

Defence's Implementation of Cultural Reform

Department of Defence

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Canberra ACT
20 May 2021

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Def. The report is titled *Defence's Implementation of Cultural Reform*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

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Audit snapshot

Auditor-General Report No.38 2020–21

Defence's Implementation of Cultural Reform



Why did we do this audit?

- ▶ Defence is now three years into *Pathway to Change — Evolving Defence Culture 2017–2022*, its second five-year strategy of cultural and behavioural reform.
- ▶ This audit provides the Parliament with independent assurance on the effectiveness to date of Defence's implementation of the strategy.



Key facts

- ▶ Defence issued the 2017–22 strategy in November 2017, as a follow-up to its 2012–17 cultural reform strategy.
- ▶ Defence People Group is the strategy's policy owner. Local level implementation is the responsibility of Defence's 11 Groups and the three armed Services.
- ▶ During the course of the audit, Defence launched further cultural reform initiatives, through its 27 November 2020 *Defence Transformation Strategy* and ongoing response to the *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report* released on 19 November 2020.



What did we find?

- ▶ Defence is unable to provide assurance of the effectiveness of its implementation to date of its *Pathway to Change — Evolving Defence Culture 2017–2022* cultural reform strategy.
- ▶ Defence's development of the strategy did not draw fully on the available evidence base, and therefore that element of strategy development was not fully effective. Implementation planning for the strategy was partially effective.
- ▶ Defence has been largely effective in promulgating the strategy and the overarching governance arrangements are largely fit for purpose, however there were weaknesses in the centre holding the line functions to account for implementation.
- ▶ Defence has not established effective monitoring and reporting arrangements for the strategy, and is not yet able to demonstrate at the enterprise level that intended outcomes are being achieved through its implementation of the strategy.



What did we recommend?

- ▶ The Auditor-General made two recommendations regarding: a process to receive internal assurance from Group Heads and Service Chiefs on strategy implementation; and establishing measurable outcomes for the strategy and related cultural reform initiatives.
- ▶ Defence agreed to the recommendations.

6

cultural reform priorities set out under the 2017–22 strategy.

54%

compliance with a key strategy requirement. Seven of the 13 Defence Groups and Services included cultural priorities in their business plans by 2020–21.

105,075

ongoing APS, permanent ADF and Reservist personnel in Defence.

Summary and recommendations

Background

1. In November 2017, the Department of Defence (Defence) issued its second five-year cultural change strategy, *Pathway to Change: Evolving Defence Culture 2017–22* (the 2017–22 strategy, or second strategy). This strategy followed Defence’s first iteration of its cultural reform — *Pathway to Change: Evolving Defence Culture: A Strategy for Cultural Change and Reinforcement*¹ (the 2012–17 strategy, or first strategy). The 2017–22 strategy was intended to shift the focus of cultural reform from the implementation of recommendations and actions to ‘more deeply embedding positive workplace norms which support all of our people and help us to attract the best people in the future’.²
2. The 2017–22 strategy included a refreshed statement of cultural intent and set out six cultural reform priorities:
 - leadership accountability;
 - capability through inclusion;
 - ethics and workplace behaviours;
 - health, wellness and safety;
 - workplace agility and flexibility; and
 - leading and developing integrated teams.
3. The strategy indicated that Defence People Group (DPG), ‘will continue as the policy lead for organisational level cultural reform initiatives, as well as facilitating, monitoring and reporting on the implementation of cultural reform within Defence’. Local level implementation of the strategy is the responsibility of Defence’s 11 Groups and three armed Services.

Rationale for undertaking the audit

4. Defence is now three years into its second five-year (2017–22) strategy of cultural and behavioural reform, and has recently launched further cultural reform initiatives through its: 27 November 2020 Defence Transformation Strategy; and ongoing response to the *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report* released publicly on 19 November 2020.³
5. This audit provides the Parliament with independent assurance on the effectiveness to date of Defence’s implementation of its second cultural reform strategy (2017–22). The ANAO has not previously audited Defence’s cultural reform strategy launched in 2012, but has reported

1 Department of Defence, *Pathway to Change: Evolving Defence Culture: A Strategy for Cultural Change and Reinforcement*, March 2012. The Minister for Defence, Secretary of Defence and Chief of the Defence Force jointly announced the 2012–17 strategy on 7 March 2012. It was intended to address the findings of a number of reviews into aspects of Defence and Australian Defence Force culture (see footnote 7 for further detail). The 2017–22 strategy outlined that all the recommendations and actions from the 2012–17 strategy had been addressed.

2 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, p. 4.

3 Discussed in paragraphs 1.4 to 1.8 of this audit report.

on implementation of the related enterprise-level initiative, the Defence First Principles Review.⁴ This audit was identified as a priority of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) in the context of the ANAO's 2020–21 *Annual Audit Work Program*.

Audit objective and criteria

6. The objective of the audit was to assess the effectiveness to date of Defence's implementation of its *Pathway to Change — Evolving Defence Culture 2017–2022* cultural reform strategy. To form a conclusion against the audit objective, the following high level criteria were adopted:

- Was Defence's development of the strategy evidence-based?
- Did Defence undertake effective planning to support its implementation of the strategy?
- Did Defence effectively promulgate the strategy and its expectations regarding implementation?
- Did Defence establish fit-for-purpose governance arrangements to oversight implementation of the strategy?
- Has Defence established effective monitoring and reporting arrangements for the strategy?
- Can Defence demonstrate that intended outcomes are being achieved through its implementation of the strategy?

7. The scope of this audit is Defence's implementation of its second (2017–22) cultural reform strategy. The implementation of the first strategy was not examined in detail, however the audit did consider whether Defence's experience of implementing the first strategy informed the development of the second strategy.

8. Defence's implementation of its November 2020 Transformation Strategy and response to the November 2020 *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report* were at a relatively early stage at the time of this audit and have not been examined in any detail in this report. However, the connections between the various reform strategies have been examined, given their core focus on cultural and behavioural reform in Defence.

Conclusion

9. Defence is unable to provide assurance of the effectiveness of its implementation to date of its *Pathway to Change — Evolving Defence Culture 2017–2022* cultural reform strategy.

- Defence's development of the strategy did not draw fully on the available evidence base, and therefore that element of strategy development was not fully effective. Implementation planning for the strategy was partially effective.
- Defence has been largely effective in promulgating the strategy and the overarching governance arrangements are largely fit for purpose, however there were weaknesses in the centre holding the line functions to account for implementation.

4 Auditor-General Report No.34 2017–18 *Defence's Implementation of the First Principles Review*.

- Defence has not established effective monitoring and reporting arrangements for the strategy, and is not yet able to demonstrate at the enterprise level that intended outcomes are being achieved through its implementation of the strategy.

Supporting findings

Strategy development and implementation planning

10. Defence's development of the 2017–22 strategy (second strategy) was based on evidence collected through staff consultations during 2016 and 2017. However it missed opportunities to provide a stronger evidence base through the utilisation of available staff survey data or establish a baseline measure of culture to help assess the outcomes of the second strategy. Defence also had access to staff survey data which it used to monitor implementation of the preceding 2012–17 strategy (first strategy). While Defence identified lessons learned from its implementation of the first strategy and conducted staff consultations, it did not undertake a systematic evaluation of the first strategy to inform development of the second.

11. Defence's implementation planning for the second strategy, based on a combined approach involving both the centre and line functions, was partially effective. Defence People Group (the centre) was identified as the policy lead for organisational level cultural reform initiatives, and was expected to facilitate, monitor and report on the implementation of cultural reform at the enterprise level. Defence's individual Groups and Services (the line functions) were expected to leverage organisational level initiatives as appropriate, and where required to scope, develop and implement initiatives tailored to their context. Defence identified in 2020 that these accountabilities and responsibilities were described at a high level and did not provide sufficient clarity to support implementation and management of the strategy. In the context of its implementation planning, Defence did not develop a measurement framework to monitor how culture had changed due to activities undertaken as part of the second strategy or prepare a risk management plan to support its implementation of the strategy. A communications plan was prepared to support implementation of the second strategy.

Communication and governance arrangements

12. Defence has been largely effective in promulgating the second strategy. Defence developed and implemented a communication plan, and the key communications issued by Defence were consistent with the communication objectives and key messaging. The communication activities were designed to ensure senior leaders were informed of Defence's expectations of them in implementing the second strategy. Defence also provided a range of supporting resources for its personnel and senior leaders. Defence provided limited information to personnel on how the strategy related to their legal and ethical obligations or other policies, programs or activities within Defence. Defence prepared an internal discussion paper on early findings from implementation of the second strategy, which considered communication and awareness issues, but did not formally evaluate the effectiveness of its communication plan for the strategy as required by Defence policy.

13. Defence's use of its existing enterprise-level governance arrangements, for the purpose of implementing the second strategy through a combined approach, was largely fit for purpose. There were weaknesses evident in the centre holding the line functions to account for

implementation. While Defence established a requirement that individual Group and Service business plans would include the six cultural reform priorities articulated in the strategy, the majority of Groups and Services did not include the cultural priorities in their business plans in a timely manner. Two of the 13 Groups and Services (15 per cent) included the six cultural priorities in their business plan in 2018–19 as required, with a further six Groups and Services (46 per cent) including references to the strategy or the cultural intent in their business plan. By 2020–21, only seven Groups and Services (54 per cent) had met the requirement of the strategy by including the priorities in their business plan. Defence did not follow up, through its Defence People Group (DPG), until February 2020, to ensure that Groups and Services had embedded the strategy into business plans as required, despite DPG having central responsibility for facilitation, monitoring and reporting.

Monitoring, reporting and outcomes

14. Defence has not established effective monitoring and reporting arrangements for the second strategy. Internal performance reporting has been provided to the Enterprise Business Committee on a bi-annual basis, as stated in the strategy, and issues relating to cultural reform have been discussed in other senior Defence committees. Internal reporting to the Enterprise Business Committee includes information drawn from survey data. However, the absence of a structured approach to collecting and collating data on Group and Service implementation of the strategy limits the assurance that can be provided to Defence’s senior leadership on the progress and effectiveness of the implementation effort. Defence did not develop measurable outcomes, or performance criteria, relating to the desired enterprise wide cultural change.

15. Defence is not able to demonstrate at the enterprise level that intended outcomes are being achieved through its implementation of the second strategy. Defence initially intended to undertake in-depth assessments of each cultural priority, but discontinued this approach after two assessments were undertaken. Reporting to the Enterprise Business Committee in April 2020 observed that the analysis undertaken indicated that, while significant activity was occurring, a large majority of the activities were developed based on other organisational needs, rather than being driven strategically by the second strategy. At the conclusion of this audit Defence was in the process of mapping activities that may contribute to the achievement of intended outcomes and was developing a performance framework for the strategy.

Recommendations

Recommendation no. 1 That Defence establish arrangements to receive assurance from Group Heads and Service Chiefs on their implementation of *Pathway to Change: Evolving Defence Culture 2017–22*.
Paragraph 4.24

Department of Defence response: *Agreed.*

Recommendation no. 2 That Defence establish measurable outcomes for *Pathway to Change: Evolving Defence Culture 2017–22* and a set of performance criteria that are accurate, reliable and complete, as a basis for assessing the performance of the strategy.
Paragraph 4.50

Department of Defence response: *Agreed.*

Summary of Department of Defence response

Defence agrees with the recommendations made and acknowledges the findings contained in the audit report of *Defence's Implementation of Cultural Reform*, which focused on *Pathway to Change: Evolving Defence Culture 2017–2022 (Pathway to Change 2017–2022)*.

Pathway to Change 2017–2022 was designed as an umbrella strategy, to provide an overarching policy position for culture in Defence. The scope of activity that sits under *Pathway to Change 2017–22* is significant, encompassing initiatives at all levels of the organisation. This layered approach has allowed each Group and Service to align and drive the intent of *Pathway to Change 2017–2022* within their organisational context.

Defence has made progress towards achieving its cultural reform priorities. Significant achievements include:

- Increases in the diversity of Defence's workforce to reflect the Australian community that we serve, whilst strengthening organisational capability and combat effectiveness. This includes an increase in the percentage of women, Indigenous Australians and people from culturally and linguistically diverse backgrounds in Defence.
- The implementation of performance frameworks, and survey data demonstrating increases in employees' confidence in senior leaders and the effectiveness of supervisors in managing performance.
- A comprehensive approach to workplace behaviour, with robust systems and processes in place to safely resolve incidents of unacceptable behaviour, which hold all Defence personnel to account for poor behaviours should they occur.
- The implementation of a more contemporary employment model (the Total Workforce Model) to enable the generation and sustainment of Australian Defence Force capability.
- The release of a unifying set of Values and Behaviours to strengthen our organisational alignment and meet cultural and strategic challenges. The values of Service, Courage, Respect, Integrity and Excellence embody what Australians expect of Defence personnel. The Values of Service and Courage have been strongly demonstrated with the mobilisation of the Australian Defence Force personnel and Australian Public Service employees in response to the COVID-19 pandemic, floods and bushfires.

Cultural reform takes time, and is ever evolving. The ANAO's findings, together with an internal review of *Pathway to Change 2017–2022*, will inform the next phase of Defence's cultural reform beyond 2022 in alignment with the *Defence Transformation Strategy*. This new phase will take forward the key elements that underpin a continuous improvement culture — embedding values and behaviours, creating clear accountabilities, as well as informed and evidence-based decision making.

Collectively, these actions will ensure Defence continues to have the capacity to shape, deter and respond to challenges and advance Australia's national interests.

Key messages from this audit for all Australian Government entities

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

Policy/program implementation

- When implementing a strategy, an implementation plan can assist with defining the approach, roles and responsibilities and governance arrangements, what success looks like, and in tracking whether initiatives are on time and within budget.

Governance and risk management

- Arrangements to provide senior leadership assurance are essential for the effective oversight of enterprise-level initiatives with a devolved, business as usual implementation strategy.
- Effective central and line management oversight relies on appropriate monitoring and timely reporting arrangements.

Performance and impact measurement

- Clear articulation of objectives provides a basis to evaluate the extent to which outcomes are being delivered.
- Clear documentation of the methodologies used to assess/determine performance information provides assurance on the quality of reporting, and facilitates consistency and accuracy in reporting.

Audit findings

1. Background

Introduction

1.1 In November 2017, the Department of Defence (Defence) issued its second five-year cultural change strategy, *Pathway to Change: Evolving Defence Culture 2017–22* (the 2017–22 strategy).⁵ The 2017–22 strategy is intended to have the effect of:

... more deeply embedding positive workplace norms which support all of our people and help us to attract the best people in the future.⁶

1.2 The 2017–22 strategy was, in effect, the second phase of a cultural and behavioural change program initiated in 2012⁷ to focus attention on legal and ethical obligations, which the strategy described as follows:

In 2012 Defence embarked on a major program of cultural change called Pathway to Change: Evolving Defence Culture. Pathway to Change embraced all aspects of how Defence works and how it acts, at the individual level and as a whole.

The purpose of Pathway to Change was for Defence to renew its commitment to its core values and to build trust with the Government, the Australian community and, importantly, Defence people. The central focus of Pathway to Change was on values, attitudes and behaviours. Initiatives under Pathway to Change focused on strengthening the capacity of the Australian Defence Force members and the Australian Public Servants, along with Defence Industry personnel, to work together to deliver Defence capability for Australia

... Since 2015, through implementation of the First Principles Review of Defence, leaders are being held more accountable for their actions and for the workplace behaviours of their teams. This has been an important step forward, in moving from the implementation of actions and recommendations of Pathway to Change 2012–2017, to more deeply embedding positive workplace norms which support all of our people and help us to attract the best people in the future.⁸

1.3 In April 2019, 17 months after the release of the 2017–22 strategy, the Secretary of Defence described the centrality of cultural reform to both Defence’s wider ‘One Defence’ reform agenda

5 The Macquarie Dictionary defines strategy as ‘a plan which is devised to achieve a particular outcome’.

6 Defence states that the strategy is ‘underpinned by a refreshed cultural intent statement’. See <https://www.defence.gov.au/pathwaytochange/> [accessed 7 November 2020].

7 Defence records indicate that on 11 April 2011 the Minister for Defence announced a series of reviews into aspects of Defence and Australian Defence Force (ADF) culture. On 7 March 2012, the Minister for Defence, Secretary of Defence and Chief of the Defence Force jointly announced a strategy for cultural change and reinforcement in Defence and the ADF, including a ‘statement of cultural intent’. The 2012 implementation strategy was titled *Pathway to Change: Evolving Defence Culture—A Strategy for Cultural Change and Reinforcement*. The 2012 strategy was intended to address the findings of a series of reviews into Defence and ADF culture and performance, including the DLA Piper *Review of Allegations of Sexual and Other Forms of Abuse in Defence*; the *Review of Personal Conduct of ADF Personnel*; the *Review of the Use of Alcohol in the ADF*; the *Review of Social Media and Defence*; the *Review of the Management of Incidents and Complaints*; the *Review of Employment Pathways for APS Women in the Department of Defence*; and the *Review into the Treatment of Women in the ADF*. See <https://www.defence.gov.au/pathwaytochange/> [accessed 7 November 2020].

8 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, p. 1 and p. 4.

(initiated by the *2015 First Principles Review: Creating One Defence*) and its competitiveness as an employer:

Underpinning defence's reform agenda has been a cultural change agenda, fostering the right attitudes and behaviours across our organisation.

... The future success of defence and our nation's security is linked to our ability to attract and retain a motivated, engaged, and innovative workforce and have that workforce serving in different ways that of which they've served in the past. It's about having the right people with the right capabilities and the right attitudes and behaviours to achieve the right effect. Our cultural reform agenda will go a long way in helping us achieve it.⁹

1.4 On 27 November 2020, the Minister for Defence launched *Lead the Way: Defence Transformation Strategy* (2020 Transformation Strategy) which: updated the 'One Defence' concept¹⁰ in the context of the 'Defence Enterprise'¹¹; announced that a 'Continuous Improvement Culture' was a key initiative¹²; and included 'one set of shared Defence Values'.¹³ The 2020 Transformation Strategy states that:

Cultural reform within Defence has been a continuous and evolving journey, and there will always be more work for us to do as our people, our community and our demographics continue to change over time.

... The success of the Defence Transformation Strategy, and consequently Defence's ability to deliver on government's strategic objectives, hinges on how our people choose to interact and conduct themselves, both individually and collectively.¹⁴

1.5 In respect to the 2017–22 strategy, the 2020 Transformation Strategy stated that:

Cultural reform undertaken through *Pathway to Change: Evolving Defence Culture 2017–2022* continues to embed workplace norms and behaviours that support Defence people. Defence will continue to progress initiatives to improve our workplace culture, including the development of targeted diversity action plans, including disability in the workplace, LGBTI+, cultural and linguistic diversity, and Indigenous reconciliation.¹⁵

9 Institute of Public Administration Australia, *Transcript of Proceedings – Secretary Series: Greg Moriarty* [Internet], available from <https://www.act.ipaa.org.au/2019-pastevent-moriarty> [accessed 21 October 2020], p. 7 and p. 9.

10 The 2020 Transformation Strategy states that '**One Defence** means a unified and adaptive organisation that is driven by its strategy, clearly led by its centre, and empowers its people through a culture that exemplifies the Defence Values and a strong sense of shared purpose' (original emphasis, p. 15).

11 The 2020 Transformation Strategy states that 'The Defence enterprise encompasses all of the Groups and Services within the Department of Defence, and their associated people, functions and outputs' (p. 16).

12 A Continuous Improvement Culture is described in the 2020 Transformation Strategy as 'The enterprise-wide approach that will empower our people to be the agile, adaptive and ethical workforce that we require to face the future. The continuous improvement culture will be achieved through embedding strong Defence values and behaviours, clear accountabilities and informed and evidence-based decision-making' (p. 21).

13 The 2020 Transformation Strategy states that:

On 1 October 2020, the many suites of values that were present within Defence were replaced with one set of shared Defence Values. These Values represent what we all aspire to as **One Defence**.

The Defence Values are Service – Courage – Respect – Integrity – Excellence (original emphasis, p. 28).

14 Section 1.1 of the 2020 Transformation Strategy, 'Embed the Defence Values and Behaviours', p. 28.

15 Section 1.1 of the 2020 Transformation Strategy, 'Embed the Defence Values and Behaviours—Diversity and Inclusion', p. 30. Appendix A of the 2020 Transformation Strategy, 'Implementation Plan Overview—the first six months', indicates that a review of the 2017–22 strategy is planned for April–June 2021.

1.6 Defence advised the ANAO in January 2021 that:

... the [2020] Defence Transformation Strategy sets the vision and framework for Defence's enduring transformation effort with a focus on capability, strategy and reform. It is a capstone strategy, which guides and prioritises activity in Defence, including supplementary strategies focussed on specific areas of improvement (such as culture, innovation, strategic workforce planning).

Pathway to Change 2017–22 remains extant with a review of Pathway to Change 2017–22 to commence in the first six months of 2021 (as referred to in the *Lead the Way: Defence Transformation Strategy Implementation Plan*).

The Transformation Strategy requires a culture of continuous improvement in Defence, delivered through three key elements: Values and Behaviours (with one set of Defence Values and Behaviours launched on 1 October 2020); Clear accountabilities; and Data-informed decisions.

In regard to Values and Behaviours, the Transformation Strategy makes it clear that through Pathway to Change 2017–22 Defence will continue to embed workplace norms and behaviours, and progress the more diverse and inclusive culture required to enhance capability.

The review of Pathway to Change 2017–22, will in turn focus on how to continue to embed the Defence Values and Behaviours (launched 1 October 2020), which play a significant role in evolving all aspects of Defence culture. It will also focus on furthering diversity and inclusion, and gender equality, to enhance Defence's effectiveness and capability and support continuous improvement efforts by ensuring that our workforce profiles reflect the community that Defence serves.

With Pathway to Change 2017–22 drawing to a close in 2022, it is timely to consider all culture priorities to meet future challenges.

Importantly the next blueprint for Defence culture (to be developed in 2021 in preparation for the close out of Pathway to Change 2017–22), will be informed by the IGADF Afghanistan Inquiry Report Implementation Plan (once finalised and agreed).¹⁶

1.7 The 2020 Transformation Strategy was launched a week after the Chief of the Defence Force (CDF) released a public version of the *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report*, which made findings regarding the alleged unlawful killing of civilians and prisoners by some members of the Army's Special Operations Task Group¹⁷, and identified a range of operational, organisation and cultural issues in the relevant Army units.¹⁸ CDF stated that: 'These findings allege the most serious breaches of military conduct and professional values'.¹⁹

16 Defence advised the ANAO in April 2021 that the IGADF Afghanistan Inquiry Report Implementation Plan was replaced by the Afghanistan Inquiry Reform Plan in April 2021.

17 The Chief of the Defence Force indicated that some of these incidents took place in 2009 and 2010 with the majority occurring in the latter years of 2012 and 2013. Defence advised the ANAO that all alleged incidents occurred before the implementation of the 2017–22 strategy.

