with both the Integration Business Case and the department’s specific commitment to increase the revenue collected from its customs duty compliance activity, to which the government agreed as part of the offsets to the costs of integration and reform.

## 4. Benefits of integration

### Areas examined

This chapter assesses the department's ability to demonstrate the benefits of integration.

### Conclusion

In the Integration Business Case, the department committed to a detailed Benefits Realisation Plan. The plan was not implemented despite several reviews identifying this omission. As a result, the department cannot demonstrate to the government that the claimed benefits of integration have been achieved.

### Can the department demonstrate to the government the benefits of integration?

The department cannot demonstrate that the claimed benefits of integration have been achieved because it did not implement the Benefits Realisation Plan which formed part of the Integration Business Case.

#### 4.1 The Integration Business Case stated that:

The decision to support and fund the Programme hinges, among other things, on whether or not the investment in this major transformation can be justified. A key question that needs to be considered is whether the envisaged Programme objectives and outcomes will deliver benefits that justify the investment that Government will be asked to make.

#### 4.2 A Benefits Realisation Plan was included as an attachment to the Integration Business Case. Ten key program benefits were specified, forming four overarching benefits. These are shown in Table 4.1.

**Table 4.1: Integration Business Case: benefits of integration**

| Overarching benefits          | Program benefits                                                                                                                                                                                      |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improved security             | Protection against unsafe and malicious items or products through improved information sharing, targeting, and focus on lesser-known or higher risk shipments                                         |
|                               | Protection against entrances of potentially violent or malicious people through improved information sharing, targeting, and focus on lesser-known or higher-risk travellers                          |
| Improved economic development | Increase in trade and reduced prices for consumers due to streamlined and more transparent clearance processes for legitimate cargo                                                                   |
|                               | Improved economic protection for Australian business against illegitimate importation of cargo that violates fair trading practices and from activities that improperly exploit Australia's resources |
|                               | Increased tourism and business travel resulting from easy, rapid, and transparent compliance processes for visitors                                                                                   |

| Overarching benefits                                    | Program benefits                                                                                                                     |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Improved cohesiveness as a society                      | Improved ability to admit immigrants based on desired skills, qualifications, and policy guidelines                                  |
|                                                         | Improved ability to care for migrants and asylum-seekers as appropriate to the situation and policy                                  |
| Stewardship of Government assets, resources, and people | Enhanced ability to optimize revenue collection due to improved revenue analytics, targeting, and relationships with shippers        |
|                                                         | Improved cost management resulting from process improvements, workforce optimization, and coordination of cross-cutting capabilities |
|                                                         | Improved workforce career development and morale                                                                                     |
|                                                         | Improved legislative compliance, assurance and risk management                                                                       |

Source: Integration Business Case, *Benefits Realisation Plan*.

4.3 The Plan also listed 27 'proposed measures of benefit'.<sup>36</sup> The department advised in March 2018 that it had not collected any data in relation to these measures.

4.4 The Benefits Realisation Plan gave a detailed description of the benefits management framework, including the approach and process, governance and reporting. The Plan required the development of the documents and reports outlined in Table 4.2.

**Table 4.2: Benefits Realisation Plan: required documents and reports**

| Component                 | Purpose                                                                                                                                                       | When required                                                                                                                     |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Benefit profiles          | Documents expected benefit, including categorisation, quantification and timing of realisation.                                                               | At project initiation and definition                                                                                              |
| Benefits register         | Consolidates all of the expected benefits from a program or projects into a single document                                                                   | At project initiation and definition                                                                                              |
| Benefit logic map         | Documents logical linkage between deliverables, outcomes and benefits.                                                                                        | At project initiation and definition                                                                                              |
| Benefits reports          | Provides Program governance bodies with information regarding achievement of benefits, including areas of non-achievement, to support Program decision making | Quarterly from commencement of Program                                                                                            |
| Benefit variation reports | Provides an explanation of the change to expected benefits for a program or project.                                                                          | When a Benefit Profile is updated and as a result the expected realisation value changes by more than the agreed tolerance level. |
| Benefit tracker           | Provides the basis of quarterly reporting of benefits being realised by business-as-usual areas.                                                              | Quarterly                                                                                                                         |

Source: Integration Business Case, *Benefits Realisation Plan*.