18 Part 3 of the Inspector-General's report is titled 'Operational, organisation and cultural issues'. The public report is available at <https://afghanistandinquiry.defence.gov.au/sites/default/files/2020-11/IGADF-Afghanistan-Inquiry-Public-Release-Version.pdf> [accessed 7 December 2020].

19 The Chief of the Defence Force released the findings through a public address on the inquiry on 19 November 2020. See <https://news.defence.gov.au/media/transcripts/press-conference-igadf-afghanistan-inquiry> [accessed 7 December 2020]. Defence advised the ANAO in January 2021 that the Chief of the Defence Force had received the report on 6 November 2020.

1.8 The 2020 Transformation Strategy document did not reference the *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report*. In January 2021, Defence advised the ANAO that:

The Defence Transformation Strategy was released on 27 November 2020; a short period of time post the release of the Inspector-General's findings. Noting the confidential nature of the conduct of the inquiry, the detail of the findings and recommendations was not known during the development of the Transformation Strategy.

Once the Implementation Plan has been developed and agreed, the relevant themes will be mapped to the transformation Strategy and inform the next steps in regard to cultural change.

1.9 Defence further advised the ANAO in April 2021 that work currently occurring under the 2020 Transformation Strategy incorporates Defence's response to the inquiry.

Pathway to Change: Evolving Defence Culture 2017–22 (the second strategy)

1.10 Defence is now more than three years into the second five-year cultural change strategy for evolving its culture and behaviour. The 2017–22 strategy is the principal focus of this performance audit.

1.11 Box 1 (below) provides background on Defence's reported implementation of its first five-year cultural strategy, titled *Pathway to Change: Evolving Defence Culture: A Strategy for Cultural Change and Reinforcement*.

Box 1: The first five-year cultural change strategy (2012–17)

This five-year strategy was intended to provide a 'synthesised organisational response to independent culture reviews, informed also by Defence's other internal reviews and reform directions'.^a

The reviews (discussed in footnote 7 of this audit) had set out 160 recommendations for Defence to implement. Of the 160 recommendations, Defence agreed to implement 136 recommendations and agreed-in-principle with the remaining 24 recommendations.^b Defence has publicly reported that all 175 actions and recommendations from the first strategy have been addressed.^c

The strategy outlined Defence's statement of cultural intent and its strategy for achieving that intent over a five year period.^d The statement of cultural intent was: 'We are trusted to defend, proven to deliver, respectful always.'^e The statement was intended to describe how Defence personnel should 'think about their work and behaviour towards others'.

Under the strategy, cultural change was to be achieved through personnel 'accepting individual responsibility for one's own behaviour' and 'assisting others to live the culture'. At an organisational level cultural change was to be achieved by 'putting the onus on leaders to be exemplars of positive and visible change at all times' and 'amending policies and processes that do not align with our cultural intent'.^f

The strategy identified six cultural levers for change: leadership and accountability; values and behaviours; right from the start; practical measures; corrective processes; and structure and support.

Defence asserted in the 2017–22 strategy that its culture had changed and continued to change:

... we have moved towards an environment where leaders at all levels are being held accountable for creating a positive culture. We have worked hard to strengthen the best in our culture, to hold to account those that do not meet our standards, and to behave as One Defence.

The experience of implementing Pathway to Change has also shown us that focusing on culture change and building professionalism and accountability strengthens our capacity to deliver for the Government, the Australian community, and for our people. Our conclusion is that Pathway to Change remains as relevant to Defence and its future now as it did in 2012. The work of culture change must continue so we can continue to build an organisation capable of meeting Government objectives, sustaining the trust and commitment of the Australian community, and of those people who work in Defence. We must build on the work of recent years in practical ways that strengthen our professionalism, our accountability and our leadership at all levels.

The Defence White Paper 2016 establishes our strategic direction. The First Principles Review establishes the type of organisation, One Defence, that is best suited to implementing that direction. The One Defence approach is built on the foundation of an inclusive and diverse culture. This is a culture that is capable of attracting and keeping the best talent Australia has to offer and which capitalises on the contribution of a diverse range of backgrounds and perspectives to further team performance and combat effectiveness. It is about a culture that recognises and rewards high performance as well as the behaviours that define us as respectful, trusted and proven to deliver.

Note a: Department of Defence, *Pathway to Change: Evolving Defence Culture: A Strategy for Cultural Change and Reinforcement*, Department of Defence, Canberra, 2012, p. 4.

Note b: For the 24 recommendations that Defence agreed in principle, Defence noted that it supported the spirit and intent of the recommendations, however it intended to implement some recommendations further than what was recommended in the reviews, and some others required further consideration before they were implemented.

Note c: Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 1.

Note d: Department of Defence, *Pathway to Change: Evolving Defence Culture: A Strategy for Cultural Change and Reinforcement*, Department of Defence, Canberra, 2012.

Note e: *ibid.*, p. 6.

Note f: *ibid.*

Source: Department of Defence documentation.

1.12 In the 2017–22 strategy, Defence stated that:

... Pathway to Change remains as relevant to Defence and its future now as it did in 2012. The work of cultural change must continue so we can continue to build an organisation capable of meeting Government objectives, sustaining the trust and commitment of the Australian community, and of those people who work in Defence.

1.13 Defence positioned its second five-year cultural reform strategy as a ‘refreshed statement of cultural intent and the priority areas of focus for 2017–2022’. In its 2017–18 annual report, following the release of the strategy, Defence stated that:

The next iteration of cultural reform shifts efforts from implementing key actions and recommendations to an environment where leaders are accountable for creating a more positive culture. This transition to a leader-led approach to culture is linked to, and supported by, the One Defence Leadership Behaviours resulting from the First Principles Review. This diffusion of responsibility for positive cultural reform outcomes has seen the development of a range of

tailored cultural reform initiatives across the Groups and Services that reflect the differing needs of areas across Defence.²⁰

1.14 The Communication Plan for the second strategy stated that:

The aim of Pathway to Change: Evolving Defence Culture 2017–22 is for the cultural intent statement and six priorities to underpin and unify cultural reform efforts across Defence, while allowing scope for Groups and Services to interpret and implement as appropriate to their context.

1.15 The statement of cultural intent, as articulated in the second strategy, is reproduced in Box 2 below. The statement sets out Defence's envisioned or desired culture and expectations in terms of accepted behaviours. In addition to the statement of cultural intent, Defence personnel must comply with the requirements of relevant legislation and employment codes, including the Australian Public Service (APS) Code of Conduct, APS values, and frameworks applying to the Australian Defence Force (ADF).

Box 2: Defence's statement of Cultural Intent — Pathway to Change: Evolving Defence Culture 2017–22

- We act with the highest standards of professionalism, underpinned by Defence values and our ethical standards.
- We are guided by the core value of respect. Respect for each other, for those we work with in Government and in industry, both here and overseas, and for the many communities in which we live and work.
- We work together to harness the diverse backgrounds and experiences of those in our teams to deliver a capable and agile joint fighting force.
- We are building a diverse workforce with an inclusive culture, so every person is able to make their best contribution to deliver on our mission and so the community seeks us out as a workplace of choice.
- We are accountable for our actions, and hold others to account for theirs.
- We reflect on how to improve our performance in all areas, from the quality of our policy advice to Government to the conduct of operations in serving our nation.
- We are all leaders and as leaders we role model a One Defence approach. We will be more accountable for organisational performance and ensure our decisions are in the best interest of Defence as a whole.
- We provide regular feedback, do more to recognise and reward strong performance and address areas of poor performance.
- We reinforce the importance, and find new ways, to support and build the strength, health and resilience of our people and the organisation.

Source: Department of Defence.

²⁰ Department of Defence, *Defence Annual Report 2017–18*, Department of Defence, Canberra, 2018, p. 107.

1.16 The second strategy sets out six cultural reform priorities:

- leadership accountability;
- capability through inclusion;
- ethics and workplace behaviours;
- health, wellness and safety;
- workplace agility and flexibility; and
- leading and developing integrated teams.

1.17 Defence advised the ANAO in September 2020 that the second strategy is considered to be an ‘umbrella strategy’, which encompasses all of Defence’s human resources policies, programs and activities. In January 2021, Defence further advised the ANAO that:

Defence often refers to Pathway to Change 2017–22 as an umbrella strategy in order to convey that (i) it provides the overarching policy position for culture in Defence, and (ii) that the scope of activity that sits under it is significant, encompassing initiatives at the enterprise level, as well as the many lines of effort delivered by the Groups and Services. The terminology, however, tends not to be used in written communication.²¹

1.18 In the November 2020 Defence Transformation Strategy²², Defence referred to the strategy under a heading of ‘Diversity and Inclusion’. Box 3 below reproduces the statements made about the second strategy in the 2020 Defence Transformation Strategy document.

21 In January 2021, Defence also advised that an initial mapping activity undertaken in 2017 identified over 145 initiatives for the six cultural reform priorities. This mapping exercise was conducted with input from Groups and Services with the purpose of identifying activities already in progress, overlaps and gaps in activities.

22 Department of Defence, *Lead the Way: Defence Transformation Strategy*, 2020, p. 30.

Box 3: References to second strategy in November 2020 Defence Transformation Strategy*Diversity and Inclusion (page 30)*

Cultural reform undertaken through Pathway to Change: Evolving Defence Culture 2017–2022 continues to embed workplace norms and behaviours that support Defence people. Defence will continue to progress initiatives to improve our workplace culture, including the development of targeted diversity action plans, including disability in the workplace, LGBTI+, cultural and linguistic diversity, and Indigenous reconciliation.

Gender equality and women's empowerment in Defence are critical to both our Defence capability and our national and global security. Defence must continue its progress towards being an exemplar in attracting, training, retaining and providing career opportunities for women. Measures to increase women's participation and leadership in Defence must continue to evolve to reflect the contemporary reality of women's professional and personal lives.

Defence will further increase the participation and advancement of women through strategies focussed on leadership, targeted mentoring, education, training and career development. The Women in ADF Report will continue to be prepared annually to provide government, and the Australian public with a measure of our progress.

We will also continue Defence's implementation of the Australian National Action Plan on Women, Peace and Security 2012–2018.

A more diverse workforce and inclusive culture will enhance Defence's capability and effectiveness as an organisation, and support our continuous improvement efforts by ensuring that our workforce profiles reflect the Australian community that we serve.

Source: Department of Defence, *Lead the Way: Defence Transformation Strategy*, 2020, p. 30.

Administrative arrangements within Defence**1.19 Defence advised the ANAO in January 2021 that:**

Pathway to Change 2017–22 sets out the work of cultural reform is to occur at both the enterprise level and at the local level, within Defence Groups and Services. This implementation approach was intended to underpin and unify cultural reform efforts at the enterprise level, while also allowing Defence Groups and Services the flexibility to interpret, build on and apply the case for change in a way that best resonates within their context.

1.20 Local level implementation of the 2017–22 strategy is the responsibility of Defence's Groups and Services. The three armed Services and 11 Defence Groups (listed in Box 4) are expected to leverage enterprise level initiatives as appropriate, and where gaps exist in their local environment, to scope, develop and implement initiatives tailored to their context. Each of the three military services has developed complementary cultural strategies, which preceded the second strategy and have been refreshed over time. Individual Defence groups have also developed group specific cultural plans, which often form part of wider business change plans.

Box 4: Department of Defence Groups and Services

Armed Services (3)

- Royal Australian Navy (Navy)
- Australian Army (Army)
- Royal Australian Air Force (RAAF)

Defence Groups (11)

- Vice Chief of the Defence Force Executive^a
- Joint Capabilities Group
- Joint Operations Command
- Strategy, Policy and Industry Group^b
- Defence Finance Group
- Chief Information Officer Group
- Capability Acquisition and Sustainment Group
- Defence Science and Technology Group
- Estate and Infrastructure Group
- Defence People Group
- Defence Intelligence Group^c

Note a: Defence advised the ANAO that the Vice Chief of the Defence Force Executive is treated as a group in Defence for administrative purposes.

Note b: The Strategy, Policy and Industry Group was established on 1 September 2020, replacing the Strategic Policy and Intelligence Group.

Note c: The Defence Intelligence Group was established on 1 September 2020 and was not expected to be a fully operational group until January 2021.

Source: ANAO analysis of Department of Defence documentation.

1.21 The strategy outlines that Defence People Group (DPG) ‘will continue as the policy lead for organisational level cultural reform initiatives, as well as facilitating, monitoring and reporting on the implementation of cultural reform within Defence’.

Role of the Defence Force Ombudsman

1.22 The Commonwealth Ombudsman is responsible for providing assurance that Australian Government entities and prescribed private sector organisations are acting with integrity and treating people fairly. The *Ombudsman Act 1976* establishes specific Ombudsman roles to be performed by the Commonwealth Ombudsman, one of which is the Defence Force Ombudsman.²³

23 The Ombudsman offers an independent complaint-handling mechanism for serving and former ADF members. In addition, the Ombudsman can receive reports of serious abuse within Defence, providing a confidential mechanism to report serious abuse for those who feel unable to access Defence’s internal mechanisms. See <https://www.ombudsman.gov.au/How-we-can-help/australian-defence-force> [accessed 18 November 2020].

The Ombudsman also has a role in evaluating Defence’s internal policies for making and responding to complaints and abuse. Some recent reviews are outlined further in Appendix 2.

Since 1 December 2016, the Ombudsman's role has included receiving, assessing and responding to reports of serious abuse which occurred while people were members of the ADF.²⁴ In response to reports of 'the most serious forms of abuse and/or sexual assault'²⁵ which occurred before 30 June 2014, the Ombudsman can recommend that Defence make a reparation payment.²⁶

1.23 Between 1 December 2016 and 30 June 2020, 1,601 reports of abuse were received by the Ombudsman.²⁷ Of these, four per cent related to abuse alleged to have occurred after 30 June 2014. A summary of Ombudsman data on the number of incidences of abuse reported during the period 1 December 2016 to 1 April 2021 is set out below in Table 1.1.

Table 1.1: Summary of incidents of abuse reported to Ombudsman — 1 December 2016 to 1 April 2021

Service	All incident complaints ^a	Incident complaints in jurisdiction ^b
Army	1178	983
Navy	1063	954
RAAF	470	384
Reserves	82	75
Other ^c	26	16
Total	2819	2412

Note a: A complainant (person making the report of abuse) can report more than one incident within a single report, and these incidents may have occurred over the duration of their service.

Note b: In-jurisdiction data is captured in relation to reports rather than incidents. Therefore these figures include all incidences where the report has been listed both 'in jurisdiction' and 'partial jurisdiction'.

Note c: The complainant's service was not included or had nominated a service other than Army, Navy, RAAF or Reserves.

Source: ANAO analysis of Commonwealth Ombudsman data.

Rationale for undertaking the audit

1.24 Defence is now three years into its second five-year (2017–22) strategy of cultural and behavioural reform, and has recently launched further cultural reform initiatives through its: 27 November 2020 Defence Transformation Strategy; and ongoing response to the *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report* released publicly on 19 November 2020.

1.25 This audit provides the Parliament with independent assurance on the effectiveness to date of Defence's implementation of its second cultural reform strategy (2017–22). The ANAO has not

24 This includes civilians deployed on ADF operations.

25 See <https://www.ombudsman.gov.au/How-we-can-help/australian-defence-force/reprting-abuse-in-defence> [accessed 3 March 2021].

26 The Ombudsman has been able to recommend a reparation payment be made by Defence since 15 December 2017. As at 30 June 2020, Defence has considered and accepted 767 recommendations (out of 788 recommendations) for reparation payments from the Ombudsman, with payments totalling \$31.636 million.

27 A report may contain a number of incidences of abuse.

previously audited Defence's cultural reform strategy launched in 2012, but has reported on implementation of the related enterprise-level reform initiative, the Defence First Principles Review.²⁸ This audit was identified as a priority of the Parliament's Joint Committee of Public Accounts and Audit (JCPAA) in the context of the ANAO's *2020–21 Annual Audit Work Program*.

Audit approach

Audit objective, criteria and scope

1.26 The objective of the audit was to assess the effectiveness to date of Defence's implementation of its *Pathway to Change — Evolving Defence Culture 2017–2022* cultural reform strategy.

1.27 To form a conclusion against the audit objective, the following high level criteria were adopted:

- Was Defence's development of the strategy evidence-based?
- Did Defence undertake effective planning to support its implementation of the strategy?
- Did Defence effectively promulgate the strategy and its expectations regarding implementation?
- Did Defence establish fit-for-purpose governance arrangements to oversight implementation of the strategy?
- Has Defence established effective monitoring and reporting arrangements for the strategy?
- Can Defence demonstrate that intended outcomes are being achieved through its implementation of the strategy?

1.28 The scope of this audit is Defence's implementation of its second (2017–22) cultural reform strategy. The implementation of the first strategy was not examined in detail, however the audit did consider whether Defence's experience of implementing the first strategy informed the development of the second strategy.

1.29 Defence's implementation of its November 2020 Transformation Strategy and response to the November 2020 *Inspector-General of the Australian Defence Force Afghanistan Inquiry Report* were at a relatively early stage at the time of this audit and have not been examined in any detail in this report. However, the connections between the various reform strategies have been considered, given their core focus on cultural and behavioural reform in Defence.

Audit methodology

1.30 The audit involved:

- reviewing relevant Defence documentation including the evidence base used to inform the development of the 2017–22 strategy and the planning and instructional material developed to support implementation of the strategy;

28 Auditor-General Report No.34 2017–18 *Defence's Implementation of the First Principles Review*.

- reviewing governance and reporting arrangements to support implementation of the strategy;
- correspondence with Defence's 11 group heads and three service chiefs, seeking written representations of their implementation of the 2017–22 strategy²⁹; and
- discussions with Defence officials involved in the implementation and delivery of the 2017–22 strategy, including the Deputy Secretary, Defence People Group.

1.31 The audit was conducted in accordance with ANAO auditing standards, at a cost to the ANAO of approximately \$458,000.

1.32 The team members for this audit were Tara Rutter, Mellisa Wonson Leo Simoens, Megan Beven and Sally Ramsey.

29 Responses were received from 11 group heads and three service chiefs. The responses are discussed in paragraphs 4.26 to 4.28.

2. Strategy development and implementation planning

Areas examined

This chapter examines the evidence base used by Defence to develop *Pathway to Change: Evolving Defence Culture 2017–22* and whether Defence undertook effective planning to support its implementation.

Conclusion

Defence's development of the strategy did not draw fully on the available evidence base, and therefore that element of strategy development was not fully effective. Implementation planning for the strategy was partially effective.

2.1 As discussed in paragraph 1.2, the *Pathway to Change: Evolving Defence Culture 2017–22* strategy was, in effect, the second phase of a cultural and behavioural change program initiated in 2012.³⁰ Defence commenced developing the second strategy in conjunction with delivery of its original 2012–17 strategy, *Pathway to Change: Evolving Defence Culture — A Strategy for Cultural Change and Reinforcement*.³¹

2.2 To assess the effectiveness of Defence's implementation of *Pathway to Change: Evolving Defence Culture 2017–22* (the second strategy) to date, the ANAO examined whether:

- the development of the strategy was evidence based; and
- Defence undertook effective planning to support its implementation of the strategy.

2.3 Appendix 3 sets out key steps in the development of the second strategy.

Was Defence's development of the strategy evidence based?

Defence's development of the 2017–22 strategy (second strategy) was based on evidence collected through staff consultations during 2016 and 2017. However it missed opportunities to provide a stronger evidence base through the utilisation of available staff survey data or establish a baseline measure of culture to help assess the outcomes of the second strategy. Defence also had access to staff survey data which it used to monitor implementation of the preceding 2012–17 strategy (first strategy). While Defence identified lessons learned from its implementation of the first strategy and conducted staff consultations, it did not undertake a systematic evaluation of the first strategy to inform development of the second.

2.4 A briefing paper provided to an extraordinary joint meeting of the Chiefs of Service Committee and the Defence Civilian Committee (joint committee meeting) held on 26 June 2017 recommended the endorsement by Defence senior leaders of the six cultural priorities for 2017–22, the Defence Cultural Intent Statement 2017–22 and the draft *Pathway to Change*:

30 The 2017–22 strategy is therefore referred to as the second strategy in this chapter.

31 The 2012–17 strategy is referred to as the first strategy in this chapter.

Evolving Defence Culture 2017–22 document.³² In the briefing paper, the Deputy Secretary Defence People advised that:

To reflect on how effective Pathway to Change: Evolving Defence Culture [the 2012–17 strategy] has been, and to inform the next phase of Defence’s cultural reform, a deliberate and significant Defence-wide consultation effort occurred between May and November 2016. More than half of the Defence workforce participated in this conversation.

... Based on consultation feedback, a refreshed statement of cultural intent, including six priorities for future cultural reform focus, have been developed and further tested across Defence.

2.5 Further, the briefing paper recommended that Defence senior leaders:

Note the next iteration of Defence’s cultural reform was informed by the Defence-wide conversation held in 2016.

2.6 The recorded outcomes of the meeting noted that:

The committee were advised that there had been many improvements in Defence culture since the 2012–17 strategy, however there was more work to be done, with specific focus on the areas of unacceptable behaviour and leadership and accountability.

2.7 Defence advised the ANAO that a range of data sources were reviewed as part of the second strategy’s development, including organisational survey data, diversity data, workforce well-being data, and performance appraisal data. Defence further advised that work undertaken as part of its collaboration with the Australian Human Rights Commission was used to compare its understanding of Defence data to develop the cultural priorities and cultural intent statement.³³ The second strategy notes that collaboration with the Commission ‘has been important in monitoring these cultural change efforts, and making recommendations on how to further improve and overcome impediments to reform.’³⁴ The briefing paper provided to the joint committee did not specifically outline how data was used to inform the development of the strategy and Defence was unable to provide evidence to the ANAO, such as working or analytical papers, that demonstrated how these data sources were drawn on to inform its development of the strategy.

Consultation with Defence personnel

2.8 To collect input from its personnel, Defence undertook a series of engagement activities between May 2016 and May 2017. The purpose of the consultation activities was to collect data and then test and validate the data collected. Defence People Group was asked by the Secretary of Defence and the Chief of the Defence Force (CDF) to collect input from both Australian Defence Force (ADF) and Australian Public Service (APS) personnel across all Groups and Services to inform ‘a deeper understanding across the organisation of how culture change efforts should develop’.

32 The draft strategy document was not endorsed at this meeting and a re-draft was directed. The Defence Cultural Intent Statement 2017–22 was endorsed at this meeting.

33 Defence commenced a collaboration with the Commission in 2014 to support the achievement of cultural reform and the intent of the first strategy. To date this has included a range of site visit reports, thematic reports and large-scale project reports, as well as an evaluation by the Commission of its contribution to the collaboration.

34 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, November 2017, p. 4.

2.9 The output to be delivered from the consultation was:

... an analysis that provides:

- The key dimensions of culture and change that could underpin the next phase of *Pathway to Change*,
- The differentiation between proxy (surface) versus core indicators of culture, and
- Evidence based decision support for the SLG/EBC [Senior Leadership Group/Enterprise Business Committee].

2.10 The engagement activities conducted by Defence included:

- three workshops with the Senior Leadership Group (SLG), held in May 2016, November 2016 and March 2017.³⁵ The timing of these workshops enabled consultation on the approach to the second strategy and to build on feedback from other consultation activities;
- an interview with culture reform advisors in June 2016. This was an existing network of ADF 05 rank/APS Executive Level 1 and ADF 06 rank/APS Executive Level 2 representatives from all Defence Groups and Services³⁶, who were interviewed 'to gain insights into current and future activities and end user requirements relating to culture data';
- workshops led by ADF One Star and APS Senior Executive Service (SES) Band One personnel with their branches, in the form of 'command led conversations' across September and October 2016 and April and May 2017³⁷; and
- a two-day forum for 138 ADF Colonel/APS Executive Level 2 personnel in November 2016.³⁸

2.11 The conversation-led approach to developing the second strategy differed from that undertaken for the first strategy. While the first strategy reflected the recommendations and actions from a series of reviews³⁹ undertaken in response to incidents, Defence advised the ANAO that the second strategy 'takes a holistic view of the cultural focus required in Defence, rather than being prompted by a particular incident'. In this context, Defence states in the second strategy that it was intended to move 'from the implementation of actions and recommendations of Pathway to

35 The Senior Leadership Group consists of Senior Executive Service (SES) Band 1 and above and One Star and above officers.

36 The Culture Reform Advisory Network's terms of reference outlined that the network was to meet three times a year to:

- observe feedback provided by the Enterprise Business Committee (EBC) and the Secretary and CDF in relation to Service/Group-specific Pathway to Change programs,
- determine Service and Group-specific Pathway to Change reporting requirements directed by the EBC, Secretary and CDF or Senate Estimates Briefing Coordinators,
- discuss and resolve issues impacting Services' or Groups' reporting requirements, and
- collaborate and communicate synergies and dependencies across cultural reform activities.

37 Defence documentation notes that a total of 259 submissions were received from 88 per cent of commands and branches across Defence.

38 These representatives were nominated by Defence Group Heads and Service Chiefs.

39 These are discussed in footnote 7 of this audit report.

Change 2012–2017, to more deeply embedding positive workplace norms’, by building on the achievements of the first strategy and developing new drivers for the second strategy.⁴⁰

2.12 Defence engaged an external consultancy in 2016⁴¹, at a cost of \$250,140, to assist with the staff consultation activities and to interpret the data collected. Defence was provided with two reports on the engagement activities and analysis of the data collected. The first report collated the data into priorities for cultural reform. The second report set out recommendations for refreshing the cultural intent statement, implementation considerations and an evidence base for evaluating the next phase of cultural reform.

2.13 As well as areas of cultural priority, the consultation process identified lessons learned from the implementation of the first strategy. Defence documentation states that:

- the first strategy was seen as a response to negative incidents of behaviour;
- the direct link between the first strategy and cultural change was not always apparent or supported by participants in the consultations;
- there was widespread knowledge of the priorities for Defence and the notable achievements from the implementation of the key actions and recommendations from the first strategy, although evidence of ‘deep and tangible cultural change was lacking in the conversation responses’. It was noted that this may be related to implementation issues, reducing the impact of change;
- while there had been progress made during the first strategy, there were areas where improvement was still needed, for example in respect to unacceptable behaviour; and
- demonstrable change was seen in the areas where Defence had invested most effort in communicating its expected standards of behaviour, in particular in Defence’s training establishments where initiatives have resulted in a reduction of incidents of unacceptable behaviour.

2.14 Defence advised the ANAO that while it did not compile a consolidated list of lessons learned from the first strategy, a number of activities contributed to its understanding of lessons learned. These included the Defence-wide consultation activities (discussed above) and collaboration activities with the Australian Human Right Commission.

2.15 Barriers and enablers to cultural and behavioural reform were also identified through the consultation activities. The identified barriers included: the differentiated identities across Defence (for example uniformed and non-uniformed personnel); where individuals identified with more than one set of values such as ADF values and Army or Navy or Air Force values; and existing performance management systems.⁴² Enablers of cultural and behavioural reform were identified as: the recognition of positive achievements; and the provision of education not just training.

40 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, Canberra, November 2017.

41 Rapid Context, a research consultancy firm.

42 Defence’s 2020 Transformation Strategy notes that ‘on 1 October 2020, the many suites of values that were present within Defence were replaced by one set of shared Defence values’. Defence advised the ANAO that a set of Defence Values and Behaviours was launched on 1 October 2020 (prior to the release of the Transformation Strategy) and are ‘strongly aligned’ to the APS Values. Defence further advised that communications to personnel have clearly communicated that APS personnel must uphold both sets of values.

Survey data

2.16 Defence documentation indicates that during the first cultural reform strategy Defence had regularly surveyed Defence personnel about aspects of its organisational climate. For example, in a brief to the Deputy Secretary Defence People dated 31 January 2014, the Workforce Planning Branch cited the following sources as indicators of culture and cultural change within Defence:

- YourSay Organisational Climate surveys from February 2013, May 2013, October 2013 and February 2014⁴³;
- the 2014 Whole of Defence Unacceptable Behaviour Survey, which was emailed to a random sample of 25 per cent of the ADF and APS workforce (participation was voluntary, with a 45 per cent response rate); and
- YourSay Organisational Climate group results from the February 2016 survey from all Groups and Services.

2.17 A year after the first strategy's release, in a Senior Leader Covering Brief on 'People Change and Efficiency', Defence People Group advised its senior leadership⁴⁴ that:

Pathway to Change is primarily monitored through the *YourSay Organisational Climate* survey. Since May 2013, the *YourSay Organisational Climate* survey has included a set of survey questions designed to capture information on the awareness and adoption of Pathway to Change. The items in the *YourSay* survey relating to cultural reform programs were designed on the premise that cultural change occurs in a relatively linear direction (contact – awareness – understanding – positive perception – adoption – embedding – internalisation (commitment)). As a reflection of this, levels of awareness and understanding are often higher than levels of embedding and internalisation.

2.18 Defence had access to staff survey data which it used to monitor implementation of the first strategy. However, Defence could not demonstrate that it made full use of available staff survey data to strengthen the evidence base, focus, and decision-making for the second strategy. Utilising available survey data to identify potential areas of focus (for example, parts of Defence where awareness and adoption was lower or where the cultural effect expected from the first strategy had or had not been achieved) would have strengthened the evidence base used to develop the second strategy, and better informed Defence's decision-making.

2.19 Further, Defence did not make full use of available staff survey data to establish a baseline measure of culture to help assess the outcomes of the second strategy and to support improvements in culture (as outlined below). For example, the development of a baseline would have helped Defence assess progress on work-related unacceptable behaviours, which the second strategy identified as an ongoing area of concern:

While there has been a decrease in the number of complaints, work-related unacceptable behaviours, particularly bullying and discrimination, continue to be the most common types experienced in the workplace and satisfaction and confidence with the complaint process remains an area of concern. Women continue to experience unacceptable behaviour at higher rates than

43 The YourSay Organisational Climate survey has been conducted since 2013, with the frequency varying. Defence advised the ANAO in January 2021 that the survey was run three times in 2013, twice a year from 2014 to 2016, and once a year from 2017 to 2020, and that it will run quarterly from 2021.

44 ADF One Star and APS Senior Executive Service (SES) Band One personnel and above.

male counterparts and females are twice as likely to experience sexual-related unacceptable behaviour.^{45, 46}

2.20 Defence advised the ANAO in January 2021 that a baseline measure of culture was not developed as a result of the 2011 reviews, as the second strategy marked an attempt to better define what Defence was seeking to move towards, rather than keeping focus on what it was moving away from. Defence further advised that this approach was deliberate, and was designed to drive wider positive engagement with culture change with clearer links to capability.

2.21 In January 2021 Defence advised the ANAO that it does not currently undertake trend analysis of types of unacceptable behaviour.⁴⁷ Defence further advised in April 2021 that:

Defence does not currently analyse unacceptable behaviour category trends in relation to unacceptable behaviour reported in complaints and incident management systems.

Three year trend data on unacceptable behaviour type is, however, captured through the Workplace Behaviours Survey, which asks respondents how little or how much unacceptable behaviour they have witnessed or experienced in Defence workplaces.

2.22 Defence also advised that a number of reform activities are being undertaken to increase the capture of data and to strengthen data analysis.

Evaluation of the first strategy

2.23 Defence did not undertake an evaluation⁴⁸ of the first strategy to inform the development of the second. Defence advised the ANAO that this was due in part to the first strategy containing a number of recommendations and key actions that were tracked for implementation purposes.⁴⁹

2.24 The decision not to conduct an evaluation was a missed opportunity to establish the extent to which Defence's desired behavioural and cultural reforms had been achieved and to identify and address ongoing risks to their achievement.

45 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, Canberra, November 2017, p. 3.

46 Defence advised the ANAO that complaints data from Defence annual reports 2015–16 and 2016–17 and survey results from its Unacceptable Behaviours Survey conducted annually between 2013 and 2017 were used to support this statement.

47 Appendix 4 of this audit report outlines data reported publicly by Defence on incidences of unacceptable behaviour.

48 Department of Finance guidance on the development of performance information, which has broader applicability, states that: 'Evaluations are systematic assessments of the design, implementation and outcomes of an activity. Evaluations typically examine the significant elements that affect performance, and can generate both quantitative and qualitative information about the performance of an activity. See: Department of Finance, *Resource Management Guide No.131 Developing Good Performance Information*, May 2020 [Internet], available from https://www.finance.gov.au/sites/default/files/2020-05/RMG%20131%20-%20Developing%20good%20performance%20information_0.pdf [accessed 29 October 2020], pp. 33–35.

49 Defence publicly reported in the second strategy that all recommendations and key actions from the first strategy had been addressed. The implementation of these recommendations and action items has not been examined as part of this audit.

Did Defence undertake effective planning to support its implementation of the strategy?

Defence's implementation planning for the second strategy, based on a combined approach involving both the centre and line functions, was partially effective. Defence People Group (the centre) was identified as the policy lead for organisational level cultural reform initiatives, and was expected to facilitate, monitor and report on the implementation of cultural reform at the enterprise level. Defence's individual Groups and Services (the line functions) were expected to leverage organisational level initiatives as appropriate, and where required to scope, develop and implement initiatives tailored to their context. Defence identified in 2020 that these accountabilities and responsibilities were described at a high level and did not provide sufficient clarity to support implementation and management of the strategy. In the context of its implementation planning, Defence did not develop a measurement framework to monitor how culture had changed due to activities undertaken as part of the second strategy or prepare a risk management plan to support its implementation of the strategy. A communications plan was prepared to support implementation of the second strategy.

2.25 Effective planning for strategy implementation considers how processes and activities are to contribute to intended outcomes, establishes a performance framework to support monitoring, reporting and evaluation, and identifies how risks to successful implementation will be managed.⁵⁰

Advice regarding the implementation approach for the 2017–22 strategy

2.26 The paper provided to the joint committee meeting of senior leaders held on 26 June 2017 (discussed in paragraphs 2.4–2.7) set out the general implementation approach for the second strategy. Senior leaders were advised of Defence People Group's intention to implement the second strategy through a devolved 'business as usual' approach:

Cultural reform is an enduring piece of work for Defence, with implementation of Pathway to Change: Evolving Defence Culture 2017–2022 to be part of our business as usual. Defence People Group will continue as the policy lead for organisational level cultural reform initiatives, as well as facilitating, monitoring and reporting on the implementation of cultural reform in Defence. Groups and Services are expected to leverage organisational level initiatives as appropriate, and where required, to scope, develop and implement initiatives tailored to their context.

2.27 The agreed outcomes of the joint committee meeting were that:

⁵⁰ Department of the Prime Minister and Cabinet guidance on implementation planning in the Cabinet context, which has broader applicability, states that:

Without a systematic planning approach in place, it can be difficult to understand how processes and activities will contribute to intended outcomes, and how they will be measured along the way. An effective approach identifies all the main components of an initiative and plans out all the activities as a cause-and-effect chain and sets out what is to be monitored, reviewed and evaluated. It generally includes objectives, inputs, processes, activities, outputs and outcomes. When done thoroughly, a systematic planning approach can identify gaps and highlight the importance of particular activities.

See: Department of the Prime Minister and Cabinet, *Cabinet Implementation Unit Toolkit: Monitoring, review and evaluation*, June 2013 [Internet], available from <https://www.pmc.gov.au/sites/default/files/files/pmc/implementation-toolkit-5-monitoring.pdf> [accessed 28 October 2020], p. 3.

The committee:

- endorsed the development of an evaluation framework for *Pathway to Change: Evolving Defence Culture 2017–22*;
- noted that Defence People Group will lead an organisational-wide qualitative research program; and
- noted strategic oversight of *Pathway to Change: Evolving Defence Culture 2017–22* will be undertaken by the Enterprise Business Committee.⁵¹

2.28 The paper advised senior leaders that the second strategy was intended to ‘provide a One Defence policy for driving, information and reinforcing cultural change’.

Planning to support implementation

2.29 The roles and responsibilities of Defence People Group, the other Groups and Services, and Defence’s Enterprise Business Committee were articulated in the second strategy at a high level. The role of the Enterprise Business Committee was to provide strategic oversight⁵², and a combined approach to implementation was relied on, involving both the centre and line functions:

- Defence People Group (the centre) facilitating, monitoring and reporting on the implementation of cultural reform.
- Groups and Services (the line functions) incorporating the six cultural priorities into their business plans, leveraging on enterprise level initiatives as appropriate to deliver cultural reform and developing their own initiatives where gaps existed.

2.30 A June 2017 report on the staff consultation process (discussed above) and analysis for the second strategy recommended that ‘Defence People Group develop an implementation plan ... that acknowledges the identified priorities and implementation considerations’. Defence People Group did not develop an implementation plan or other planning documentation to indicate how it intended to facilitate the implementation of cultural and behavioural reform under the second strategy.

2.31 An impact of the lack of an implementation plan was set out in an internal report prepared for Defence in June 2020. The report observed that the second strategy had a devolved implementation model and noted that ‘however the accountabilities and responsibilities are described at such a high level that they do not provide sufficient clarity to support implementation and management of the program’. The report also noted that:

... this second stage of Pathway [to Change] has retained some of the reform language of the first stage but with the broadening of its scope and introduction of a devolved model which does not clearly define responsibilities and accountabilities. It has lost its focus and has not set specific targets or milestones that define what changes or reforms are being sought.

2.32 The second strategy stated that cultural reform progress would be evaluated as part of Defence’s regular enterprise performance reviews, with strategic oversight undertaken by the

51 The meeting outcomes were signed by the Chief of the Defence Force, the acting Secretary of Defence and the Chiefs of Services Committee Secretary in July 2017.

52 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, November 2017, p 12.

Enterprise Business Committee.⁵³ It was expected that Service and Group Business Plans, and the accompanying bi-annual Performance Reports which feed into this cycle, would include the six cultural reform priorities for 2017–22.⁵⁴ An evaluation framework, to undertake in-depth assessments of each cultural priority, was also developed. In the context of its implementation planning for the second strategy, Defence did not develop a measurement framework to monitor how culture had changed due to activities undertaken as part of the second strategy.⁵⁵

2.33 Defence People Group prepared a communications plan to support implementation of the second strategy. The communications plan is discussed further in Chapter 3.

2.34 Defence did not prepare a risk management plan to support its implementation of the second strategy.

2.35 Defence considers the second strategy to be a control for the enterprise-level risk: ‘People: Defence not having a workforce with the capability and capacity to meet required outcomes’. The enterprise control effectiveness rating was assessed as ‘partially effective’ as of October 2019 (Box 5 below). Prior to this the effectiveness of the control had not been assessed.

Box 5: Risk Management

In March 2020, the Deputy Secretary Defence People Group reported to the Enterprise Business Committee on a ‘deep dive’ pilot for the Enterprise People Risk category. This report included an appendix titled ‘Enterprise Control Effectiveness Summary and Reports’ which rated the second strategy as a ‘partially effective’ control as at October 2019.^a In the report, Defence outlined that the remediation activities underway to address identified issues with control effectiveness included: the development of a measurement framework; collaboration with the AHRC; Group and Service culture plans; and consolidation of systems reporting workplace behaviour data. Defence advised the ANAO in April 2021 that at the most recent update in August 2020, the risk rating remained at ‘partially effective’.

Defence’s Human Resources Risk Framework lists an operating risk of ‘ineffective culture’, with sources of risk noted as: the strategy not being effectively implemented and evaluated; leadership and governance structures not being effective in driving cultural reform; and Defence failing to meet community expectations.

Note a: Defence documentation indicates that the rating remained unchanged as of March 2020.

Source: Department of Defence documentation.

53 The Enterprise Business Committee is described by Defence as responsible for exercising strategic control and assurance over the management of the Defence organisation and is focused on ensuring that enterprise strategy, capability and resources are aligned with government policy and legislative requirements. See: <https://defence.gov.au/Decisions.asp> [accessed 13 December 2020]. The reported membership of the committee as at 30 June 2018 was: the Associate Secretary (Chair); Vice Chief of the Defence Force; Chief of Joint Capabilities; Deputy Secretary Strategic Policy and Intelligence; Chief Finance Officer; Chief of Navy; Chief of Army; Chief of Air Force; Deputy Secretary Capability Acquisition and Sustainment; Deputy Secretary Defence People; Chief Information Officer; Deputy Secretary Estate and Infrastructure; and the Chief Defence Scientist. See: <https://www.defence.gov.au/annualreports/17-18/Chapter5.asp> [accessed 13 December 2020].

54 This is discussed further in chapters 3 and 4.

55 A measurement framework was developed in 2019. This is discussed further in chapter 4.

Budget and implementation costs

2.36 Implementation costs for the second strategy were to be met from within existing Group and Service budgets.

2.37 The paper submitted to the joint committee meeting of senior leaders held on 26 June 2017 (discussed in paragraphs 2.4–2.7) stated that Defence People Group would meet the cost of a number of related activities:

Defence People Group will refresh the branding and develop associated products in support of Pathway to Change: Evolving Defence Culture 2017–2022. The cost of producing these products will be funded by Defence People Group during 2017–18.

2.38 Defence advised the ANAO that estimated staffing costs for the One Defence Culture team⁵⁶ in Defence People Group are approximately \$1.95 million since 2016–17 (see Table 2.1 below).⁵⁷ Defence further advised that it was unable to calculate the cost of implementing the strategy at the Group and Service level, ‘as Groups and Services absorb the costs of specific or targeted local level delivery within existing budgets’.⁵⁸

Table 2.1: One Defence Culture Team estimated staff costs since 2016–17 for the 2017–22 strategy^a

Financial year	Estimated staff cost
2016–17	\$367,000
2017–18	\$592,000
2018–19	\$430,000
2019–20	\$273,000
2020–21 ^b	\$292,000
Total	\$1,954,000

Note a: Defence has provided an estimate of the total remuneration costs of the team attributable to the strategy.

Note b: This figure is to 31 December 2020.

Source: Defence documentation.

2.39 Defence advised the ANAO in September 2020 that it had entered into contracts with external consultants to the value of \$2.19 million, as part of developing and implementing the strategy (see Table 2.2 below). Defence further advised that actual expenditure to date under the contracts listed in Table 2.2 was \$1,906,251 (as at January 2021).

⁵⁶ Defence advised that the One Defence Culture team was previously known as the Organisational Development Unit.

⁵⁷ Defence advised that these are approximate costs for developing and implementing the second strategy, as the team was also responsible for other projects, however the majority of staffing costs could be attributed to work on the second strategy as it was the strategic driver for all cultural initiatives at the enterprise level.

⁵⁸ Defence also advised that additional funds for the second strategy had been internally allocated within Defence in 2016–17 and 2017–18 through the Defence White Paper 2016. Defence advised that those sums were \$450,000 for 2016–17 and \$500,000 for 2017–18.

Table 2.2: Value of contracts — external consultants and contractors for the 2017–22 strategy — May 2016 to December 2020

External contractor or consultant	Financial year in which contract was entered into	Value of contract, including GST (AU\$)
Rapid Context	2015–16	\$250,140
	2016–17	\$934,065
	2017–18	\$135,960
PricewaterhouseCoopers Australia	2019–20	\$737,114
	Total	\$2,057,279

Source: Defence documentation.

2.40 In addition to the external consultants employed by Defence to work on the second strategy, a Memorandum of Understanding (MOU) with the Australian Human Rights Commission (AHRC) was entered into.⁵⁹ The contracted value of work set out in the MOU is \$7.1 million (Table 2.3). Defence advised the ANAO in January 2021 that actual expenditure to date under the contract has been approximately \$5.95 million (excluding GST).⁶⁰

Table 2.3: Contract value of work undertaken by the AHRC

Financial year in which contract was entered into	Value of contract, excluding GST (AU\$)
2016–17	\$1,560,210.67
2017–18	\$1,653,060.47
2018–19	\$1,997,000.00
2019–20	\$1,938,000.00
Total	\$7,148,271

Source: Department of Defence documentation.

⁵⁹ The May 2018 MOU with the AHRC notes that the specific projects undertaken by the AHRC across the Defence Groups and Services will be determined by Defence, with the terms of reference and work plans for each project developed jointly by Defence and the AHRC.

⁶⁰ Defence further advised that payment for each financial year has been made in advance, and in consequence, Defence has paid out approximately \$7.148 million (excluding GST). A refund of approximately \$1.191 million (excluding GST) was paid to Defence as surplus funding for the period 2016–17 to 2018–19.

3. Communication and governance arrangements

Areas examined

This chapter examines the early stages of Defence's delivery of *Pathway to Change: Evolving Defence Culture 2017–22*, in particular whether Defence's expectations were promulgated effectively and whether fit-for-purpose governance arrangements were established to oversight implementation of the strategy.

Conclusion

Defence has been largely effective in promulgating the strategy and the overarching governance arrangements are largely fit for purpose, however there were weaknesses in the centre holding the line functions to account for implementation.

3.1 To assess the effectiveness of Defence's delivery of *Pathway to Change: Evolving Defence Culture 2017–22* (the second strategy) to date, the ANAO examined whether Defence:

- effectively promulgated the strategy and Defence's expectations regarding implementation; and
- established fit-for-purpose governance arrangements to oversight implementation of the strategy.

Did Defence effectively promulgate the strategy and its expectations regarding implementation?

Defence has been largely effective in promulgating the second strategy. Defence developed and implemented a communication plan, and the key communications issued by Defence were consistent with the communication objectives and key messaging. The communication activities were designed to ensure senior leaders were informed of Defence's expectations of them in implementing the second strategy. Defence also provided a range of supporting resources for its personnel and senior leaders. Defence provided limited information to personnel on how the strategy related to their legal and ethical obligations or other policies, programs or activities within Defence. Defence prepared an internal discussion paper on early findings from implementation of the second strategy, which considered communication and awareness issues, but did not formally evaluate the effectiveness of its communication plan for the strategy as required by Defence policy.

Communication of the strategy

3.2 The second strategy was launched on 20 November 2017 by the Secretary of Defence and the Chief of the Defence Force (CDF).