36 Examples of proposed measures of benefit were: number of export and import entries cleared; proportion of cargo found to violate fair trading practices or that exploit Australia's resources; proportion of asylum-seeker care activities found to meet policy requirements and proportion of workforce effort expended on low value or low priority tasks.

4.5 Despite establishing a detailed benefits management framework (including the development of blank templates for each of the components in Table 4.2), this work was not progressed until 2017 and, as at the time of audit, none of the documents or reports outlined in Table 4.2 have been finalised.

4.6 A number of reviews over aspects of the program have stated that there was no evidence a benefits management framework had been implemented as outlined in Table 4.3.

**Table 4.3: Benefits management: review report comments**

| Date           | Review                                                | Comment                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| November 2014  | Gateway Review                                        | ... at the program level, the benefits management plan, including arrangements for reporting and monitoring of benefits, is still at the outline stage. The review team understands the pressures on the task force staff, but considers that priority attention will need to be given to this issue relatively soon. (Recommendation: 'Complete the detail of the overarching program level benefits management plan'). |
| September 2015 | Management Initiated Review: Gateway Readiness Review | The Benefits Realisation Plan has not been updated to reflect the post-integration organisational environment.                                                                                                                                                                                                                                                                                                           |
| February 2016  | Gateway Review Report: Programme Review               | A benefits management plan was developed and included in the Business Case. The review team did not see evidence that the Program was actively tracking benefits.                                                                                                                                                                                                                                                        |
| November 2016  | Management initiated review: Reform Project Assurance | Lack of, or inconsistent approach to benefits realisation will make it difficult to reallocate capital requests on an objective basis: a benefits assessment has not been consistently applied or implemented to compare the achievement of benefits put forward in the Cabinet Submissions.                                                                                                                             |
| May 2017       | Gateway Review Report Program Review                  | There are a number of areas that require early attention. These include benefits realisation, where the identification and measurement of program benefits remains at an early stage. The review team was concerned that if this matter is not addressed in the shorter term, the demonstration of program benefits would become even more difficult at later stages in the Program.                                     |

Source: ANAO from review reports.

4.7 In October 2017, the ANAO sought the department's advice about the status of the benefits management framework. The department advised:

While much has been achieved, it is a work in progress and as such I expect that processes will mature over the coming year. At this point, we have established benefits for each of the Programmes and all bar one has provided the detailed Benefit Profile information.

4.8 Notwithstanding this advice, the Benefits Realisation Plan included in the Integration Business Case and approved by government has not been implemented.

## Measures of Success and Future Operating Model

4.9 On 22 September 2017, the Department advised the ANAO that it was moving from a benefits realisation model to an 'outcomes measurement model' and provided two related documents: the Measures of Success and the Future Operating Model.

4.10 The executive summary of the Measures of Success document states that:

A content-driven view of the business outcomes to be delivered by reform and integration is critical for ensuring that benefits are realised over time:

- focusing on outcomes will build on existing input and output focused reporting by articulating how programmes contribute to strategic objectives;
- this in turn will enhance programme prioritisation and decision-making by tying programmes of work to tangible business changes and impacts.

4.11 The Measures of Success notes that the Future Operating Model will 'identify critical impacts and business changes to be delivered over a range of time horizons' and that there should be 'close alignment between the two streams of work.'

4.12 As noted in Table 4.3, the November 2014 Gateway Review had recommended that the department complete the detail of the overarching program level benefits management plan. The 2016 Gateway Review recorded the 'action taken' by the department in response to this recommendation, which was:

The [Gateway] report acknowledges the work done to identify benefits at an individual work package level. A Benefits Management Approach has been released for the integrated DIBP. The Strategic Reform Group has developed an Outcome focussed view of Strategic Reform and have drafted Measures of Success...The Investment Programme is based on integrated delivery and governance structures to focus more on delivering business outcomes and less on original ACBPS Reform structure.

4.13 However, the February 2016 Gateway Review noted that 'the draft Measures of Success has yet to be signed off'. Consequently, the ANAO enquired further about the status and progress of the Measures of Success and the Future Operating Model. The department advised that both documents had been developed in April 2016 but that 'the MOS [Measures of Success] was not put into effect, but was used in development of the Organisational Health and Reform dashboard' and in relation to the Future Operating Model, the department advised:

In terms of FOM implementation, it was never officially rolled out to the broader Department. Key SROs [Senior Responsible Officers] received a copy however feedback was that the document was too long and difficult to digest.