3.3 In mid-2017, a communication plan was approved by the First Assistant Secretary People Policy and Culture.⁶¹ The aim of the plan was ‘to launch and promote awareness’ of the second strategy.⁶² The communication plan set out: key messages; a communication aim and objectives; target audiences; stakeholders; risks and sensitivities; budget information; and measures for evaluating the communication plan.⁶³

3.4 The communication objectives outlined in the plan were to:

- launch and promote awareness of the strategy to the entire Defence workforce, including the approach, progress and benefits of achieving the strategy and its desired end state;
- highlight the successes and progress of cultural reform within Defence since *Pathway to Change — Evolving Defence Culture* (the 2012–17 strategy, or first strategy) was released;
- encourage and promote the One Defence Leadership Behaviours; and
- reinforce Defence’s commitment to cultural change.

3.5 The communication plan outlined 13 key messages to be communicated to Defence personnel, through a variety of communication channels. The key messages included: the evolution of the Pathway to Change strategy; organisational achievements⁶⁴ since the release of the 2012–17 strategy, while noting there was still more to be achieved; the refreshed statement of cultural intent and the six cultural priorities; the focus of cultural reform shifting to an environment where leaders were accountable for creating a more positive culture; the strategy recognising and promoting a high performing culture as a key enabler of Defence capability; and the One Defence Leadership Behaviours.

3.6 The ANAO reviewed the key communications issued by Defence following the second strategy’s release. These communications included: email to senior leaders, email to Defence APS personnel from the Secretary and CDF, DEFGRAM⁶⁵, a signal from CDF to all ADF members⁶⁶, news articles in the Service newspapers in November 2017, posters, banners and content on the Defence

61 Approval by a First Assistant Secretary (SES Band 2) complied with the Defence Communication Manual requirement for clearance of communication plans at the SES Band 1 or ADF 1 Star level or above. The requirements for communication plans at the time were set out in the Defence Communication Manual (December 2016) and examined in Auditor-General Report No.24 2019–20 *Defence’s Management of its Public Communications and Media Activities*. However, Defence records did not clearly record the date of approval, with approval recorded in July 2017 on the document and in August 2017 on file.

62 The communications plan outlined a September 2017 launch for the strategy. Defence advised the ANAO that the strategy launch was deferred until November 2017 to enable the incoming Secretary of the department to review and consider the next steps of Defence’s cultural reform.

63 Communications plans were examined by the ANAO in Auditor-General Report No.24 2019–20 *Defence’s Management of its Public Communications and Media Activities*. As discussed in paragraph 3.10 of that report, Defence could not confirm that the list of plans provided in the course of that audit was exhaustive. The communications plan for the 2017–22 strategy was not provided for that audit. Unlike most plans examined in that audit, the communications plan for the second strategy included budget information and criteria for evaluating the outcomes of the communications activity.

64 These included: the establishment of the Sexual Misconduct Prevention and Response Office; release of the ADF Alcohol Management Strategy; release of the Domestic and Family Violence Strategy; and integration of agreed values and behaviours as core foundations of education and training programs.

65 A DEFGRAM is an internal communication mechanism used by Defence to communicate information within the department and make personnel aware of relevant/important information.

66 A signal is an internal communication mechanism used to communicate information to ADF members.

intranet. The messaging in these communications was consistent with the communication objectives and key messaging.

3.7 In addition, the Minister for Defence sent an email on 27 November 2017 to all Defence APS personnel. This email expressed the Minister's thanks to staff for their contribution towards building a stronger culture in Defence during the past five years, and commented that while good progress had been made, there was still more that could be done to make the organisation better. The email also stated that individuals: needed to be accountable for their actions and work together so as to develop and retain a high performing and inclusive culture; and should consider what they could do to make a difference to the culture within their workplaces and the organisation.

Communications to senior leaders

3.8 Specific arrangements were made to inform Defence senior leaders⁶⁷ of their role in implementing the strategy. The arrangements included a presentation on 17 November 2017 to the senior leadership group which outlined their responsibilities. In addition senior leaders were sent an advisory minute from the Deputy Secretary Defence People Group on 27 November 2017 and a Senior Leaders Support Package.

3.9 The minute from the Deputy Secretary Defence People Group outlined that, to ensure the successful implementation of the strategy, it was important for all senior leaders to understand and appreciate the role of cultural reform in strengthening capability and maintaining the trust of Government, the community and colleagues, as well as being accountable for building an inclusive workplace culture to support staff to contribute to deliver on Defence's mission. The minute further outlined that Defence was:

... seeking your support to promote and champion *Pathway to Change: Evolving Defence Culture 2017–2022* in your local areas. This involves you leading by example and can include but is not limited to:

- creating a common understanding amongst your people of the need for ongoing cultural reform within Defence;
- developing a strong understanding of our cultural intent moving forward and the six priorities;
- facilitating regular, meaningful conversations with your people that lead to identifying and implementing relevant actions that empower individuals and teams to achieve our cultural reform goals;
- assisting your people to understand the connection with the One Defence Leadership Behaviours and how they contribute to a high performance culture; and
- monitoring, measuring and reporting on activities and improved outcomes.⁶⁸

3.10 The Senior Leaders Support Package included: the strategy document; the Cultural Advisory Network contacts; promotional material (such as lanyard cards, posters, articles in Service newspapers and banners); and a slide pack which included talking points and conversation starters to facilitate local level conversations. The joint meeting of the Chiefs of Service Committee and the

67 The Defence Senior Leadership Group includes Senior Executive Service (SES) Band one and above and Australian Defence Force (ADF) star ranked officers.

68 See chapter 4 of this audit for further detail on reporting on the strategy.

Defence Civilian Committee held on 26 June 2017 (discussed in paragraphs 2.4–2.6) had agreed that ‘Command/Branch led conversations be used to promulgate information on the next iteration of Defence’s cultural reform’.

3.11 These communication activities were intended to ensure senior leaders were informed of Defence’s expectations of them in implementing the second strategy, and Defence provided a range of supporting resources. Given the importance of local level conversations in the context of the devolved implementation approach — to build a common understanding, reinforce personal accountabilities and empower individuals — there would have been merit in Defence People Group putting arrangements in place to ensure that the requirement for local level conversations at Command/Branch level was complied with. Defence advised the ANAO that there were no mechanisms in place at the enterprise level for reporting on the conduct of these conversations. Defence further advised that its aim was to ‘empower our people to have the conversations and demonstrate the cultural reform priority of Leadership Accountability’ and that enterprise level reporting on these conversations would have ‘demonstrated a lack of trust’.

Communicating the intended role of the strategy

3.12 Defence advised the ANAO in September 2020 that it considers the second strategy to be an ‘umbrella strategy’ — that is, it encompasses all Defence’s human resources policies, programs and activities.⁶⁹ In January 2021, Defence further advised the ANAO that:

Defence often refers to Pathway to Change 2017–22 as an umbrella strategy in order to convey that (i) it provides the overarching policy position for culture in Defence, and (ii) that the scope of activity that sits under it is significant, encompassing initiatives at the enterprise level, as well as the many lines of effort delivered by the Groups and Services. The terminology, however, tends not to be used in written communication.

3.13 The communication plan stated that:

The aim of Pathway to Change: Evolving Defence Culture 2017–22 is for the cultural intent statement and six priorities to underpin and unify cultural reform efforts across Defence.

3.14 Inclusion of the six priorities in the business plans of Groups and Services was to be the key mechanism for achieving a unified focus on cultural reform across Defence. The briefing paper provided to the June 2017 joint committee meeting (discussed in paragraph 3.10) stated that the cultural intent statement and the six cultural priorities were ‘intended to be accessible to all Defence personnel’, from junior ranks/officials to the Senior Leadership Group. The briefing paper also stated that the strategy document:

... is the more comprehensive, explanatory document, which provides the bridge from the original *Pathway to Change: Evolving Defence Culture*, and the Behaviours Stream of *First Principles Review*, to the future. This document is for leaders to use in implementing cultural improvement within their Service, Group and whole of Defence environment, and provides a sustainable approach to embedding the changes recommended by *First Principles Review*.⁷⁰

3.15 The communications and advice provided to Defence personnel and senior leaders provided limited information on how the second strategy related to their legal and ethical obligations or other

69 As outlined in chapter 4 of this audit, in 2019 Defence commenced work on identifying enterprise level activities, programs and policies that link to the six cultural priorities.

70 Department of Defence minute, 26 June 2017, p. 2.

policies, programs or activities within Defence. While the strategy document sets out the high level vision under each priority, there is limited or no detail on the: actual activities that Defence personnel could expect to see established or emphasised as part of the strategy's implementation; or the goals or targets that would demonstrate success in establishing and embedding the desired culture.⁷¹ For example, in respect to the 'leadership accountability' priority, the strategy document outlines that Defence will:

... strengthen leadership capability so that our leaders are confident in their ability to empower their people, are able to seek out and use alternative ways of thinking, and are more skilled and active in managing the behaviour and performance of their teams. We will strengthen individual and organisational accountability through effective performance management by—and of—our leadership. We will expect our leaders to be more conscious of their own areas for personal and professional growth, of the need to learn from their own performance and that of their teams, and of the importance of giving and receiving feedback.⁷²

3.16 While the statement includes some high level objectives relating to this priority area, it does not state what types of supporting activities would be undertaken at the enterprise level to help Groups and Services implement activities to realise these objectives — other than 'through effective performance management' — or to determine the success of that activity in helping achieve reform. Defence advised the ANAO that:

The strategy document includes a number of high level objectives and guiding information about how each cultural priority would be applied in the workplace. Groups and Services designed activities to meet their contextual requirements.

3.17 Similarly, in respect to the 'capability through inclusion' priority, the strategy document includes a number of high level objectives, but limited detail on relevant supporting activities or how Defence planned to measure the contribution of the identified activities in achieving reform. The strategy document states that:

To achieve a more inclusive and capable organisation, we will foster work practices which enable men and women, people of different cultural backgrounds, sexual orientation, and those with a disability to contribute to their best potential. We will provide greater education on how respect for individual differences and more inclusive approaches improve Defence and team performance. We will further the representation of women, Indigenous Australians and people from culturally diverse backgrounds, and increase employment opportunities for people with disabilities. We will measure our success by setting recruitment targets, and through examining the effect of our retention and career progression measures and our more inclusive workplace practices. We will expect our leaders to role model the behaviour that reflects an inclusive workplace.⁷³

3.18 In April 2021, Defence advised the ANAO that:

Group Heads and Service Chiefs had accountability for implementing Pathway to Change 2017–22. The approach allowed for implementation to take shape in Groups and Services through activities that delivered on the intent within contextual requirements for each organisation. As such, it was not appropriate nor possible to include extensive detail of activities within the strategy document.

71 As previously discussed in chapter 2, Defence identified in 2020 that 'the accountabilities and responsibilities are described at such a high level that they do not provide sufficient clarity to support implementation and management of the program'.

72 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, November 2017, p. 8.

73 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, November 2017, p. 9.

Evaluation of the initial communication of the strategy

3.19 Defence's 2017 communication plan contained measures to evaluate the success of the communications plan. These measures were: the number of 'hits' to the strategy's internet and intranet websites; and analysing media coverage of the strategy for positive, negative and neutral messaging.

3.20 Defence did not evaluate the effectiveness of its communications for the strategy. In January 2021, Defence advised the ANAO that 'no evidence can be found that indicates that an evaluation was completed, the impact of the communications plan was gauged through conversations at the Cultural Reform Advisory Network' (CRAN). Defence further advised that:

CRAN conversations relating to the communications plan focused on products available, activities underway and adjustments made in response to feedback received. Meetings minutes do not capture all details of these discussions'.

3.21 Defence advised the ANAO that in addition to the CRAN, information on the impact of the communication plan was gauged through various mechanisms such as: meetings with personnel involved in cultural reform from the Services and HR Business Partners; reviewing evaluations from relevant training courses; and participating in local level cultural steering group meetings.

3.22 An internal discussion paper on early findings from implementation of the second strategy was prepared for the Assistant Secretary Culture and People Development in June 2019 (nineteen months after the strategy was launched). Defence advised the ANAO that the paper was prepared for the purpose of 'identifying opportunities and generating discussion on continuous improvement methods and next steps ... [and] included improving communication about the priorities within Pathway to Change 2017–22'. Defence further advised that:

This paper was a catalyst for moving focus to embedding efforts in measurement, creating support tools and strengthening alignment of business plans to the cultural reform priorities. It also established the focus of the communication for the Defence Values and Behaviours.

3.23 The discussion paper stated that:

- due to the large number of activities (over 400, undertaken as part of the 2019 mapping exercise) being attributed to the six cultural priorities, there was a risk of the overall cultural reform messaging being diluted;
- personnel understood that the strategy was important, 'but they do not necessarily attribute it to organisational change';
- discussions with Directors (EL2s) and their teams across DPG indicated that people considered the strategy was at an enterprise level, with the focus on processes and systems, and did not know what the strategy meant for them as an individual; and
- there was confusion among employees, with each Group and Service having its own set of cultural priorities. Additionally, the six cultural priorities in the strategy identified several outcomes they intended to achieve, making it difficult to determine where to focus, and that the messaging of cultural priorities should be that 'they provide a common cultural goal or higher purpose that aids the various cultures to work together effectively and efficiently to achieve organisational capability'.

Ongoing communication of the strategy

3.24 In June 2018, seven months after the second strategy's launch⁷⁴, an additional communication plan was prepared for the period June to November 2018, with the aim of promoting awareness and understanding of the strategy amongst Defence personnel and increasing the number of effective initiatives implemented during the strategy's first year.⁷⁵ Defence advised the ANAO that this communication plan was never formally endorsed, as communication for the strategy became part of business as usual activities and the activities identified within the plan were implemented.

Guidance and templates to support strategy implementation

3.25 To support strategy implementation by Defence personnel, Defence People Group established an intranet page which sets out:

- information on the strategy's release;
- the six cultural reform priorities;
- the role of Defence People Group in the strategy as the policy lead for enterprise level cultural reform initiatives and facilitating, monitoring and reporting on the implementation of cultural reform;
- reporting and oversight arrangements for the strategy;
- the history of Pathway to Change and the history of reviews of aspects of Defence's culture; and
- a dedicated Pathway to Change mailbox for queries.

3.26 The culture resources and support tools intranet page provides information on:

- Defence Values and Behaviours, including a conversation pack to support leaders to have discussions with units/teams on values and behaviours.
- Culture plans, including why a culture plan is required, principles and 'hints and tips' to consider when developing a culture plan, and advice that each Group and Service should have a culture plan that captures their current cultural reform focus and a commitment to action. The plan should link back to the strategy and six cultural priorities, and be reviewed as part of the annual Group/Service business planning process.
- Assessment tools were released at the end of June 2020 to assist Groups and Services to develop and review a culture plan. An example culture plan template is also included, however use of the template is not mandated.
- Departmental policy and guidance, programs and initiatives, employee networks, training and education resources, intranet resources and contact areas for each of the six cultural priorities.

⁷⁴ The strategy was launched on 20 November 2017 by the Secretary and CDF.

⁷⁵ Department of Defence, *Pathway to Change 2017–2022 June to November 2018 – Defence People Group Communication Plan*, June 2018.

Mandatory training for Defence staff

3.27 All Defence personnel (APS and ADF), both new starters and ongoing staff, are required to complete a number of mandatory training courses to ensure they are aware of, and remain aware of, key requirements for working in Defence.⁷⁶ The *Workplace Behaviour Mandatory Awareness* training course covers:

- ethics and workplace behaviours, which are a cultural priority under the second strategy;
- values and behaviours;
- options for resolving unacceptable behaviour incidents or issues; and
- avenues for advice and support.

3.28 Defence advised the ANAO that this training must be completed annually⁷⁷, and that it is an individual's responsibility to ensure they complete their mandatory training. For APS personnel, completion of mandatory training is a requirement of the annual performance assessment process and is reviewed on an annual basis, with supervisors required to confirm that training has been completed. For ADF personnel, the services are required to maintain the currency of mandatory training as part of their Individual Readiness requirements, with commanders responsible for ensuring training is completed.

Did Defence establish fit-for-purpose governance arrangements to oversight implementation of the strategy?

Defence's use of its existing enterprise-level governance arrangements, for the purpose of implementing the second strategy through a combined approach, was largely fit for purpose. There were weaknesses evident in the centre holding the line functions to account for implementation. While Defence established a requirement that individual Group and Service business plans would include the six cultural reform priorities articulated in the strategy, the majority of Groups and Services did not include the cultural priorities in their business plans in a timely manner. Two of the 13 Groups and Services (15 per cent) included the six cultural priorities in their business plan in 2018–19 as required, with a further six Groups and Services (46 per cent) including references to the strategy or the cultural intent in their business plan. By 2020–21, only seven Groups and Services (54 per cent) had met the requirement of the strategy by including the priorities in their business plan. Defence did not follow up, through its Defence People Group (DPG), until February 2020, to ensure that Groups and Services had embedded the strategy into business plans as required, despite DPG having central responsibility for facilitation, monitoring and reporting.

76 For APS personnel, this requirement is found in Defence's APS People Policy. For ADF personnel, the requirement is found in the Military Personnel Manual.

77 Defence advised the ANAO that the completion rate (point in time data) for this training was:

- 1 September 2017: ADF personnel 91 per cent, APS personnel 92 per cent.
- 1 September 2018: ADF personnel 92 per cent, APS personnel 93 per cent.
- 1 September 2019: ADF personnel 93 per cent, APS personnel 91 per cent.

Enterprise Business Committee

3.29 The 2017–22 strategy states that the Enterprise Business Committee has responsibility for strategic oversight:

Cultural reform progress will be evaluated as part of Defence's regular enterprise performance reviews, with strategic oversight undertaken by the Enterprise Business Committee. Service and Group Business Plans, and the accompanying bi-annual Performance Reports which feed in to this cycle, will include the six cultural reform priorities for 2017–2022.⁷⁸

3.30 Defence's 2017–18 annual report indicated that at 30 June 2018, the Associate Secretary chaired the Enterprise Business Committee, which was 'responsible for ensuring the effective running of Defence. Its remit includes corporate planning, performance monitoring and reporting, enterprise risk management, information management and service delivery reform'.⁷⁹

3.31 Assigning strategic oversight to the Enterprise Business Committee was commensurate with the enterprise-level focus of the 2017–22 strategy.

3.32 Reporting to the committee is discussed in chapter 4 of this audit.

Defence People Group

3.33 The 2017–22 strategy states that:

Defence People Group will continue as the policy lead for organisational level cultural reform initiatives, as well as facilitating, monitoring and reporting on the implementation of cultural reform in Defence.⁸⁰

3.34 Defence People Group was expected to continue performing the role it had in respect to the earlier 2012–17 strategy.

3.35 The April 2017 Defence People Group Service Offer describes the services that the Group provides to the department. It notes that one of the four Group priorities is to drive, inform and reinforce cultural change. In relation to the second strategy, the service offer describes that Defence People Group will monitor, assess and report on the implementation of the strategy within Defence.⁸¹ The offer also outlines that the Group will support the embedding of the One Defence Leadership Behaviours to enable a culture where leadership, professionalism and corporate behaviour are valued and rewarded.

3.36 Defence People Group monitors implementation of the strategy through: its review of organisational survey results and culture plans (discussed in paragraphs 4.21 to 4.23); Group and Service level reporting prepared for the Enterprise Business Committee⁸²; and regular discussions with Defence Groups and Services.

78 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

79 See: <https://www.defence.gov.au/annualreports/17-18/Chapter5.asp> [accessed 13 December 2020]. Reported membership of the committee as at 30 June 2018 was: the Associate Secretary (Chair); Vice Chief of the Defence Force; Chief of Joint Capabilities; Deputy Secretary Strategic Policy and Intelligence; Chief Finance Officer; Chief of Navy; Chief of Army; Chief of Air Force; Deputy Secretary Capability Acquisition and Sustainment; Deputy Secretary Defence People; Chief Information Officer; Deputy Secretary Estate and Infrastructure; and the Chief Defence Scientist.

80 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

81 Monitoring and reporting arrangements for the strategy are discussed in chapter 4 of this audit report.

82 This is outlined further in chapter 4.

3.37 As noted in chapter two, Defence People Group did not develop an implementation plan or other planning documentation to document how it intended to facilitate the implementation of cultural reform under the second strategy. For example, an approach was not developed to support the structured collection and collation of performance information from Defence Groups and Services about strategy implementation and impact. In the course of this audit, Defence was undertaking work to identify the initiatives that support the achievement of the second strategy and to establish a framework to assess impact. This work is discussed further in chapter 4.

Groups and Services

3.38 Implementation of the 2017–22 strategy was devolved to Groups and Services to implement through business as usual processes, in a way that was meaningful in their individual context:

Groups and Services are expected to leverage enterprise level initiatives as appropriate, and where gaps exist in their local environment, to scope, develop and implement initiatives tailored to their context.⁸³

3.39 Defence established a requirement that Group and Service business plans would include the six cultural reform priorities.⁸⁴ The strategy states that:

Service and Group Business Plans, and the accompanying bi-annual Performance Reports which feed in to this cycle, will include the six cultural reform priorities for 2017–2022.^{85, 86}

3.40 The ANAO examined Group and Service business plans for the period 2018–19 (the first business plan after the strategy was released) to 2020–21, to assess whether Groups and Services had included the priorities in their business plans as expected (see Table 3.1 below). The ANAO expected to see an explicit reference to the six cultural priorities in each plan, to address the policy requirement and to aid performance monitoring of planned activities.

83 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

84 Groups and Services reporting against their business plans is discussed in chapter 4 of this audit report.

85 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

86 In its April 2021 response to the draft of this performance audit report, Defence stated that the second strategy ‘did not specifically mandate that it was a requirement for Groups and Services to include the cultural reform priorities in their business plans. Rather, it used the looser term “will include” (page 12), which may be interpreted as referring to, rather than specifically calling out the priorities’. Defence recommended removing statements in the proposed audit report that the inclusion of the six cultural reform priorities in business plans was a ‘requirement’. The ANAO’s review of the strategy document identified that this requirement appeared in the ‘Implementation and Progress’ section of the strategy. The ANAO’s review also identified that the strategy as a whole included many emphatic statements, including this particular statement, couched as action items and/or strong expectations. These emphatic statements consistently employed the word ‘will’ and did not indicate that a choice was involved. For example: ‘Defence People Group will continue as the policy lead for organisational level cultural reform initiatives’ (p. 12); and ‘We will be more accountable for organisational performance and ensure our decisions are in the best interest of Defence as a whole.’ (p. 7). Accordingly, the ANAO has interpreted the emphatic statements contained in the strategy regarding the inclusion of cultural priorities in Group and Service business plans as a requirement rather than a choice. Further, in April 2021 Defence advised the ANAO that it had acted to reinforce the department’s expectations regarding this requirement, as follows: ‘In February 2020, Defence People Group followed up the Groups and Services (through emails and phone calls) to collect and assess business plans and ascertain whether cultural reform priorities were being included. From this, DPG determined that there was a requirement to update business plan templates and develop support tools to better facilitate the embedding of the cultural reform priorities.’

Table 3.1: Defence Group and Service business plans — inclusion of cultural reform priorities as expected under the 2017–22 strategy.

Group/Service ^a	Explicitly lists the six cultural priorities			If no explicit mention of the six cultural priorities, the business plan includes reference to the 2017–22 strategy or cultural intent statement/priorities ^b			Includes performance measures relating to the 2017–22 strategy, one or more of the cultural priorities or local cultural plans		
	2018–19	2019–20	2020–21	2018–19	2019–20	2020–21	2018–19	2019–20	2020–21
Capability Acquisition and Sustainment Group (CASG)	✓	✓	✓	—	—	—	✓	✓	✓
Chief Information Officer Group (CIOG)	x	x	x	✓	✓	✓	✓	✓	✓
Defence Finance Group (DFG)	x	x	x	✓	✓	✓	✓	x	x
Defence People Group (DPG)	✓	x	✓	—	x ^c	—	✓	✓	✓
Defence Science and Technology Group (DSTG)	x	x	✓	x	x	—	✓	x	✓ ^d
Estate and Infrastructure Group (E&IG)	x	x	✓	✓	✓	—	✓	✓	✓
Joint Capabilities Group (JCG)	x	x	x	✓	x	✓	✓	✓	✓
Joint Operations Command (JOC) ^e	x	x	✓	✓	✓	—	✓	✓	✓
Strategy, Policy and Industry Group (SP&IG) ^f	x	x	✓	x	✓	—	✓	x	x
Vice Chief of the Defence Force Executive (VCDFE) ^g	x	x	✓	x	✓	—	x	x	✓
Army	x	x	x	✓	x	x	✓	✓	✓
Air Force	x	x	x	x	x	x	✓	✓	x
Navy	x	x	x	x	✓	✓	✓	✓	✓

Note a: Defence advised the ANAO that the Vice Chief of the Defence Force Executive is considered a group within Defence for administrative purposes. The Defence Intelligence Group was established on 1 September 2020 and was not expected to be a fully operational group until January 2021, so did not have a current business plan at the time of the audit.

Note b: The columns shaded grey reflect where further testing of business plans was conducted by the ANAO. This testing was conducted where the business plan did not explicitly list the six cultural priorities and thus did not clearly meet the requirement set out in the strategy. Columns with a dash (—) indicate cases where the business plan clearly met the requirement set out in the strategy and no further testing was conducted. While the three Services have their own complementary cultural strategies, if the business plan referenced these and did not explicitly state the Pathway to Change 2017–2022 strategy and/or cultural priorities, it was marked with an ‘x’.

Note c: Business plan makes reference to a culture plan.

Note d: Defence advised that the DSTG 2020–21 Business Plan notes the development of a culture plan which will be measured via the strategic pillar of 'Brilliant People, Collaborative Culture' listed in the plan.

Note e: 2020–21 business plan is draft.

Note f: The Strategy, Policy and Industry Group was established on 1 September 2020, replacing the Strategic Policy and Intelligence Group.

Note g: VCDF Executive did not have a business plan in 2018–19. Defence advised that the divisions within this group had business plans which were linked to the Defence Business Plan.

Source: ANAO analysis of Defence documentation.

3.41 Table 3.1 indicates that the majority of Defence's Groups and Services did not include the cultural priorities in their business plans in a timely manner.

- Two of the 13 Groups and Services (15 per cent) included the six cultural priorities in their business plan in 2018–19 as required⁸⁷, with a further six Groups and Services (46 per cent) including references to the strategy or the cultural intent in their business plan.
- By 2020–21, only seven of the 13 Groups and Services (54 per cent) had met the requirement of the strategy by including the priorities in their business plan, with a further four Groups and Services (31 per cent) including references to the strategy or the cultural intent in their business plan.

3.42 In 2018–19, 12 of the 13 Groups and Services (92 per cent) included culture related performance measures in their business plans, with 10 of the 13 Groups and Services (77 per cent) including culture related performance measures in 2020–21.

3.43 Defence People Group did not follow up to ensure that Groups and Services had embedded the strategy into business plans as required in a timely manner until February 2020, despite being responsible for facilitation, monitoring and reporting. Defence advised the ANAO in January 2021 that:

Recognising that not all Groups and Services had embedded Pathway to Change 2017–22 into business plans, Defence People Group created an activity under Defence 2022; a Defence Reform program, to encourage Group and Services to incorporate the cultural priorities as part of business planning process. As part of this the Defence business plan templates were updated, intranet guidance strengthened and a plan established to audit business plans to better identify those areas that required additional support.

Governance relating to leadership capability

3.44 The 2017–22 strategy stated that:

To maximise our capability, sustain the trust of Government, the Australian community and each other we must take the best in our culture forward, and hold to account those who do not meet our standards. This means building on our recent progress in creating a more inclusive culture to drive high performance. It means strengthening our professionalism, our accountability, and leadership at all levels (p. 6).

...

We will strengthen leadership capability so that our leaders are confident in their ability to empower their people, are able to seek out and use alternative ways of thinking, and are more skilled and active in managing the behaviour and performance of their teams. We will strengthen individual and organisational accountability through effective performance management by—and of—our leadership. We will expect our leaders to be more conscious of their own areas for personal and professional growth, of the need to learn from their own performance and that of their teams, and of the importance of giving and receiving feedback (p. 8).

87 As noted in Table 3.1, the Defence Intelligence Group was established on 1 September 2020 and was not expected to be a fully operational group until January 2021, so did not have a current business plan at the time of the audit.

3.45 Defence advised the ANAO that accountability for culture and behaviours is reinforced through: the One Defence Leadership Behaviours⁸⁸; senior leadership performance framework (role charters, performance appraisals, upward feedback, climate scans, and 360 degree feedback); APS and ADF performance frameworks; and corporate messaging.

Embedding senior leaders' responsibilities into the performance framework

3.46 The July 2018 guidance document, *A Guide to the Senior Executive Service Talent, Performance and Development Framework* (the SES framework), stated that:

The Defence White Paper, the First Principles Review and Pathway to Change require Senior Executive Service (SES) with a focus on achieving an accountable capable and unified workforce with a strong performance culture at its core where leadership, professionalism and corporate behaviours are valued and rewarded.⁸⁹

3.47 The SES framework is used to set and assess the four key areas of performance and behaviour for SES officers.⁹⁰ The framework provides that SES officers are expected to model and promote the One Defence Leadership Behaviours⁹¹ at all times, and states that these behaviours support Defence's values and cultural intent articulated in the second strategy. The SES framework applies to Defence's (civilian) SES cohort.

3.48 Defence advised the ANAO that the performance framework for military star ranks is captured in the Individual Reporting and Star Planning processes. The Individual Reporting process provides information on star ranked officers' performance and potential (including for assessment of suitability for promotion), and their contribution to Defence values, cultural change and Group and Defence Plans. The Star Planning process is used to: promote Officers into and within the star ranks; appoint individuals to positions; establish new positions; identify leadership and development opportunities; and facilitate the outflow of star ranks from Defence. In April 2021 Defence further advised the ANAO that the annual appraisal form will be modified to include specific reference to expectations and compliance with Defence Values and Behaviours :

Star Rank Officers in the ADF are required to participate in an annual performance appraisal and development reporting system in accordance with Military Personnel Policy Manual Par 5, Chapter 1. Defence form AC740 (Senior Officer Appraisal and Development Report) is the tool used for annual reporting. Part 1 of the form states an annual objective of each officer is to 'Lead contribution to the key reform programs of Defence; provide high-quality and responsive support to the Ministers' offices and senior committees in support of the CDF and Secretary; and demonstrate commitment consistent with the cultural change, diversity requirements and WHS legislative duties expected of Senior Officers of the ADF.'

88 On 1 October 2020, the Secretary and Chief of the Defence Force announced the new Defence Values and Behaviours, intended to replace the One Defence Leadership Behaviours and all other Group and Service Behaviours sets. The new behaviours are: act with purpose for Defence and the nation; be adaptable, innovative and agile; collaborate and be team-focused; be accountable and trustworthy; reflect, learn and improve; and be inclusive and value others.

89 Department of Defence, *A Guide to the Senior Executive Service Talent, Performance and Development Framework*, July 2018, p. 2.

90 These areas are: behaviours, outcomes, people management and corporate contribution.

91 The One Defence Leadership Behaviours are: Contributor, Learner, Accountable, Risk Manager, Inclusive, Team Builder, Innovator.

Commitment to cultural change includes commitment to Defence Values and Behaviours. To amplify this, the annual appraisal form will be modified to include specific reference to expectations and compliance with Defence Values and Behaviours.

Role charters

3.49 All members of Defence's Senior Leadership Group⁹² are required to develop and maintain a role charter to provide clarity about their accountabilities, responsibilities, deliverables, and expected behaviours. It is expected that role charters will align with Group and Service plans, the Defence Business Plan and the department's Corporate Plan. Individual performance agreements for Group Heads and Service Chiefs identify the key expected results to be achieved during the performance cycle.

3.50 The ANAO's review of role charters for Group Heads and Service Chiefs⁹³ indicated that responsibilities for implementing the strategy were not specifically included in role charters, with the exception of the role charter for the Deputy Secretary Defence People Group, which outlined an individual responsibility for the implementation of diversity and inclusion strategies, APS career management and evolving Defence culture under Pathway to Change (the strategy). This role charter also contained a key metric relating to the Deputy Secretary's responsibilities for developing, driving, informing and reinforcing Defence culture.

3.51 The role charters reviewed by the ANAO referred to issues of culture as follows:

- All Australian Public Service (APS) SES role charters set out the One Defence Leadership Behaviours and a shared accountability for implementing the First Principles Review intent and outcomes, including behavioural changes, workforce skills and diversity. The key leadership section of the SES role charter template is pre-populated with the One Defence Leadership Behaviours.⁹⁴
- The Service Chief role charters⁹⁵ include a responsibility for developing ADF leadership or service specific leadership that advances and embeds Defence values. The charters also note that duties and responsibilities should be carried out through effective leadership, and actions should be prudent, lawful, ethical and consistent with government policy and Defence values.

92 This includes members of the department's Senior Executive Service (SES) and Australian Defence Force (ADF) star ranked officers. Defence advised that the Secretary and CDF do not have role charters, with a Ministerial Directive outlining their deliverables.

93 The ANAO reviewed the current role charters (as at 16 November 2020) for all Group Heads and Service Chiefs as outlined in Box 4.

94 Role charters for senior leadership positions are available on the Defence intranet.

95 These relate to the Chief of Joint Operations, Chief of Defence Intelligence, Chief of Joint Capabilities, Vice Chief of the Defence Force as well as the three Service Chiefs.

4. Monitoring, reporting and outcomes

Areas examined

This chapter examines the monitoring and reporting arrangements in place for *Pathway to Change: Evolving Defence Culture 2017–22*, as well as the achievement of intended outcomes.

Conclusion

Defence has not established effective monitoring and reporting arrangements for the strategy, and is not yet able to demonstrate at the enterprise level that intended outcomes are being achieved through its implementation of the strategy.

Area for improvement

The ANAO has made two recommendations. The first is that Defence establish a process to receive internal assurance from Group Heads and Service Chiefs on implementation of the second strategy. To provide a third party perspective on the assurance process, Defence should also consider a role for the Defence Audit and Risk Committee. The second relates to establishing measurable outcomes for the strategy and related cultural reform initiatives.

4.1 To assess the effectiveness of Defence's implementation of *Pathway to Change: Evolving Defence Culture 2017–22* (the second strategy) to date, the ANAO examined whether Defence:

- established effective monitoring and reporting arrangements for the strategy; and
- can demonstrate that intended outcomes are being achieved through its implementation of the strategy.

Has Defence established effective monitoring and reporting arrangements for the strategy?

Defence has not established effective monitoring and reporting arrangements for the second strategy. Internal performance reporting has been provided to the Enterprise Business Committee on a bi-annual basis, as stated in the strategy, and issues relating to cultural reform have been discussed in other senior Defence committees. Internal reporting to the Enterprise Business Committee includes information drawn from survey data. However, the absence of a structured approach to collecting and collating data on Group and Service implementation of the strategy limits the assurance that can be provided to Defence's senior leadership on the progress and effectiveness of the implementation effort. Defence did not develop measurable outcomes, or performance criteria, relating to the desired enterprise wide cultural change.

4.2 Effective monitoring and reporting arrangements can provide senior leaders with insights and assurance on the effect of strategy activities on the culture of the Defence Enterprise and risks to success.

Biannual performance reporting to the Enterprise Business Committee

4.3 As discussed in paragraphs 3.29–3.31, the second strategy states that Defence's Enterprise Business Committee (EBC) has responsibility for strategic oversight:

Cultural reform progress will be evaluated as part of Defence's regular enterprise performance reviews, with strategic oversight undertaken by the Enterprise Business Committee. Service and

Group Business Plans, and the accompanying bi-annual Performance Reports which feed in to this cycle, will include the six cultural reform priorities for 2017–2022.⁹⁶

4.4 The June 2017 joint committee meeting, which considered and endorsed the second strategy⁹⁷, was advised that:

Groups and Services will have an overhead in reporting on the implementation and progress of Group and Service level cultural reform. This overhead will be reduced, however, by incorporating cultural reform information within the established bi-annual Group and Service Performance Reports that are considered by the Enterprise Business Committee.

Ongoing evaluation will also have an overhead, although this should be balanced by having better data upon which to make investment decisions on programs and initiatives in support of reform. Groups and Services will be required to support, facilitate and encourage select segments of their workforce to participate in a qualitative research program, and to work with Defence People Group through the provision of information and data to inform best practice.

4.5 Bi-annual performance reports are provided to the EBC in March and November each year to support in-year monitoring of the performance of Groups and Services against their business plans.⁹⁸ Business plans connect the activities of Groups and Services to the activities in the Corporate Plan.

4.6 The bi-annual performance reporting process involves:

- A mandatory Performance Reporting Template being sent to Groups and Services (prior to the March and November reporting periods) to use to report against the enterprise performance measures or activities they are responsible for. The template has changed over time.⁹⁹ The template notes the Accountable Officer, a Responsible Officer¹⁰⁰, and a list of Contributors¹⁰¹ for each measure/activity. An accountability matrix is prepared to support Accountable and Responsible Officers to obtain the information needed to

96 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

97 The extraordinary joint meeting of the Chiefs of Services Committee and the Defence Civilian Committee was discussed in paragraphs 2.4–2.6 of this audit report.

98 The bi-annual performance updates support the EBC in monitoring Defence's performance as an enterprise. Defence's intranet notes that the purpose of enterprise performance management is to 'ensure that strategy, capability and resources are aligned with Government direction to achieve intended results and outcomes'. The framework for reporting on Defence's non-financial performance is set out in Defence's Corporate Plan, which documents Defence's role, objectives and functions (purpose), the intended result(s) and the high level activities that contribute to Defence's purpose. Business plans connect the activities of Groups and Services to the activities in the Corporate Plan. Defence acquits its performance against the framework through its annual performance statement in the department's publicly available annual report. The EBC reviews the annual performance statement in August each year.

99 In 2018–19 the template changed from a word document with no word limits to a spreadsheet, with the narrative section limited to reporting by exception and no more than 50 words. For the March 2019 report, areas were asked to include metrics and methodologies for measuring achievement of the target.

100 Accountable Officers are members of the Senior Leadership Group (Band One/One Star or higher) and identified in the Corporate Plan, while Responsible Officers are identified in the Defence Business Plan. Accountable Officers and Responsible Officers can be the same position.

101 For example, particular Groups or Services. Contributors are required to provide input to the Responsible Officer to assist them in preparing their assessment. This approach changed for 2018–19 reporting as outlined in paragraph 4.7.

develop an informed assessment on the status of the enterprise performance measure/activity they are responsible for.

- Information in the completed templates is collated by the Governance and Reform Division and reported to the EBC. The report is a traffic light report that notes each activity/sub-activity as outlined in the corporate plan, the Accountable Officer, and the performance and risk of the activity not achieving its intended outcome.¹⁰² A brief narrative is provided on each measure/activity, with the report noting changes to the status of activities and those activities at risk of not delivering the intended outcome.

4.7 Defence People Group (DPG), through its Deputy Secretary as the Responsible Officer, is responsible for completing the reporting template for the activity in the performance report that relates to the strategy. Defence advised the ANAO that for the March 2018 bi-annual report, Defence People Group received the performance report from each Group and Service with their assessment of their implementation of the strategy. This approach was discontinued as the level of detail in the responses varied. The new approach required the Responsible Officer for each activity to obtain the information needed for reporting from other areas in Defence. This could now be done through business as usual practices rather than through the use of the template.

4.8 Defence People Group did not have a documented methodology for calculating the results reported in the bi-annual report. Defence People Group advised the ANAO that information populated in its biannual reports is based on its knowledge from working groups on various activities, HR Business Partners, and various reports.¹⁰³ Defence People Group further advised that the methodology and metrics used in its performance reporting on the strategy generally included the following¹⁰⁴:

- progress against the cultural reform priorities — measured through enterprise survey data, using 2018 survey data as a baseline¹⁰⁵;
- overall workplace climate — measured through morale, team productivity and workforce engagement via survey results, with a target of historically stable results and monitoring for any reduction;
- individual priorities — measured through scales in the YourSay survey designed to measure the underlying constructs as well as other relevant data, with the target being ‘Increase positivity by end of 2022 in areas of focus’; and
- Group and Service implementation of cultural reform priorities — measured through their cultural programs/plans and inclusion of cultural priorities in business plans.¹⁰⁶

4.9 Defence People Group advised the ANAO that the following ‘data sources’ were used for its reports: YourSay Organisational Climate Survey 2018; Defence Reconciliation Action Plan; Defence’s Commitment to Building Capability Through Inclusion; Defence Work Health and Safety Strategy;

102 Performance is assessed as ‘on track’, ‘at risk’ or ‘off track’. Risk is assessed as low, medium or high.

103 Defence advised that all the information and data collected is ‘fused’ together to derive the input to the report.

104 Defence advised the ANAO in January 2021 that this methodology is now captured and reported.

105 Defence advised that 2018 data was used as a baseline as survey items changed between 2017 and 2018 and scales were developed based on the revised content.

106 Appendix 5 of this audit report provides more detail on Defence’s methodology and metrics.

Defence Mental Health and Well Being Strategy; ADF Total Workforce Model; APS Flexible Work Arrangement policies; APS Performance Management Framework; Leadership Programs; and Culture Plan examples.¹⁰⁷

4.10 A draft Pathway to Change Measurement Framework was developed in 2019 using survey data, with the aim of measuring Defence culture overall as well as providing a measure of each cultural reform priority. The framework was used for the November 2019 and March and November 2020 bi-annual reporting to the Enterprise Business Committee (EBC).

4.11 The ANAO sought evidence of the draft measurement framework's approval. Defence advised the ANAO in April 2021 that the framework was approved in August 2019 and agreed for use in enterprise reporting for 2019–20 onwards. Defence was unable to provide evidence of the framework's approval, such as a signed-off framework document or other documentation indicating who approved the framework and when they did so.

4.12 Table 4.1 (below) outlines the performance rating and risk rating reported to the EBC based on advice by Defence People Group in relation to the strategy, for the period March 2018 to November 2020. The table reflects advice provided in biannual performance reporting and annual performance statement reporting.¹⁰⁸

Table 4.1: Enterprise reporting information for the strategy provided to the EBC

Date of meeting	Performance report type	Performance rating	Risk rating ^a
14 March 2018	March update	Expected to be achieved	N/A
15 August 2018	Annual performance statement	Achieved ^b	N/A
12 December 2018	November update	On Track	Low
16 April 2019	March update	On Track	Low
28 August 2019	Annual performance statement	Partially Achieved	N/A
27 November 2019	November update	On Track	Low
27 May 2020	March update	On Track	Medium
26 August 2020	Annual performance statement	Partially Achieved	N/A
17 December 2020	November update	On Track	Medium

Note a: The Annual Performance Statement does not contain a risk rating.

Note b: This refers to the 2017–18 performance statement result.

Source: ANAO analysis of Department of Defence documentation.

107 Appendix 5 of this audit report provides more detail on Defence's methodology and metrics.

108 Defence's annual performance statement reporting is discussed further in the next section of this chapter, relating to external reporting.

4.13 Table 4.1 indicates that the strategy has generally been rated as 'on track' and risk has generally been assessed as 'low' in bi-annual reporting, with the exception of the report for May 2020¹⁰⁹ which assessed a 'medium' risk on the basis that:

... delays by Groups and Services in implementing their culture plans has created a risk to the delivery of this activity, although overall the performance of the reform program is on track.

4.14 The draft performance report completed by Defence People Group for input into the March 2020 performance update for the EBC provided a progress assessment of 'At risk'.¹¹⁰ Progress was reported as 'On Track' in the performance report provided to the EBC. Defence advised this was due to the overall assessment of the activity being considered to be 'On Track', with Defence People Group noting a risk to the implementation of the six cultural priorities (one of the performance criteria for the activity) due to delays in the implementation of Group and Service culture plans.

Group and Service reporting

Group and Service reporting against their business plans

4.15 Performance measures contained in Group and Service business plans (where recorded) related generally to implementing the six cultural priorities or implementing culture plans. Reporting by the Groups and Services against their business plans, including outcomes against relevant performance measures, is held within each Group and Service, and is not collected and collated centrally by Defence People Group.

4.16 For the purposes of this audit, Defence People Group requested information on Group and Service business plan reporting arrangements for the period 2018–19 to 2020–21.¹¹¹ Seven of the 14 Groups and Services¹¹² advised, as part of their response to Defence People Group, that formal reporting arrangements for their business plans were not established for either all or a portion of the specified period and that other internal reporting and governance mechanisms were used.

4.17 The ANAO reviewed the business plan reporting provided to Defence People Group by the Groups and Services.¹¹³ The ANAO observed that the approach to business plan reporting varied between Groups and Services. For instance:

- there were differences in the frequency of reporting (for example, every two months, quarterly, or tri-annually); and
- in the performance metrics and targets reported against (for example, percentage increase of indigenous or female participation, the implementation of key Group and

109 November 2020 report was also assessed as 'medium' risk.

110 Defence defines a rating of 'at risk' to mean that an activity is performing between the metric for end of financial year assessment of 'achieved' and 'not achieved'. DPG noted that this was due to delays in Groups and Services developing their culture plans.

111 As discussed later in this chapter, the ANAO also sought written representations in February 2021 from all Group Heads and Service Chiefs on implementation of the strategy in their Group or Service.

112 Note that the current Defence Intelligence Group and the Strategy, Policy and Industry Group were not formed until late 2020. The former Strategic Policy and Intelligence Group, from which these two groups were formed, did have business plans that were examined as part of this audit.

113 Examples of reporting were not provided for all Groups and Services for the 2018–19 to 2020–21 period.

Service documents/plans by specified dates, responses to specific questions in the YourSay survey, or reported incidents of specific behaviour).