4.14 The Measures of Success and the Future Operating Model were the 'deliverables' of a contract that the department entered into with a consultant (the Boston Consulting Group). The contract value was \$4.7 million and the Boston Consulting Group was actually paid \$3.7 million. This contract was not evaluated at its completion as required.

4.15 Despite the department's advice (see paragraph 4.9) which indicated that the department was moving from a benefits realisation model to an outcomes measurement model, the Future Operating Model and the Measures of Success (even had they been adopted and implemented) would not have provided a basis for assessment of the strategic benefits of integration as intended

by the Benefits Realisation Plan. In its *Assessment of the consolidation of ACBPS and DIBP*, the RAND corporation said:

The current 20 measures of success developed by the Boston Consulting Group—referred to as the “measures of success”—are largely operational metrics, and as such do not consider the full strategy-to-resources continuum... As none of the measures being developed can be considered to be strategic, assessing strategic outcomes will likely be problematic. Furthermore, with such measures, assessing whether the overarching strategy of the DIBP is being achieved will also likely not be possible.

4.16 At the time of the audit, the department has not provided the government with any assessment of the benefits of integration. Additionally (as noted in Chapter 3), while the efficiency savings to which the department committed were delivered through reductions in its base funding, the department cannot identify specifically what efficiencies have been delivered and in what areas.

### Recommendation no.3

4.17 The Department of Home Affairs implement the Benefits Realisation Plan which was included in the Integration Business Case to allow the government to assess whether the claimed benefits of integration have been realised.

**Department of Home Affairs response:** *Agreed.*

4.18 *The Department acknowledges the need for an enterprise and strategic approach to benefits management, tracking and harvesting that goes beyond project delivery. While project level benefits are still maturing, the Department is working with key internal stakeholders to develop an approach, framework, and accountabilities for the tracking of benefits at an enterprise level.*

4.19 *The Department proposes to develop the program level benefit plans and profiles incorporating key elements of the Integrated Business Realisation Plan recognising the changed circumstances and responsibilities with the stand-up of the Department of Home Affairs. This will enable effective reporting using baselines and measures that are appropriate and targeted, and enable the Department to report on existing strategic objectives.*

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Grant Hehir  
Auditor-General

Canberra ACT  
6 June 2018



# Appendices

## Appendix 1 Entity response



**Australian Government**  
**Department of Home Affairs**

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Dr Tom Ioannou  
Group Executive Director  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

Dear Dr Ioannou,

Thank you for the opportunity to provide comments on the Australian National Audit Office's (ANAO) report on *Integration of the Department of Immigration and Border Protection and the Australian Customs and Border Protection*.

Home Affairs notes the recommendations and agreed that they identify areas for improvement. Home Affairs also notes that there was significant editorial commentary provided to the ANAO to ensure that the report is an accurate reflection of events during the integration period.

Home Affairs provides a summary for inclusion into the report at [Attachment A](#), response to the recommendations at [Attachment B](#) and editorial comments at [Attachment C](#).

If you have any questions in relation to the Home Affairs response, please contact David Norris, Assistant Secretary Audit and Assurance Branch on [david.norris@homeaffairs.gov.au](mailto:david.norris@homeaffairs.gov.au) or (02) 6264 2022.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Brown', written over a horizontal line.

**Mark Brown**  
A/g First Assistant Secretary  
Integrity, Security & Assurance Division

21 May 2018

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6 Chan Street Belconnen ACT 2617  
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**Attachment A: Summary of entity response**

The Department of Home Affairs (Home Affairs) recognises and appreciates the efforts of the Australian National Audit Office staff who conducted the audit.

Overall the report concludes that the then Department of Immigration and Border Protection (DIBP) successfully achieved integration and continues with the implementation of reform projects. With integration achieved through the establishment of a sound Governance Framework and an effective Project and Program Management Framework, that was supported by detailed communication plans and 'pulse check' surveys. Having in place these frameworks enabled flexible and timely responses to the management of emerging issues.

Home Affairs does acknowledge that record-keeping at that time was not in line with best practice and has undertaken significant steps to rectify the situation. Additionally continual improvements are being made in contract management with an automated solution being put in place that will facilitate the assessment of contract performance.

Home Affairs disputes in some instances the financial conclusions drawn within the report, and whether or not certain elements were outside the scope of the audit, as well as statements made in regards to project management and the overall visibility of the Executive in relation to the integration project.

With the inception of Home Affairs the ongoing development and review of new organisational priorities and strategies, to ensure that governance arrangements are robust, remains a primary focus.

## Appendix 2 Status of capability reform projects

1. In the tables below:
  - original budget is as approved by government in the Integration Business Case;
  - expended is the amount expended on each project as at 31 December 2017;
  - original start and end date are as stated in the Integrated Business Case; and
  - forecast end date is as revised by the department as at 31 December 2017.

**Table A.1: Border clearance program**

| Project                                      | Original budget<br>\$m | Expended<br>31 Dec<br>2017<br>\$m | Original<br>start date | Original<br>end date | Forecast<br>end date             | Status<br>31 December<br>2017 |
|----------------------------------------------|------------------------|-----------------------------------|------------------------|----------------------|----------------------------------|-------------------------------|
| Digital Forms                                | 7.8                    | 1.5                               | July 2015              | June 2019            | June 2019                        | In progress                   |
| Permits                                      | 5.6                    | 0                                 | July 2018              | June 2020            | June 2020                        | In progress                   |
| Enterprise<br>Process<br>Management          | 69.4                   | 29.1                              | July 2014              | June 2020            | July 2021                        | In progress                   |
| Legislative<br>change (new<br>traveller)     | 3.1                    | 1.9                               | Sept 2014              | June 2020            | Not<br>conducted<br>as a project | Completed                     |
| Legislative<br>change<br>(Trusted<br>trader) |                        |                                   |                        |                      |                                  | Completed                     |
| New traveller<br>platform                    | 54.6                   | 27.3                              | October<br>2015        | June 2018            | June 2019                        | In progress                   |
| Resource<br>Planning<br>Capability           | 10.3                   | 11.7                              | December<br>2014       | February<br>2019     | June 2020                        | In progress                   |
| Revenue uplift                               | 12.8                   | 8.3                               | August<br>2015         | Not<br>specified     | Not<br>specified                 | Closed                        |
| Seamless<br>Traveller                        | 93.7                   | 26.8                              | July 2015              | June 2018            | June 2019                        | In progress                   |
| Trusted trader                               | 8.7                    | 9.0                               | Sept 2014              | June 2020            | June 2020                        | In progress                   |
| <b>Total</b>                                 | <b>266.0</b>           | <b>115.6</b>                      |                        |                      |                                  |                               |

Source: ANAO from DIBP data.

**Table A.2: Compliance and enforcement program**

| Project                         | Original budget | Expended 31 December 2017 | Original start date | Original end date | Forecast end date | Status 31 December 2017 |
|---------------------------------|-----------------|---------------------------|---------------------|-------------------|-------------------|-------------------------|
|                                 | \$m             | \$m                       |                     |                   |                   |                         |
| ABF mobile technologies         | 19.4            | 5.5                       | July 2015           | June 2020         | June 2020         | In progress             |
| ABF operating model (CONOPS)    | 5.1             | 3.5                       | December 2014       | August 2018       | June 2018         | In progress             |
| ABF stand-up: SBC structure     | 12.3            | 6.7                       | December 2014       | June 2018         | June 2018         | In progress             |
| CCTV surveillance               | 23.2            | 14.2                      | October 2014        | June 2020         | June 2020         | In progress             |
| Port, Harbour and Coastal       | 24.4            | 6.0                       | July 2015           | June 2018         | December 2019     | In progress             |
| Situational awareness           | 9.2             | 3.7                       | July 2015           | November 2018     | April 2020        | In progress             |
| Torres Strait patrols           | 38.3            | 17.4                      | July 2014           | March 2018        | September 2018    | In progress             |
| Transition to fully capable ABF | 50.7            | 29.2                      | July 2016           | June 2019         | June 2019         | In progress             |
| <b>Total</b>                    | <b>182.6</b>    | <b>86.2</b>               |                     |                   |                   |                         |

Source: ANAO from DIBP data.