Group and Service reporting against their cultural plans

4.18 Limited information on Group and Service reporting on culture is held by Defence People Group. For the purposes of this audit, Defence People Group sought information on the cultural reporting of Groups and Services. The cultural reporting provided to the ANAO included: specific briefs to key Group or Service governance committees on the implementation of cultural plans or initiatives; Group or Service results for the Australian Public Service (APS) Commission's APS Employee census; and presentations on Group or Service cultural initiatives and actions.

4.19 The ANAO's review of the cultural reporting provided to Defence People Group by the Groups and Services, for the period 2018–19 to 2020–21, identified that there was evidence¹¹⁴ of activities undertaken in support of the strategy in the following Groups and Services:

- Army made direct references to 'Pathway to Change' in agenda papers to the Chief of Army's Senior Advisory committee¹¹⁵;
- Navy made direct references to the second strategy in the terms of reference and signals released from the Next Generation Navy Steering Group;
- Contestability Division, which re-joined the Strategic Policy and Industry Group in early 2020, established a steering group in July 2019 to deliver on Defence's cultural intent and the goals of the strategy;
- Defence Science and Technology Group made direct references to the strategy in culture workshops, leadership papers and other strategic and culture plans; and
- Defence Finance Group developed its own Cultural Intent Statement 2020–22 which links to the second strategy.

4.20 For the other Groups and Services, the cultural reporting provided to the ANAO did not include direct references linking the activities to the second strategy.

Central monitoring

4.21 As discussed in paragraph 3.33, the second strategy states that Defence People Group will continue as the policy lead for organisational level cultural reform initiatives, as well as facilitating, monitoring and reporting on the implementation of cultural reform in Defence.¹¹⁶ The ANAO reviewed whether Defence People Group monitored Group and Service implementation of the cultural priorities against what was recorded in their business plans and later in their cultural plans. As discussed, Defence People Group has not formally collected or collated data from Groups and Services on their implementation. For the purposes of this audit, Defence People Group sought information on Group and Service business plan reporting arrangements and their cultural reporting.

114 Evidence was considered to demonstrate activities supporting implementation where there were explicit references to the strategy in documents. The ANAO could not assess whether an activity was related to the strategy if the connection was unclear.

115 Defence advised the ANAO that references to 'Pathway to Change' refers to both the 2012–17 strategy and the 2017–22 strategy.

116 Department of Defence, *Pathway to Change: Evolving Defence Culture 2017–22*, 2017, p. 12.

4.22 Defence advised the ANAO in January 2021 that information on implementation of the second strategy by Groups and Services is received through a number of sources, including:

- through the Cultural Reform Advisor Network (disbanded in 2019);
- meetings between the One Defence Culture team and Service Culture representatives and HR Business Partners ;
- support to Groups and Services in developing and implementing their culture plans¹¹⁷; and
- participation in Group and Service cultural steering group meetings.

4.23 The absence of a structured approach by Defence People Group to collect and collate data from across Defence on Group and Service implementation of the second strategy limits the assurance that can be provided to Defence's senior leadership on the progress and effectiveness of the implementation effort. In the absence of such an approach the ANAO sought written representations in February 2021 from all Group Heads and Service Chiefs on implementation of the second strategy in their Group or Service. Responses were received relatively quickly from all Group Heads and Service Chiefs, and there would be merit in Defence considering the implementation of such an assurance process internally. To provide a third party perspective on the assurance process, Defence should also consider a role for the Defence Audit and Risk Committee.

Recommendation no. 1

4.24 That Defence establish arrangements to receive assurance from Group Heads and Service Chiefs on their implementation of *Pathway to Change: Evolving Defence Culture 2017–22*.

Department of Defence response: *Agreed.*

4.25 *Defence agrees to the recommendation. Assurance from Group Heads and Service Chiefs on their implementation of Pathway to Change: Evolving Defence Culture 2017–22 will be required on a biannual basis. New arrangements will commence in October 2021 and will inform the next phase of Defence's cultural reform journey under the architecture of the Defence Transformation Strategy.*

Group and Service representations to the ANAO

4.26 As noted in paragraph 4.23, the ANAO wrote to the 11 Defence Group Heads and the three military Service Chiefs in February 2021, requesting information on their local level implementation of the strategy and how progress towards intended outcomes is tracked. All Group Heads and Service Chiefs provided a written response to this request.

4.27 The representation letters received by the ANAO indicate that the three military services have parallel cultural strategies, tailored for their particular service requirements:

- The Chief of Navy (CN) advised that Navy's cultural reform program commenced in 2009 under the *New Generation Navy* (NGN) program 'to address known and foreseen organisational cultural issues', with a key aspect of the program being the re-launch of Navy Values and the development of Navy Signature Behaviours. This cultural reform

117 The requirement for Groups and Services to have culture plans in place was introduced in June 2020 as part of the Defence 2022 Reform Program.

program evolved into *NEXT Generation Navy*, launch in 2018. Navy advised the ANAO that, in 2012, the then Chief of Navy directed ‘that the NGN program represent our Navy’s implementation of the new Pathway to Change program. Navy further advised that ‘...this deliberate choice, made by CN in 2012 and continued by subsequent CNs, was based on the need to create meaningful change through initiatives that are relatable and relevant for Navy People operating in a maritime domain context’.

- The Chief of Army (CA) advised that Army’s cultural reform commenced in response to the 2012–17 strategy (first strategy), with the release of the 2013 Chief of Army (CA) Directive, *The Introduction of ‘Respect’ as the Fourth Value*, to ‘build a more inclusive culture, essential to generating and sustaining capability’. In 2016, a further CA Directive, *Army’s Enduring Cultural Foundations*, was released to reflect the evolution of Army’s core values and behaviours. In 2017, all of Army’s cultural initiatives were consolidated to form *Good Soldiering*, Army’s overarching response to the 2017–22 strategy (the second strategy). Following the ARHC’s 2018 review of Army’s implementation of cultural reform, *Good Soldiering* was relaunched in March 2019. In October 2020, *Good Soldiering* was updated to incorporate the new departmental values and behaviours. In 2021, a number of CA directives have been released to re-inforce the expected behaviours of Army personnel.
- The Chief of Air Force (CAF) advised that Air Force’s cultural reform program commenced in 2000 with the Air Force *Adaptive Culture* Program to ‘instil a generational-level change in the way Air Force approached its people and culture’. This program also established the first values-based behavioural expectations for Air Force. In 2012, Air Force’s cultural program was re-focused to incorporate the first Pathway to Change strategy objectives, under the *New Horizon* program. Air Force also advised that ‘Pathway to Change established clear common cultural objectives for the whole-of-Defence, however, meeting Pathway objectives alone would not create all of the cultural elements required for Air Force’s military purpose’. Air Force further advised that it is now moving beyond New Horizon to a new cultural program—*Our Air Force, Our Culture*—and that it remains on the same cultural continuum established in the second strategy and Air Force’s previous cultural strategies.

4.28 The ANAO’s review of a selection of key points from the written representations is set out in Table 4.2 (military Services) and Table 4.3 (Defence Groups).¹¹⁸ The representations discussed various locally driven activities being undertaken by each Group/Service. As noted above, the three military Services focused on their complementary cultural strategies while the Defence Groups observed that they had each developed their own cultural plans/statements/intent. The methods adopted for monitoring intended outcomes varied between Groups/Services.

Table 4.2: Military Services — selection of key points made in representations to the ANAO

Military Service	Culture Plan/Program/Statement/Intent	How Tracks Progress
Royal Australian Navy	Next Generation Navy (2009, updated 2012) Next Generation Navy Plan (2020–2022)	A, C,

¹¹⁸ The ANAO did not assess the content or verify the accuracy of the documents or statements in the representation letters.

Military Service	Culture Plan/Program/Statement/Intent	How Tracks Progress
Australian Army	Good Soldiering (2017, re-launched 2019, updated 2020)	B, C,
Royal Australian Air Force	Air Force Adaptive Culture Program (2000) New Horizon (2012) 5 th Generation Behavioural attributes (2017–18) Our Air Force, Our Culture (new)	B

Key: A — Defence Enterprise Reporting
B — Uses Defence Survey and/or Census Data (YourSay, APS Census)
C — Local level monitoring

Source: ANAO review of representations provided by Service Chiefs.

Table 4.3: Defence Groups — selection of key points made in representations to the ANAO

Defence Group	Culture Plan/Program/Statement/Intent	How Tracks Progress
Vice Chief of the Defence Force Executive (VCDFE)	VCDFE Cultural Reform Priorities (2020–21)	A, B, C
Joint Capabilities Group (JCG)	Cultural Vision (2018–21)	B
Joint Operations Command (JOC)	HQJOC Resilience Plan	A
Strategy, Policy and Industry Group (SP&IG)	We find the path: Ngiyanhi gadi Murra (2021)	B
Defence Finance Group (DFG)	DFG Culture Statement (2020–21)	B, C
Chief Information Officer Group (CIOG)	CIOG Culture Plan (2021)	B, C
Capability Acquisition and Sustainment Group (CASG)	CASG Culture Change Plan (2020)	B
Defence Science and Technology Group (DSTG)	More, together: Defence Science and Technology Strategy 2030 (2020)	A, B, C
Estate and Infrastructure Group (E&IG)	E&IG Culture Plan 2018–22	Not included in original response Defence advised the ANAO in April 2021 that E&IG tracks progress towards intended outcomes using methods A, B and C
Defence People Group (DPG)	Defence People Group Culture Plan	B, C
Defence Intelligence Group (DIG)	DIG Cultural Intent	A, B, C

Key: A — Defence Enterprise Reporting
B — Uses Defence Survey and/or Census Data (YourSay, APS Census)
C — Local level monitoring

Source: ANAO review of representations provided by Defence Group Heads.

Other reporting to Defence committees

4.29 A diagrammatical representation of Defence's Senior Committee structure is at Appendix 6.

Enterprise Business Committee (EBC)

4.30 The ANAO reviewed outcomes from EBC meetings held between February 2017 and August 2020 (43 meetings) to identify discussions about the second strategy or culture more broadly.¹¹⁹

4.31 The strategy was explicitly discussed as a discrete item on one occasion, in a verbal brief provided in February 2017. The First Assistant Secretary Defence People Group provided an update on the development of the strategy.

4.32 On the one other occasion that the strategy is mentioned in the outcomes of an EBC meeting, in May 2019, it was in passing in reference to another paper, the Defence Compliance Report, where the committee noted that 'cultural reform progress under the Pathway to Change program was evident in the reduction of fraudulent behaviour and violation of workplace ethics'.

4.33 In June 2020 a verbal update was provided on one of the six cultural priorities (capability through inclusion), however the strategy itself was not noted in the minutes of the meeting outcomes.

4.34 Culture was mentioned or discussed in a variety of other contexts including cultural awareness training, recruitment, the administrative policy framework, tools for conducting culture audits and in relation to the Leading for Reform Program, service delivery, Defence customers satisfaction survey, APS retention, record management practices, travel and credit card spending, implementation of the Defence Values and Behaviours, and the 'inclusion of a continuous improvement culture line of effort' in the Defence Transformation Strategy. There is no evidence in the outcomes of this reporting of any feedback, suggestions or guidance on progressing the strategy.

4.35 A brief prepared for the Assistant Secretary Culture and People Development in May 2019, noted that the One Defence Culture Team had proposed enterprise level updates to the EBC on each of the six cultural priorities, one every two months. This was intended to be an additional mechanism to update senior leaders on the progress of the second strategy, and the updates were added to the EBC schedule. The brief noted that in 2018, it was difficult to provide substantial updates on some priorities as the strategy was relatively new, and no initiatives or evaluations had taken place under the strategy, with similar issues arising in 2019.¹²⁰ It was recommended and agreed that an annual update be provided to the Defence People Committee on the strategy, with the initial update to occur in September 2019. Defence advised the ANAO that this update did not occur.

119 That is, discussions in addition to biannual performance reporting.

120 Two in depth assessments had been undertaken in 2018 — see paragraph 4.54.

Defence Committee (DC)

4.36 The ANAO also reviewed the meeting outcomes for the Defence Committee¹²¹ for the period July 2018 to October 2020 (39 meetings). There were four specific discussions on the second strategy at the committee during the period examined. The first occurred three months after the launch of the strategy, with the committee noting the refreshed cultural intent statement and the six cultural reform priorities, and discussing the progress of cultural reform implementation. The other three discussions related to achieving cultural change in relation to work health and safety. Of the 39 meeting outcomes reviewed, 15 meetings included discussion on aspects of culture, including: Defence's safety and security culture, travel and credit card spending, ethical behaviour in procurement, unacceptable behaviours, work health and safety, family and domestic violence, and the Defence Values and One Defence Leadership Behaviours.

Defence Civilian Committee (DCC)

4.37 The ANAO reviewed the meeting outcomes for the DCC for the period February 2018 to November 2018.¹²² Although the strategy states that reporting to/and strategic oversight will be provided by the Enterprise Business Committee, Defence People Group was regularly reporting on individual priorities of the strategy to the Defence Civilian Committee, until the committee ceased operating in January 2019. Of the seven meeting outcomes reviewed, there were two meetings where the second strategy or the six cultural priorities were specifically discussed, and six meetings where there were discussions relating to culture more broadly.

4.38 At the meeting where the second strategy was explicitly discussed, the committee noted plans to continue Defence's collaboration with the Australian Human Rights Commission and agreed that this should be expanded to include the APS workforce, to drive the First Principles Review and cultural reform priorities. There was also discussion of which Defence Groups should be included in this activity.¹²³ Other discussions of culture related to: the 2017 Unacceptable Behaviours survey results; One Defence Leadership Behaviours; work, health and safety; and remuneration arrangements (individual flexibility arrangements and Defence capability payments).

4.39 The DCC Forward Work Plan noted that each of the six cultural priorities would be discussed individually at DCC meetings throughout 2018. Review of the agenda papers and meeting outcomes indicates that two priorities were discussed: 'Capability Through Inclusion' in March 2018, and 'Workplace Agility and Flexibility' in December 2018. The discussion on the 'Capability Through Inclusion' priority noted that Defence was unlikely to meet its Indigenous representation target by 30 June 2018, and the committee agreed that increasing the number of women in leadership roles within Defence should remain an organisational priority for 2018.

121 Defence describes the committee as 'the most senior and primary executive committee within the Department of Defence. It is responsible for setting top-level organisational goals and driving delivery of the department's commitments to Government and the community'. See <https://defence.gov.au/Decisions.asp> [accessed 14 December 2020].

122 Defence was unable to provide meeting outcomes for the February 2018, July 2018 and December 2018 meetings.

123 Defence advised the ANAO in January 2021 that the Australian Human Rights Commission has been engaged to further monitor and report on Defence's implementation of cultural reform, starting with analysing Defence wide surveys —the annual Unacceptable Behaviour Survey and the YourSay surveys.

Defence People Committee (DPC)

4.40 The DPC provides strategic oversight of the delivery of people management services, policy, compliance, performance reporting and assurance in relation to both APS and ADF personnel.¹²⁴ This includes monitoring the second strategy and One Defence initiatives.¹²⁵

4.41 The ANAO reviewed meeting outcomes for the DPC for the period April 2018 to October 2020 (16 meetings). Three meetings included specific discussion on the strategy. Discussion related to: the Chair (Deputy Secretary Defence People) noting that the strategy is difficult to measure and therefore difficult to hold Defence to account; a paper seeking the committee's endorsement for the revised 'Defence's Commitment to Building Capability Through Inclusion Statement'¹²⁶; areas of focus for the DPC going forward¹²⁷; and a presentation to the committee on work to measure the six cultural reform priorities..

4.42 More general discussion of culture occurred at six meetings, including discussions on: performance frameworks; retention of personnel; security culture; proposed changes to the Defence Equity Advisor; implementation of workforce plans; update on Air Force and Navy cultural programs; the possibility of Defence developing an overarching theory of change regarding cultural reform; and workforce management.

External reporting on performance

4.43 In its Corporate Plan for 2018–19, 2019–20 and 2020–24, Defence stated that implementation of the strategy contributed to the achievement of its 'Purpose 2: Protect and advance Australia's strategic interests'. Table 4.4 sets out how Defence expressed the role of the second strategy in those corporate plans, and the results reported in its annual performance statements for the relevant reporting periods.¹²⁸

124 Defence states that the committee 'supports the workforce stewardship accountabilities of the Secretary and CDF, and is responsible for ensuring workforce planning and performance supports the business priorities and accountabilities of Defence'. See <https://defence.gov.au/Decisions.asp> [accessed 14 December 2020].

125 Defence advised the ANAO that the One Defence initiatives considered by the DPC include: Continuous Improvement Culture – Embedding the Defence Values and Behaviours; Improving Defence's Strategic Workforce Planning, Learning and Management; Work Health and Safety matters; ADF transition; and Human Resources Information Systems.

126 The paper and statement related to the capability through inclusion cultural priority.

127 The discussion in February 2020 included capturing lessons to inform the evolution of the strategy and 'pitching the journey through a gender agnostic capability lens and looking at what we move forward with of the six cultural priorities, consolidation of workforce design.' An action item for this meeting noted that a workshop with a smaller subset of the committee would be organised to capture lessons and progress from cultural reforms and return to the committee no later than September 2020 with findings. Defence advised the ANAO that this did not occur due to the impacts of COVID-19.

128 Corporate plans are stand-alone documents, while performance statements appear in entity annual reports. The ANAO reviewed Defence's Corporate Plans for 2018–19, 2019–20 and 2020–24, and Defence's Annual Reports for 2017–18, 2018–19 and 2019–20.

Table 4.4: Defence's planned activity, performance criteria, target and results for the 2017–22 strategy — for the years 2018–19 to 2020–21

Intended result	Activity	Performance criteria	Target	Timeframe	Reported result
2018–19					
2.3 Defence delivers on its enterprise reform program as agreed by Government.	2.3d Implement and evaluate Defence's cultural reform strategy, Pathway to Change: Evolving Defence Culture 2017–22.	Implementation of the six key cultural priorities through the regular enterprise performance reviews.	Cultural reform priorities are implemented as set out in the strategy.	2018–22	Partially achieved
2019–20					
4: Strategy, capability workforce and resources are balanced and aligned through One Defence systems, enabling Defence to anticipate, adapt and respond to changing priorities.	4.2 Resource, implement and review Defence's reform program.	Implementation of the six key cultural priorities.	Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22 strategy.	2019–23	Partially achieved
2020–21 ^a					
Performance criterion: 16. Defence workforce has the agility, skills and culture to meet current and future demands to deliver capability.		<p>How success will be measured:</p> <ul style="list-style-type: none"> • Number of vacancies in critical categories and occupations decreased through retention of essential personnel and sustained achievement of recruiting performance against targets. • Increase in numbers of ADF members accessing flexible service career paths. • Results on behaviours and service levels organisation surveys. • Reduced reports of unacceptable behaviour. 	<ul style="list-style-type: none"> • Key workforce effects outlined in the Defence Strategic Workforce Plan and Total Workforce System are achieved, including critical skillset levels. • Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22. • Embed the One Defence leadership behaviours. 	2020–21 to 2023–24	To be reported in the 2020–21 annual report

Note a: The 2020–24 Corporate Plan also included reference to the following as data sources and methodology for measurement: Biannual Critical Category and Occupation Reports, Monthly Defence Workforce reports, Groups and Services culture plans, Total Workforce System Evaluation Report 2021 and 2023, Annual Defence Climate Survey, Annual Workplace Behaviours Survey.

Source: ANAO analysis of Defence's Corporate Plans and Annual Performance Statements.

4.44 As shown in Table 4.4, the strategy was identified as a separate activity in Defence's corporate plans for 2018–19 and 2019–20. Implementation of the cultural reform priorities became a target in the 2020–24 corporate plan, against a broader workforce and culture performance criterion.

4.45 Defence reported in its performance statements for 2018–19 and 2019–20 that implementation of the strategy was assessed as 'partially achieved', as it is a multi-year strategy and cultural change takes time to be fully realised.

4.46 Table 4.4 indicates that the performance criteria for 2018–19 to 2019–20, and the target for 2020–21, was implementation of the six cultural priorities. Defence did not develop supporting documentation that clearly defined what implementation of the priorities would involve, or map which enterprise level activities contributed to each cultural change priority. This approach made it difficult for a reader to track the strategy's implementation progress over time. Defence's work to address these limitations is discussed in paragraph 4.63 below.

4.47 Defence advised the ANAO that while there is not currently a documented process for determining the result for the annual performance statement with regard to the strategy¹²⁹, the calculation of the 2018–19 and 2019–20 result was informed by an evidence base that included:

- a review of Defence's cultural reform initiatives;
- Group and Service culture plans;
- internal surveys;
- a review of submitted content for the Strategic Workforce Management section of the annual report;
- the One Defence Culture Team's broader knowledge base of activities, projects, reviews, audits, investigations, reporting and surveys;
- APS Census results and analysis;
- monthly Defence Workforce Reports;
- Defence 2022 Quarterly reports;
- mandatory training completions; and
- a 2020 analysis of the IGADF (Inspector-General of the Australian Defence Force) military justice performance audit survey data of ADF members' experience of unacceptable behaviour.

4.48 To provide assurance to the accountable authority about the accuracy of reported non-financial performance information, Defence has been testing the appropriateness of a sample of performance criteria. The most recent report on Defence's 2019–20 Annual Performance Statement was completed in August 2020. The performance criteria relating to the strategy were not included in the sample selected for the 2020 review. Similarly, the performance criteria relating to the strategy were not included in the sample selected for the 2019 review.

4.49 The ANAO did not test Defence's performance statement criteria (discussed in Table 4.4 and paragraph 4.45 above) in terms of accuracy, reliability and completeness because Defence has not established a measurable outcome for the implementation of the six cultural priorities. Measurable

129 See paragraph 4.49.

outcomes (and reporting against those outcomes) would help Defence leaders establish whether the investment of public resources in cultural reform activities is resulting in intended change, and would help identify whether intervention is needed to manage risks to the successful implementation of the second strategy. Defence should establish measurable outcomes for the 2017–22 strategy and related cultural reform activities, and a set of performance criteria to help assess progress towards the desired cultural state.

Recommendation no. 2

4.50 That Defence establish measurable outcomes for *Pathway to Change: Evolving Defence Culture 2017–22* and a set of performance criteria that are accurate, reliable and complete, as a basis for assessing the performance of the strategy.

Department of Defence response: *Agreed.*

4.51 *Defence agrees to the recommendation. Defence notes that measurable outcomes have been established.¹³⁰ Defence will continue to enhance the performance criteria for Pathway to Change: Evolving Defence Culture 2017–22.¹³¹*

Can Defence demonstrate that intended outcomes are being achieved through its implementation of the strategy?

Defence is not able to demonstrate at the enterprise level that intended outcomes are being achieved through its implementation of the second strategy. Defence initially intended to undertake in-depth assessments of each cultural priority, but discontinued this approach after two assessments were undertaken. Reporting to the Enterprise Business Committee in April 2020 observed that the analysis undertaken indicated that, while significant activity was occurring, a large majority of the activities were developed based on other organisational needs, rather than being driven strategically by the second strategy. At the conclusion of this audit

130 ANAO comment. The ANAO saw evidence of work on the development of a performance reporting dashboard in the course of this audit. The dashboard and development of measurable outcomes at a strategic level remained a work in progress at the conclusion of this audit. In January 2021, Defence advised the ANAO that it:

... has already identified this requirement through our continuous improvement process and therefore supports the recommendation of establishing measurable outcomes and performance criteria for Pathway to Change 2017–2022.

Measurable outcomes for each of the six cultural reform priorities have been established as part of the design and development of the 2019–20 Pathway to Change Measurement Framework, and accompanying Cultural Reform Dashboard. The Cultural Reform Dashboard is close to the minimal viable product stage, with expected use in early 2021.

Defence confirms that the establishment of outcomes and performance criteria will also inform the next phase of cultural reform beyond 2022.

131 ANAO comment: In April 2021 Defence advised the ANAO that in December 2020 it had approved a methodology and data sources to measure against the following target (as set out in Table 4.4): ‘Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22’. In the context of external reporting on performance, Defence intended that the methodology would be applied initially for the 2020–21 performance statements. As the 2020–21 performance statements will be developed and published after this audit has been completed, the methodology has not been tested by the ANAO.

Defence was in the process of mapping activities that may contribute to the achievement of intended outcomes and was developing a performance framework for the strategy.

4.52 As discussed, the 2017–22 strategy did not include outcomes or performance measures relating to the desired enterprise wide cultural change. While each of the six cultural priorities outlined a high level intent, Defence did not clearly articulate in the strategy what the expected outcome of each priority was and what success would look like.

4.53 At the June 2017 joint committee meeting (discussed in paragraphs 2.4–2.6) which considered and approved the second strategy, members endorsed the development of an evaluation framework for the strategy.

Evaluation framework

4.54 Defence initially intended to undertake six in-depth assessments (deep dives) to collect baseline data on each cultural reform priority and identify potential barriers to and enablers for achievement of these priorities. Two assessments were undertaken on the cultural priorities of: Ethics and Workplace Behaviours (2017–18), and Leadership Accountability (2018–19).¹³²

4.55 Defence advised the ANAO that these assessments were discontinued in April 2019.

4.56 A discussion paper on early findings from the strategy was prepared for the Assistant Secretary Culture and People Development in June 2019. This paper noted that while the in-depth assessment process had:

... generated useful information regarding our cultural shift and where our culture requires further enhancement, it has not provided clear guidance on where Defence should continue to invest our resources and focus for each priority.

4.57 The discussion paper also noted that while cultural reform progress was intended to be evaluated as part of Defence’s regular enterprise performance reviews (as stated in the strategy):

... with little enterprise level oversight of progress against each of the priorities to date and varied levels of input to this process from the Groups and Services, we cannot accurately and confidently identify our progress against each priority.

Mapping of enterprise activities

4.58 In 2019, Defence commenced work on mapping existing enterprise activities that contributed to the achievement of the cultural priorities.

4.59 In February 2019, during the clearance process for the March 2019 bi-annual report to the Enterprise Business Committee, the First Assistant Secretary Defence People, Policy and Culture:

- approved the report — the strategy was given an ‘on track’ rating for its end of financial year projection assessment and a ‘low risk’ rating for its risk to achievement; and

¹³² A status report on the first two in depth assessments was compiled in August 2019, which noted the status of the recommendations made in these assessments.

- noted that unless a plan was developed in relation to the implementation of the cultural priorities by 2020, future bi-annual reporting of the strategy as being ‘on track’ and ‘low risk’ would not be approved.¹³³

4.60 Defence subsequently commenced the mapping of enterprise activities to the six cultural reform priorities.

4.61 In 2019, Defence commenced work on a review of existing enterprise activities (policies, programs and initiatives) to identify which activities could be used to demonstrate the achievement of the strategy. In November 2019, Defence engaged an external consultancy¹³⁴ to assist with this review, including validating the work conducted to date and identifying any gaps in cultural activities based on the initial mapping exercise. The review identified 413 activities which were then mapped against the six cultural priorities. Of these 413 activities, 43 were identified as new activities since the second strategy’s release in 2017. The mapping also included contact points for each enterprise activity to assist the One Defence Culture Team in understanding the program and providing a contact in each activity when seeking information for enterprise reporting.

4.62 While undertaking the above activities, it ‘became apparent that a lack of program structure was impacting Defence’s ability to effectively understand and report on cultural reform.’ A second phase of work was commenced by the consultant in June 2020, which included program definition and a maturity assessment for the strategy, as well as a cultural dashboard prototype.

4.63 As part of this work, cultural priority outcomes were developed for each of the cultural reform priorities to provide clearer guidance as to what each priority was seeking to achieve.¹³⁵ In April 2021, Defence advised the ANAO that:

The outcomes are being used to improve the measurement of cultural reform. Multiple data points are aligned to the outcomes within the Culture Dashboard developed by PWC to the minimal viable product stage.

In addition, the outcomes have been used to support groups and services identify focus areas for their cultural plans.

4.64 A report completed for Defence in June 2020 observed that:

- a number of the priorities did not have a clear enterprise lead, creating a challenge for clear accountability for strategy outcomes and ensuring there is alignment between the strategy and other enterprise activities and programs that are being delivered;
- the Leading and Developing Integrated Teams priority was the least developed cultural priority in both initiatives being delivered and clarity of outcomes being sought;
- while there were many enterprise level activities that contributed to the strategy, active management of these activities did not appear to have a clear and accountable connection to the strategy; and

133 The strategy was reported as being ‘On track’ and ‘low risk’ in the November 2019 report. It was rated as ‘medium risk’ in the May 2020 report.

134 PricewaterhouseCoopers (PwC).

135 Defence advised the ANAO that these were approved by the former First Assistant Secretary in July 2020, however this approval was not documented.

- building a comprehensive current map of all enterprise activities would require engagement across Groups and Services which was not an option available to the consultant.

4.65 It was initially intended that the consultant develop a tool to be used to provide a maturity rating against each cultural priority outcome statement. Following feedback from Defence on an initial approach to developing this tool — that it would be overwhelming for respondents — the approach changed to designing a tool to support Groups and Services in understanding the cultural priorities and developing their culture plans.

4.66 Reporting to the Enterprise Business Committee in April 2020¹³⁶ noted that the gap analysis indicated that:

... while significant activity is occurring, a vast majority of the activities were developed based on other organisational needs, rather than being driven strategically by Pathway to Change [the second strategy]’.

4.67 This report also noted that the design of a cultural priorities measurement and evaluation framework, due in Quarter 1 2020, was rated as ‘Off Track’. Defence advised the ANAO in January 2021 that this framework is no longer considered ‘Off Track’.

Performance framework

4.68 As previously noted (see paragraph 4.10), a draft Pathway to Change Measurement Framework was developed in 2019 but its approval was not formally recorded.¹³⁷ The draft framework comprised three levels of reporting:

- 1) Enterprise Performance Reporting — which included key survey metrics to measure Defence culture overall as well as a measure of each cultural reform priority.
- 2) Senior Leader Dashboard — a dashboard report of data, analysis and interpretation of progress against each cultural reform priority.
- 3) Detailed Report — a more comprehensive set of metrics to provide an understanding of what change is occurring and areas of focus.

4.69 In June 2019 a document titled *A Proposed Measurement and Evaluation Approach to Evaluate the Pathway to Change Priorities for Defence*, was developed by Defence’s Directorate of People Intelligence and Research (DPIR). The document was developed following a request from the One Defence Culture Team¹³⁸ for advice on how to use existing data collected by the DPIR to evaluate the second strategy. This document outlined a number of data sources that would contribute to the evaluation of the strategy and set out proposed indicators, measurement data sources and benchmarks/targets for each of the cultural priorities.

4.70 In June 2020, Defence engaged an external consultant (PwC) to create a cultural reform dashboard prototype for use by senior leaders based on the work undertaken to date (as outlined in paragraphs 4.63 to 4.67). This included updating data sets to include various survey data, formalising data sharing agreements with data owners, providing analysis of the revised and

136 This was not part of the bi-annual reporting for the strategy.

137 Defence advised the ANAO in April 2021 that the framework was developed in 2019 and approved in August 2019 and used for Enterprise Business Committee reporting in November 2019, March 2020 and November 2020.

138 The One Defence Culture Team was previously called the Organisational Development Unit.

updated priority outcomes, and co-developing a minimum viable product dashboard, which Defence would then be able to use to measure the progress of achievement of cultural priority outcomes to report on the strategy. Defence advised the ANAO in January 2021 that this work was close to completion. Defence further advised in April 2021 that the cultural reform dashboard had been delivered to a minimal viable product stage. The development of a performance framework remained a work in progress at the completion of this audit.



Grant Hehir
Auditor-General

Canberra ACT
20 May 2021

Appendices

Appendix 1 Department of Defence response



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EC21-000984

Mr Grant Hehir
Auditor-General
PO BOX 707
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Dear Mr Hehir

Dear Grant

Australian National Audit Office (ANAO) Section 19 Proposed Report – Defence’s Implementation of Cultural Reform.

Thank you for the opportunity to comment on the Proposed Report for the ANAO performance audit *Defence’s Implementation of Cultural Reform*. Defence welcomes the findings and agrees to the proposed recommendations. Defence thanks the ANAO for its acknowledgment that work has commenced to establish measurable outcomes for *Pathway to Change: Evolving Defence Culture 2017-2022*.

The extent of Defence’s efforts to date to deliver cultural reform initiatives, and continuously improve culture, is considerable. Our internal survey results and workforce data reflects that significant progress has been made.

The next phase of Defence’s cultural reform journey, under the architecture of the Defence Transformation Strategy, will build on the lessons learned through the *First Principles Review*, the *Inspector-General of the Australian Defence Force Afghanistan Inquiry*, and the recommendations contained in this report. It will take forward the key elements that underpin Defence’s continuous improvement culture: embedding Values and Behaviours; creating clear accountabilities; and delivering trusted information.

We can advise that Defence is also working to ensure that there is alignment between cultural reform efforts arising from the Defence Transformation Strategy, launched in November 2020, and the work of the Afghanistan Inquiry Response Taskforce. In this context, Defence is cognisant of the audit’s findings that further effective monitoring and reporting arrangements on cultural reform is needed at the enterprise level to demonstrate that intended outcomes are being achieved. Defence intends to develop a Defence Transformation Benefits Framework, which will build on the existing framework and seek to enhance measures associated with more intangible benefits, such as changes in culture and behaviour.

Attached to this letter are Defence’s Proposed Amendments, Editorials and Comments (**Annex A**), Defence’s Response to Requests for Information (**Annex B**), Defence’s Response to the Proposed Recommendations (**Annex C**), and Defence’s Summary Response (**Annex D**). These constitute Defence’s formal response to the Section 19 Proposed Report.

“Defending Australia and its National Interest”

2

Our point of contact is the ANAO Liaison Officer, Nicole Fry, who can be contacted by telephone on 02 6192 7974 or via email at nicole.fry@defence.gov.au.

We thank you and your team for the work undertaken on this audit and the insights shared. Defence embraces the opportunity to learn from its implementation of *Pathway to Change: Evolving Defence Culture 2017-2022*.

Yours sincerely



Greg Moriarty
Secretary

13 April 2021



Angus J Campbell, AO, DSC
General
Chief of the Defence Force

13 April 2021

Annexes:

- A) Defence's Proposed Amendments, Editorials and Comments
- B) Defence's Response to Requests for Information
- C) Defence's Responses to Recommendation
- D) Defence's Summary Response

Appendix 2 Recent reviews undertaken by the Commonwealth Ombudsman on Defence's internal policies relating to complaints and abuse

1. The Commonwealth Ombudsman's role as the Defence Ombudsman (the Ombudsman), is established under Part IIA of the *Ombudsman Act 1976* and the *Ombudsman Regulations 2017*.
2. The Ombudsman may inquire into Defence's own procedures for making and responding to complaints of abuse, to consider the appropriateness and effectiveness of those procedures.
3. In August 2019, the Ombudsman released a report on *Defence's policies for receiving and responding to reports of abuse*.¹³⁹ This report noted that the Ombudsman was largely satisfied that Defence policies and procedures were appropriate and supported the handling of reports of abuse. The report made six recommendations. Defence's response to the report noted it supported the intent of all recommendations.
4. Another report by the Ombudsman in August 2019, *Overview of the Defence abuse reporting function by the Defence Force Ombudsman*, outlined how the Ombudsman has administered its Defence abuse reporting functions and provided reflections on progress to date.
5. In July 2020 the Ombudsman released a report *Inquiry into behaviour training for Defence recruits*.¹⁴⁰ This inquiry assessed the appropriateness of Australian Defence Force recruit training content and delivery based on Defence's established policies and procedures, and considered the evaluation approach taken by Defence to assess the effectiveness of training on required behaviours. The findings in the report were positive overall, with some areas for improvement identified. The report made five recommendations.¹⁴¹ In response to the report, Defence noted that it supported the recommendations and commented that the recommendations supported the continued implementation of its Pathway to Change cultural reform agenda.

139 See https://www.ombudsman.gov.au/data/assets/pdf_file/0017/102941/PDF-Version-Health-Check-1-report-Defences-policies-for-receiving-and-responding-to-reports-of-abuse-A1698722-A1811092.pdf [accessed 12 November 2020].

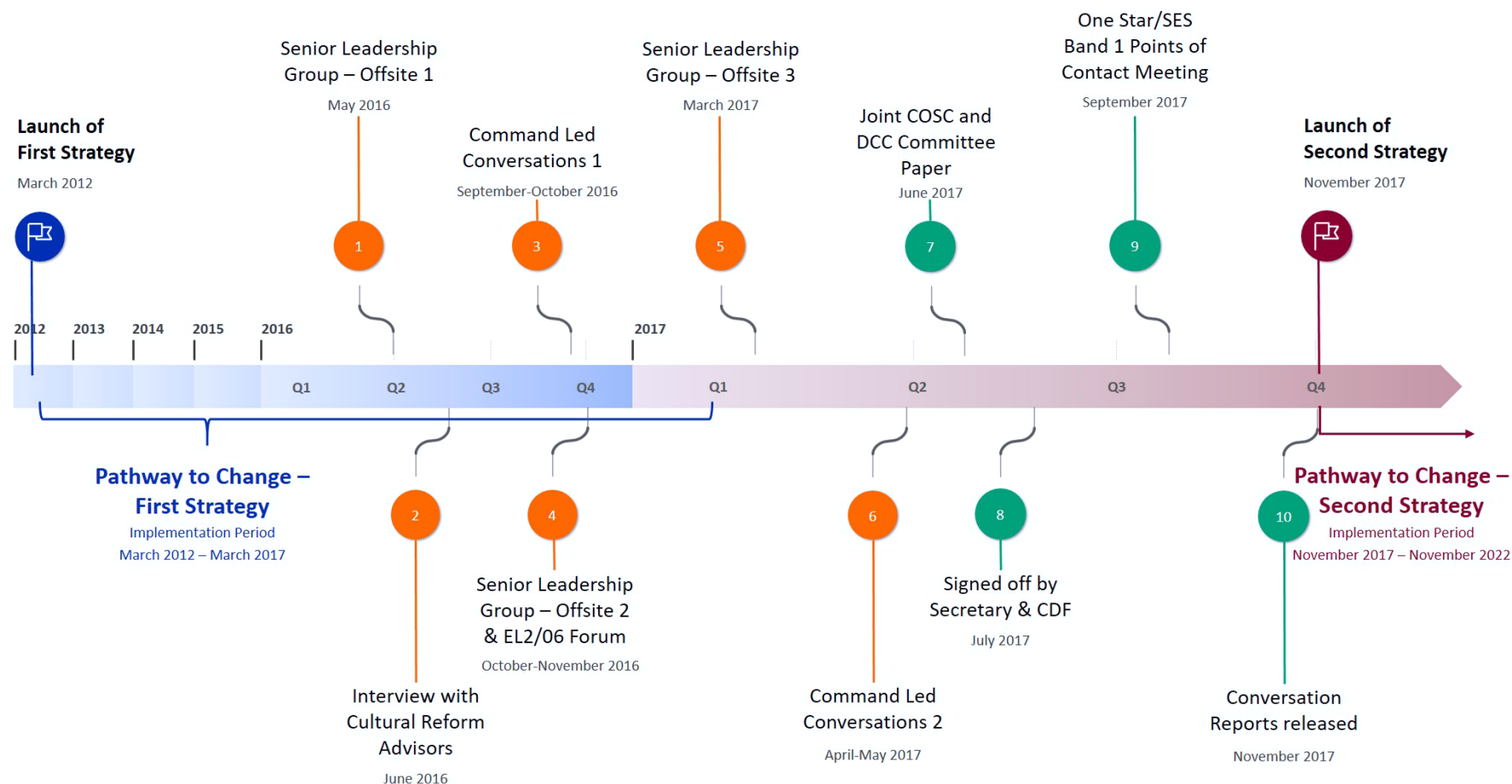
140 See https://www.ombudsman.gov.au/data/assets/pdf_file/0013/111253/Defence-Force-Ombudsman-Report-Inquiry-into-behaviour-training-for-Defence-recruits.pdf [accessed 12 November 2020].

141 The recommendations were aimed at addressing the way: recruit schools assess instructors delivering behaviour training; Defence evaluates the effectiveness of required behaviour training that is developed both by recruit schools and external to recruit schools; Defence uses data to assist in identifying systemic issues related to incidents of unacceptable behaviour or culture to feedback into training; and Defence collaborates across services to inform continuous improvement and better practice approaches to training.

Appendix 3 Key steps in the development of the 2017–22 strategy

1. Figure A.1 sets out the key steps in the development of the second strategy.

Figure A.1: Key steps in the development of the 2017–22 strategy



Note a: Defence documentation described the orange coloured activities as ‘evidence base activities’ and the green coloured activities as ‘strategy development and implementation planning’.

Note b: The One Star/SES Band 1 Points of Contact meeting in September 2017 was to provide a culture briefing to representatives from each of the Groups and Services at the One Star/SES Band 1 level.

Note c: In June 2017, an extraordinary joint meeting of the Chiefs of Services Committee (COSC) and the Defence Civilian Committee (DCC) met to approve the strategy document, the cultural intent statement and the six cultural priorities.

Note d: In July 2017, the Defence Secretary and Chief of the Defence Force signed off on the cultural intent statements and six priorities, but not the strategy document.

Source: ANAO analysis of Defence documentation.

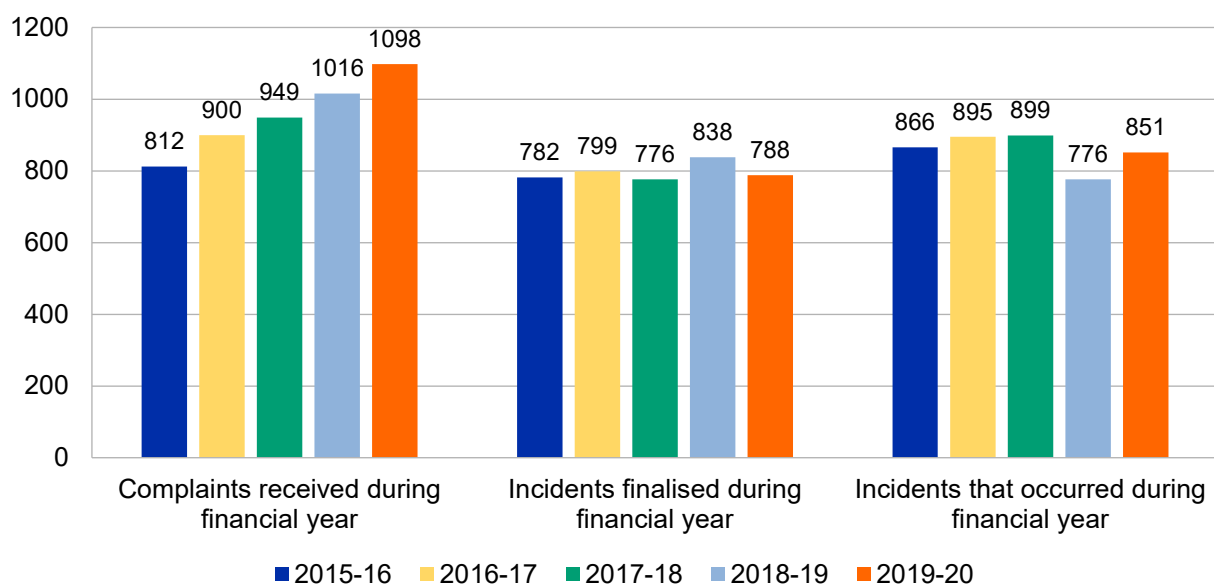
Appendix 4 Publicly reported data on incidences of unacceptable behaviour and sexual misconduct in Defence

1. Defence publicly reports data on incidences of unacceptable behaviour. Defence defines unacceptable behaviour as:

Unreasonable conduct at work or in any situation that may be connected to Defence that is offensive, belittling, abusive or threatening to another person or adverse to morale, discipline or workplace cohesion. This includes unlawful discrimination and harassment.

2. Data on unacceptable behaviour complaints was included in Defence's 2019–20 Annual Report, as shown in Figure A.2.

Figure A.2: Unacceptable behaviour complaints reported as received, finalised and having occurred, 2015–16 to 2019–20^a



Note a: Defence notes in the Annual Report that, in 2019–20, Defence: commenced a review of the Complaints and Resolutions Manual to deliver a revised, user-friendly reference for all Defence personnel; initiated a review of Defence's unacceptable behaviour reporting systems to simplify, streamline and improve reporting capability; and designed an enhanced complaints-handling service that will be trialled and evaluated in 2020–21.

Defence advised the ANAO that: 'Defence personnel are responding to continued encouragement to report both past and current incidents of unacceptable behaviour and this is reflected in the data whereby complaints received may relate to incidents that have occurred in previous years. An incident may occur in one financial year but the complaint received by Defence in a subsequent financial year.'

Source: Department of Defence Annual Report 2019–20, p. 141.

3. Defence also reports publicly on sexual misconduct in Defence. This includes, for example, data on incidences of reported sexual assault (see Table A.1) as well as data on the services provided by the Sexual Misconduct and Prevention and Response Office (SeMPRO)¹⁴² (see Table A.2 and Figure A.3).

¹⁴² SeMPRO provides immediate and confidential case management, support, information, and advice to anyone who has been impacted by sexual misconduct in Defence. SeMPRO's 2019–20 Annual Report notes that it is 'a central part of Defence's cultural change initiatives that promote reporting unwanted sexualised behaviours, help seeking, and prevention' (p. 4). See [SeMPRO-Annual-Report-FY2019-20.pdf \(defence.gov.au\)](https://defence.gov.au/SeMPRO-Annual-Report-FY2019-20.pdf) (accessed 25 January 2020).

Table A.1: Reported Defence sexual assault incidents per year^{a,b}

Model Criminal Code					ANZSOC		
2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
60	96	98	84	87	170	166	161

Note a: The sexual assault figures are drawn from a live policing database and reflect the Joint Military Police Unit's understanding of matters as at 5 July 2020. As initial reports are investigated and/or finalised, these figures may change.