**Table A.3: Intelligence and information program**

| Project                           | Original budget<br>\$m | Expended<br>31 December<br>2017<br>\$m | Original<br>start date | Original<br>end date                                      | Forecast<br>end date | Status<br>31 December<br>2017 |
|-----------------------------------|------------------------|----------------------------------------|------------------------|-----------------------------------------------------------|----------------------|-------------------------------|
| Border Risk Assessment Capability | 69.2                   | 23.3                                   | July 2013              | December 2019                                             | June 2020            | In progress                   |
| Connected Information Environment | 113.0                  | 54.4                                   | January 2015           | May 2020                                                  | June 2021            | In progress                   |
| Intelligence (advanced analytics) | 34.9                   | 4.5                                    | July 2014              | December 2019                                             | June 2020            | In progress                   |
| National Border Targeting Centre  | 30.2                   | 25.9                                   | July 2017              | Under review following creation of Home Affairs portfolio |                      | n/a                           |
| Visa Risk Assessment Capability   | 110.4                  | 42.7                                   | July 2017              | June 2020                                                 | June 2020            | In progress                   |
| <b>Total</b>                      | <b>357.7</b>           | <b>150.8</b>                           |                        |                                                           |                      |                               |

Source: ANAO from DIBP data.

**Table A.4: Technology and enabling program**

| Project                                | Original budget<br>\$m | Expended<br>31 December<br>2017<br>\$m | Original<br>start date | Original<br>end date | Forecast<br>end date | Status<br>31 December<br>2017 |
|----------------------------------------|------------------------|----------------------------------------|------------------------|----------------------|----------------------|-------------------------------|
| Services integration                   | 11.1                   | 4.8                                    | July 2015              | September 2016       | June 2018            | In progress                   |
| Identity, access and management        | 18.6                   | 10.9                                   | July 2014              | June 2018            | June 2020            | In progress                   |
| Portfolio management and time sheeting | 4.6                    | 2.4                                    | July 2015              | March 2016           | Project cancelled    | n/a                           |
| Systems development life cycle         | 5.3                    | 5.3                                    | July 2014              | December 2017        | August 2018          | In progress                   |
| Service management                     | 11.1                   | 7.3                                    | July 2014              | June 2018            | June 2018            | In progress                   |
| Technology portfolio capability        | 6.0                    | 3.4                                    | March 2015             | June 2016            | June 2017            | Completed                     |
| <b>Total</b>                           | <b>56.7</b>            | <b>34.1</b>                            |                        |                      |                      |                               |

Source: ANAO from DIBP data.

**Table A.5: Workforce and corporate program**

| Project                              | Original budget<br>\$m                | Expended 31 December 2017<br>\$m | Original start date | Original end date | Forecast end date          | Status 31 December 2017 |
|--------------------------------------|---------------------------------------|----------------------------------|---------------------|-------------------|----------------------------|-------------------------|
| Cyber security                       | 38.2                                  | 23.5                             | January 2015        | June 2019         | December 2018              | In progress             |
| Enhanced HR capability               | 2.2                                   | 2.4                              | July 2016           | June 2017         | June 2017                  | Completed               |
| Interface and educate                | 4.2                                   | 0                                | July 2018           | June 2020         | Not yet commenced          | Not yet commenced       |
| Learning and development/ABF college | 13.8                                  | 6.1                              | July 2014           | June 2020         | June 2020                  | In progress             |
| Portfolio headquarters               | 28.3                                  | 7.5                              | July 2016           | March 2022        | June 2020                  | In progress             |
| Procurement                          | 3.7                                   | 3.4                              | July 2014           | June 2018         | Not conducted as a project | Completed               |
| Strengthened service and integrity   | 15.6                                  | 7.7                              | July 2015           | June 2017         | September 2020             | In progress             |
| Workforce transformation             | 8.8                                   | 6.9                              | July 2014           | June 2020         | July 2020                  | In progress             |
| Integrated identity capability       | Project cancelled before commencement |                                  |                     |                   |                            | n/a                     |
| <b>Total</b>                         | <b>114.8</b>                          | <b>57.5</b>                      |                     |                   |                            |                         |

Source: ANAO from DIBP data.