Note b: Defence's reports between 2013–14 and 2017–18 used the definitions in the Model Criminal Code, which classifies non-penetrative sexual offences as indecent acts. Reports from 2017–18 onwards use the broader ANZSOC definition of sexual assault, which includes penetrative and non-penetrative sexual offences.

Source: Department of Defence Annual Report 2019–20, p. 14.

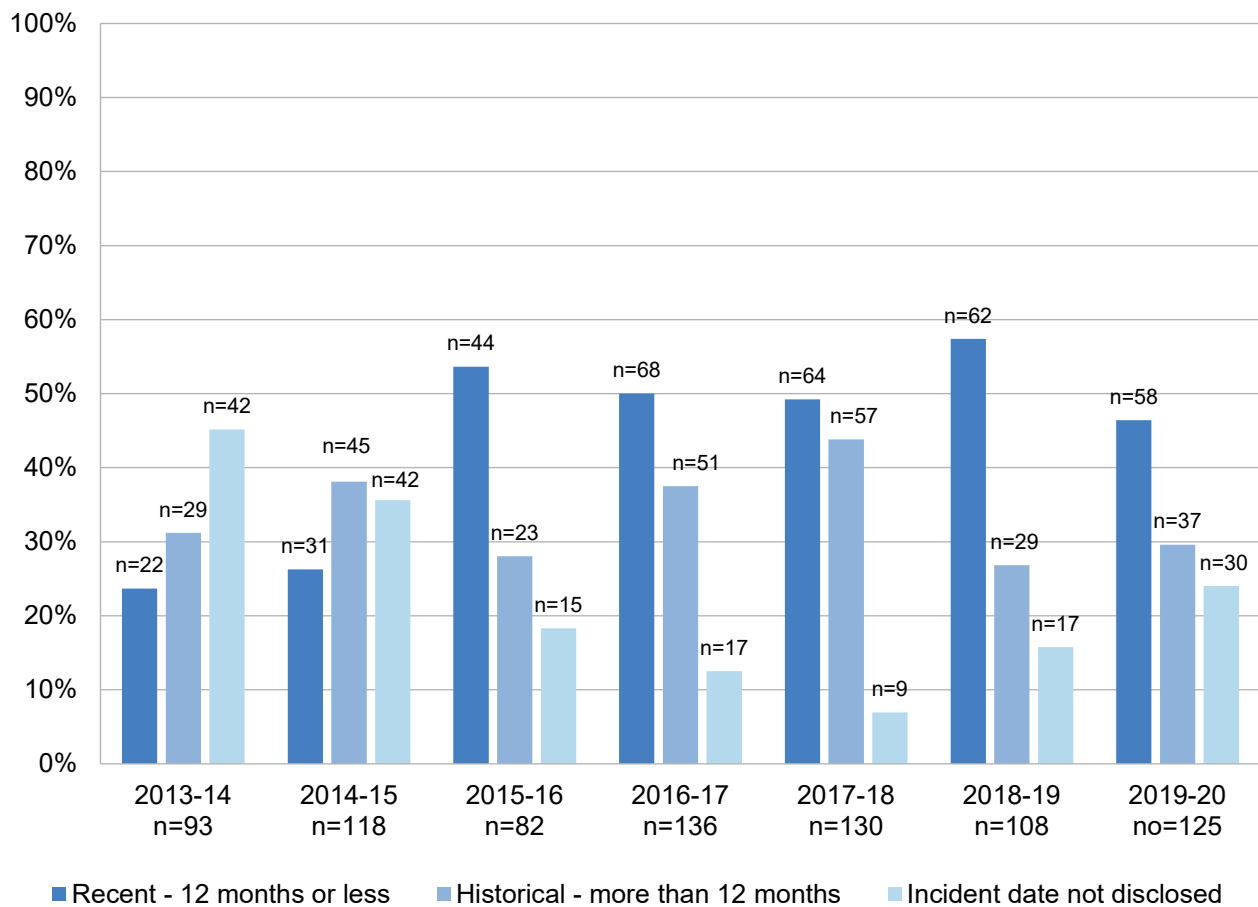
Table A.2: SeMPRO new clients from 2013–14 to 2019–20, by type^a

Financial Year	Support and case management clients	Advice clients	Debriefing clients	Total
2013–14	93	70	12	175
2014–15	118	147	10	275
2015–16	83	131	19	233
2016–17	135	223	26	384
2017–18	130	253	22	405
2018–19	109	266	27	402
2019–20	125	235	8	368
Total	793	1325	124	2242

Note a: Data is collected during service provision and is subject to change as clients reveal additional information. The figures previously reported in 2018–19 for the following categories were: 108 for support and case management clients; 265 for advice clients; 400 for total number of new clients.

Source: Department of Defence SeMPRO Annual Report 2019–20, p. 14.

Figure A.3: SeMPRO support and case management client's recent historical experiences, 2013–14 to 2019–20



Source: Department of Defence SeMPRO Annual Report 2019–20, p. 9.

Other data sources

4. Both the Inspector-General of the Australian Defence Force and the Director of Military Prosecutions produce data annually on military justice statistics as well as some civil convictions for Australian Defence Force personnel.

Appendix 5 Inputs by Defence People Group into bi-annual reports, March 2018 to March 2020

1. Table A.3 outlines the targets, methodology and metrics, risks and data sources used by Defence People Group (DPG) as inputs to the bi-annual reports provided to Defence's Enterprise Business Committee (EBC) for the period March 2018 to March 2020.

Table A.3: Targets, methodology and metrics, risk and sources, and data sources used by DPG as inputs to bi-annual EBC reports, March 2018 to March 2020

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
March 2018				
Cultural reform priorities are implemented as set out in the strategy.	Not included in the template for this report.	<p>Contributor responses from Groups and Services highlighted effective implementation of the six cultural reform priorities at the local level. This included strategies and initiatives implemented through Army, Navy and Air Force's service specific cultural renewal programs.</p> <p>Group responses identified specific activities aimed at aligning with and promulgating the six cultural reform priorities. Activities ranged from Defence Legal's launch and implementation of the Defence Legal Mental Health Strategy to inclusion of cultural awareness information in Joint Operations Command's weekly information circular and monthly Pathway to Change committee meetings held in Contestability Division.</p>	<p>Efforts to implement the six cultural reform priorities are greater in some areas than others. The level of priority it is being given across Groups and Services appears mixed. As Groups and Services further develop their Business Plans, stronger emphasis on incorporating the cultural reform priorities will be necessary.</p> <p>The 2016 Unacceptable Behaviour survey indicated a lack of satisfaction from staff in Supervisor/Commander management of unacceptable behaviour survey complaints. Further education of managers, supervisors and commanders is required to mitigate this risk and to ensure more effective management of complaints.</p> <p>Within the reporting period, work is underway to communicate the message about the new expected behaviours policy, and to remind all personnel about their responsibilities in dealing with unacceptable behaviour complaints.</p>	<ul style="list-style-type: none"> Defence Workforce Report Unacceptable Behaviour Survey YourSay Survey APSC State of the Service Survey Military Personnel Policy Manual ADF Pay and Conditions Manual APS People Policy
November 2018				
Cultural reform priorities are implemented as set	Not included in the template for this report.	Not included in the template for this report.	<p>Implementation is on track.</p> <p>A number of recommendations from the Ethics and Workplace Behaviours evaluation are in the process of being</p>	<ul style="list-style-type: none"> Ethics and Workplace Behaviours Summary Report

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
out in the Pathway to Change strategy.			<p>implemented. The remaining recommendations are being reviewed. Leadership Accountability interviews are complete and high level themes will be presented to the SLG November 2018. The collaboration with the Australian Human Rights Commission will continue throughout 2019 with a focus on Indigenous retention and inclusive leadership. The next cultural reform focus will be Health, Wellness and Safety, to be delivered mid-2019.</p> <p>Groups and Services continue to implement cultural reform priorities and DPG is providing support to embed Pathway to Change as necessary.</p>	<ul style="list-style-type: none"> • Leadership Accountability Contract • Indigenous Retention Project TOR • Inclusive Leadership Network Flyer • Cultural Reform Advisory Network Terms of Reference • Sample of Groups and Services (with agreement): • Estate and Infrastructure Group Culture Plan • Joint Capability Group Culture Vision
March 2019				
Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22 strategy.	<p>Progress against the cultural reform priorities are measured through enterprise survey data (2018 baseline).</p> <p>A comparative analysis will be conducted upon the completion of the 2019 survey data.</p> <p>Overall workplace climate is measured through morale, team productivity and workforce engagement via survey results. Target — historically stable, monitor for any reduction.</p> <p>Individual priorities are measured through scales in the YourSay survey</p>	Not included in the template for this report.	<p>Risk:</p> <ul style="list-style-type: none"> • Activity to progress priorities does not occur, loses momentum or does not evolve. • Results decrease in climate metrics. • No increase in positivity to culture priorities. • Culture plans are not developed. • Engagement with ODLB is inconsistent with varying degrees of commitment across the organisation. • Group and Service Culture Plans may not explicitly refer to the ODLB and Defence's cultural priorities. Individual Groups and Services are responsible for the development and implementation of Culture Plans which increases the scope for 	

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
	<p>designed to measure the underlying constructs as well as other relevant data. Target — increase positivity by end of 2022 in areas of focus.</p> <p>Cultural priorities Measurement Framework is developed, complemented by data analytics — ongoing.</p> <p>Groups and Services continue to implement cultural reform priorities, through their cultural programs and plans.</p> <p>People understand what One Defence Leadership Behaviours (ODLB) are, and what is expected.</p>		<p>individual plans to temper enterprise level messaging.</p> <ul style="list-style-type: none"> Course content owners may not focus on ODLB in future course updates. Learning delivery units are not necessarily able to ensure that all learning offerings across the organisation embed/promote/strengthen to ODLB. Cultural reform becomes Canberra centric <p>Controls:</p> <ul style="list-style-type: none"> Continued oversight by One Defence Culture team through Activity Inventory. Annual assessment will enable oversight and examination of potential areas of concern. Groups and Services Culture Plans are identified within Groups and Services Business Plans. Development of design principles for all eLearning that includes ODLB as a key focus area. 	
November 2019				
Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22 strategy.	<p>Progress against the cultural reform priorities are measured through enterprise survey data (2018 baseline).</p> <p>A comparative analysis will be conducted upon the completion of the 2019 survey data.</p>	In FY19/20 we continue to build on the progress we have made to foster a more inclusive culture, to be representative of the community we serve, to drive high-performance at all levels and work together as One Defence. We are now two years into this five year cultural optimisation strategy.	<p>Risk:</p> <ul style="list-style-type: none"> Activity to progress priorities does not occur, loses momentum or does not evolve. Results decrease in climate metrics. No increase in positivity to culture priorities. Culture plans are not developed. 	<ul style="list-style-type: none"> YourSay Organisational Climate Survey 2018 2018 Pathway to Change Activity Inventory (Draft) Defence Reconciliation Action Plan 2019–22

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
	<p>Overall workplace climate is measured through morale, team productivity and workforce engagement via survey results. Target — historically stable, monitor for any reduction.</p> <p>Individual priorities are measured through scales in the YourSay survey designed to measure the underlying constructs as well as other relevant data. Target — increase positivity by end of 2022 in areas of focus.</p> <p>Cultural priorities Measurement Framework is developed, complemented by data analytics — ongoing.</p> <p>Groups and Services continue to implement cultural reform priorities, through their cultural programs and plans.</p> <p>People understand what One Defence Leadership Behaviours (ODLB) are, and what is expected.</p>	<ol style="list-style-type: none"> 1. Evaluation indicates that there is significant activity occurring to progress each priority. 2. Through the YourSay organisation climate survey, overall, moderate to positive ratings of workplace morale, team productivity and workforce engagement provide evidence that Defence has a sound workplace climate. The workplace climate of Defence has been stable over the last 5 years. 3. There has been significant progress on developing Group and Service Culture plans. Currently 77% of Groups and Services have developed culture plans. This includes Navy having launched their cultural program Next Generation Navy, Army reinforcing their commitment to Good Soldiering and Air Force continuing to focus on their culture program New Horizon. 2018 YourSay Organisational Climate Survey (YourSay) results show that Service-level cultural reforms were rated positively by the majority of their respective Service and APS respondents. <p>A preliminary Measurement Framework has been produced for Annual Performance reporting. Further, DPG is currently in the process of validating an internal audit of activities related to the cultural priorities listed in Pathways to Change 2017–22. This work will include data analysis (lead, lag, predictive indicators) and options for enhancing measurement and reporting across many policy stove-pipes.</p>	<ul style="list-style-type: none"> • Engagement with ODLB is inconsistent with varying degrees of commitment across the organisation. • Group and Service Culture Plans may not explicitly refer to the ODLB and Defence's cultural priorities. Individual Groups and Services are responsible for the development and implementation of Culture Plans which increases the scope for individual plans to temper enterprise level messaging. • Course content owners may not focus on ODLB in future course updates. • Learning delivery units are not necessarily able to ensure that all learning offerings across the organisation embed/promote/strengthen ODLB. • Cultural reform becomes Canberra centric. <p>Controls:</p> <ul style="list-style-type: none"> • Continued oversight by One Defence Culture team through Activity Inventory. • Annual assessment will enable oversight and examination of potential areas of concern. • Groups and Services Culture Plans are identified within Groups and Services Business Plans. • Development of design principles for all eLearning that include ODLB as a key focus area. 	<ul style="list-style-type: none"> • Capability through Inclusion Defence Work Health and Safety Strategy 2017–22 • Defence Mental Health and Wellbeing Strategy 2018–23 • ADF Total Workforce Model • APS Flexible work arrangement policies • APS Performance Management Framework • Leadership programs • Culture Plan examples — Navy, Army, Air Force, DPG, E&I Group.

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
		<p>DPG continues to ensure that the expected behaviours are incorporated into newly created enterprise level initiatives; currently this includes:</p> <ul style="list-style-type: none"> • EL2 High Potential Program • Creating a Coaching Culture • Leading for the Future 		
March 2020				
<p>Cultural reform priorities are implemented as set out in the Pathway to Change: Evolving Defence Culture 2017–22 strategy.</p>	<p>Methodology</p> <p>Progress against the cultural reform priorities are measured through enterprise survey data (2018 baseline).</p> <p>A comprehensive measurement framework is being developed to determine current progress, appropriate baselines and target goals for desired organisational behaviours.</p> <p>Metrics</p> <p>Overall workplace climate is measured through morale, team productivity and workforce engagement via survey results. Target — historically stable, monitor for any reduction.</p> <p>Individual priorities are measured through scales in the YourSay survey designed to measure the underlying constructs as well as other relevant data.</p> <p>Target</p>	<p>In FY19/20 Defence continue to build on the progress we have made to foster a more inclusive culture, to be representative of the community we serve, to drive high-performance at all levels and work together as One Defence. We are now moving into our third year in this five year cultural strategy.</p> <p>The 2019 YourSay Organisation Climate Survey indicates there is a slight decline since 2017 in morale and job engagement. Generally, employees view the One Defence Leadership Behaviours and elements of the six cultural reform priorities in a neutral to positive light. Survey data indicates:</p> <p>One Defence leadership Behaviours are being positively demonstrated in the workplace.</p> <p>Defence members and employees continue to report individual wellbeing as positive in 2019. Sixty-nine per cent of Defence members and employees perceive management are committed to creating a psychologically healthy workplace. This priority continues to be progressed through the Defence Work Health & Safety Strategy 2017–22 and</p>	<p>Risk:</p> <ul style="list-style-type: none"> • Activity to progress priorities does not occur, loses momentum or does not evolve. • Results decrease in climate metrics. • No increase in positivity to culture priorities. • Culture plans are not developed. • Engagement with ODLB is inconsistent with varying degrees of commitment across the organisation. • Group and Service Culture Plans may not explicitly refer to the ODLB and Defence's cultural priorities. Individual Groups and Services are responsible for the development and implementation of Culture Plans which increases the scope for individual plans to temper enterprise level messaging. • Course content owners may not focus on ODLB in future course updates. • Learning delivery units are not necessarily able to ensure that all learning offerings across the organisation embed/promote/strengthen ODLB. 	<ul style="list-style-type: none"> • YourSay Organisational Climate Survey 2018 • 2018 Pathway to Change Activity Inventory (Draft) • Defence Reconciliation Action Plan 2019–22 • Commitment to Building Capability through Inclusion Defence Work Health and Safety Strategy 2017–22 • Defence Mental Health and Wellbeing Strategy 2018–23 • ADF Total Workforce Model • APS Flexible work arrangement policies • APS Performance Management Framework • E&IG Culture Plan 2018–2022

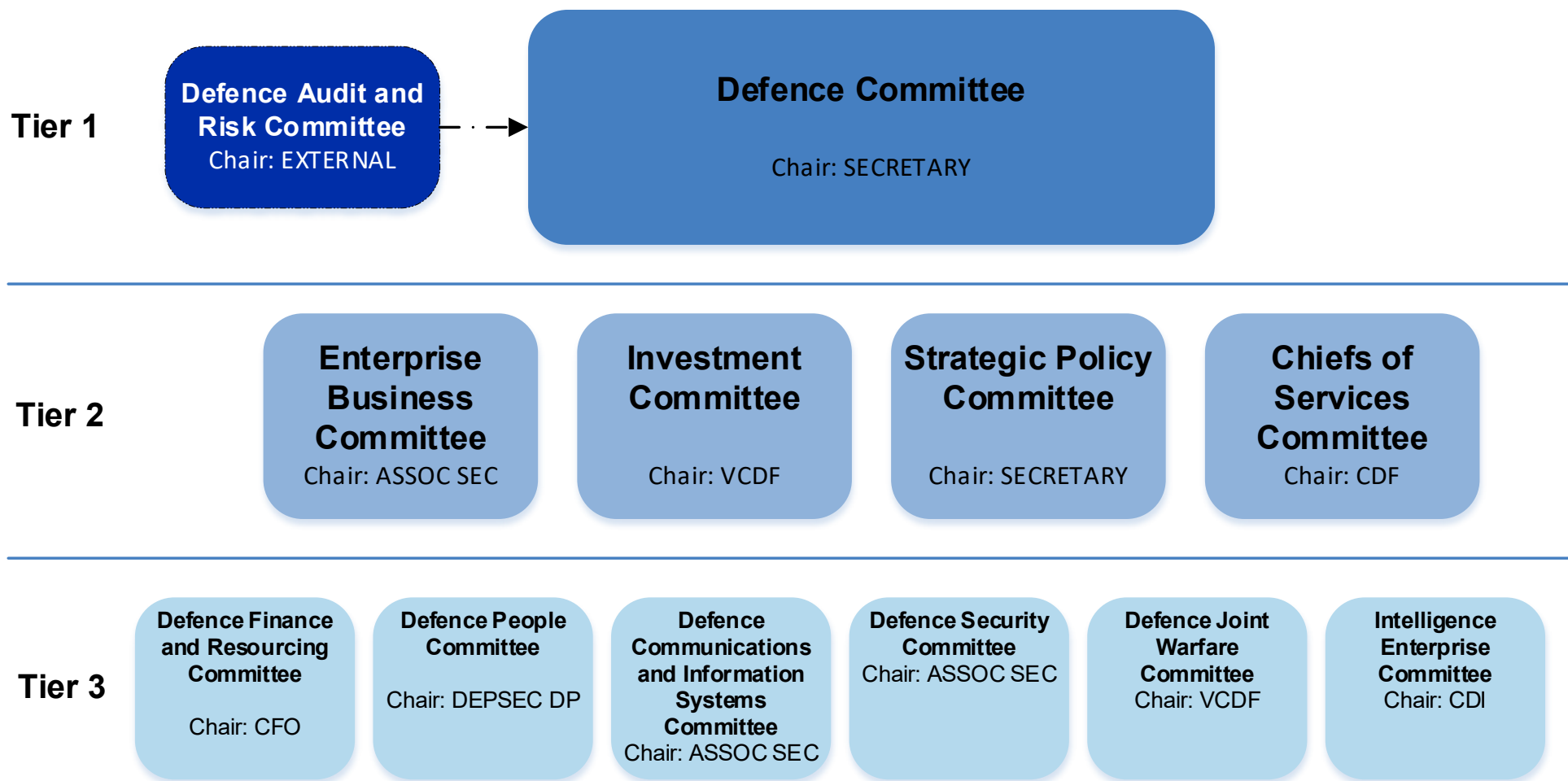
Target	Methodology and metrics	Narrative	Risk and sources	Data sources
	<p>Increase positivity by end of 2022 in areas of focus.</p> <p>Cultural priorities Measurement Framework is developed, complemented by data analytics — ongoing.</p> <p>Groups and Services continue to implement cultural reform priorities, through their cultural programs and plans.</p> <p>People understand what One Defence Leadership Behaviours (ODLB) are, and what is expected.</p>	<p>the Defence Mental Health & Wellbeing Strategy 2018–23.</p> <p>Team Builder behaviours and Team Productivity continue to be perceived as positive in the Defence workplace.</p> <p>There has been some progress on developing Group and Service Culture plans. In November it was reported that approximately three-quarters (77%) of Groups and Services had developed culture plans and this deliverable was on track and low risk. This reporting should have stated that approximately three-quarters of Groups and Services had developed, or “were in the process of” developing, culture plans. As at March 2020, around half of Groups and Services have a visible and accessible culture plan in place. This is now considered a risk to achieving our target. To minimise this risk, People Group is offering assistance to help Groups in progressing the development of their culture plans. As part of Defence 2022 People Group is working with Enterprise Governance to review business planning guidance for 2020–21, to support Groups and Services to develop culture plans that are actionable.</p> <p>Evaluation indicates that there is significant activity occurring to progress each priority. Through the process of validating an internal audit of activities related to the cultural priorities across the enterprise, approximately 400 activities which support the achievement of Pathway to Change have been identified. Approximately 40 are enterprise level initiatives that have been initiated since 2017. Of these, a vast majority have been developed</p>	<ul style="list-style-type: none"> • Cultural reform becomes Canberra centric <p>Controls:</p> <ul style="list-style-type: none"> • Continued oversight by One Defence Culture team through Activity Inventory. • Annual assessment will enable oversight and examination of potential areas of concern. • Groups and Services Culture Plans are identified within Groups and Services Business Plans. • Development of design principles for all eLearning that include ODLB as a key focus area. 	

Target	Methodology and metrics	Narrative	Risk and sources	Data sources
		<p>based on identified organisational needs in particular, rather than driven strategically by Pathway to Change.</p> <p>Defence is partnering with a consultant to analyse multiple data sets from across the enterprise that provide information on positive cultural outcomes, and to build a more comprehensive measurement framework for cultural reform. This work will allow Defence to determine appropriate baselines and target goals for desired organisational behaviours, in line with the six cultural reform priorities. This work will also determine how cultural measures have changed, which will give us insight as to where specific attention is needed and identify what additional reforms are required by 2022.</p>		

Source: Department of Defence documentation.

Appendix 6 Defence Senior Committee Structure

Figure A.4 Defence Senior Committee Structure



Source: ANAO analysis of Department of Defence documentation.