

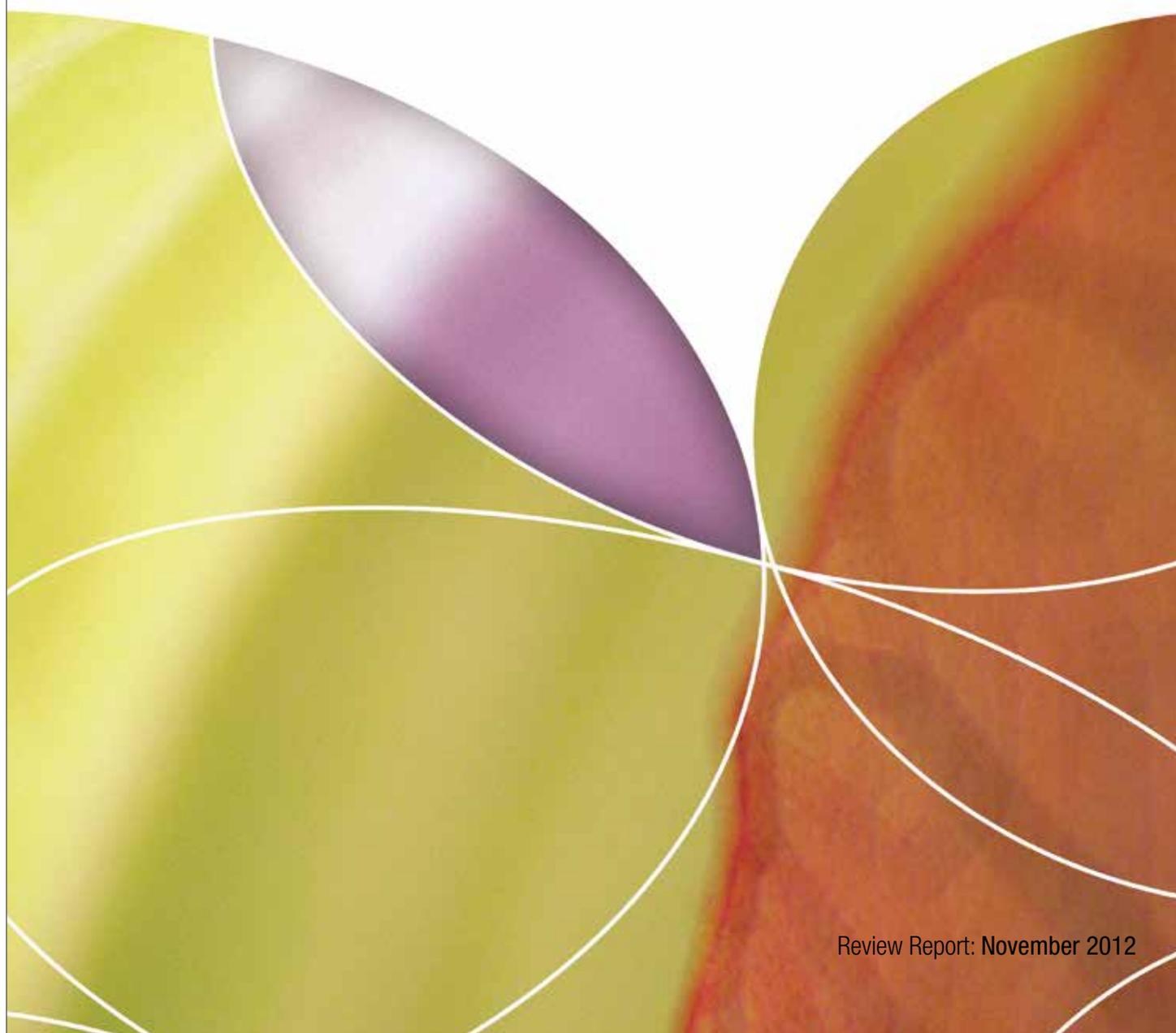


**Australian Government**  
**Australian Public Service**  
**Commission**

CAPABILITY REVIEW

# Department of Finance and Deregulation

*Effective leadership Diverse workforce **Capable organisations and workforce** Employee conditions APS Values*



Review Report: November 2012



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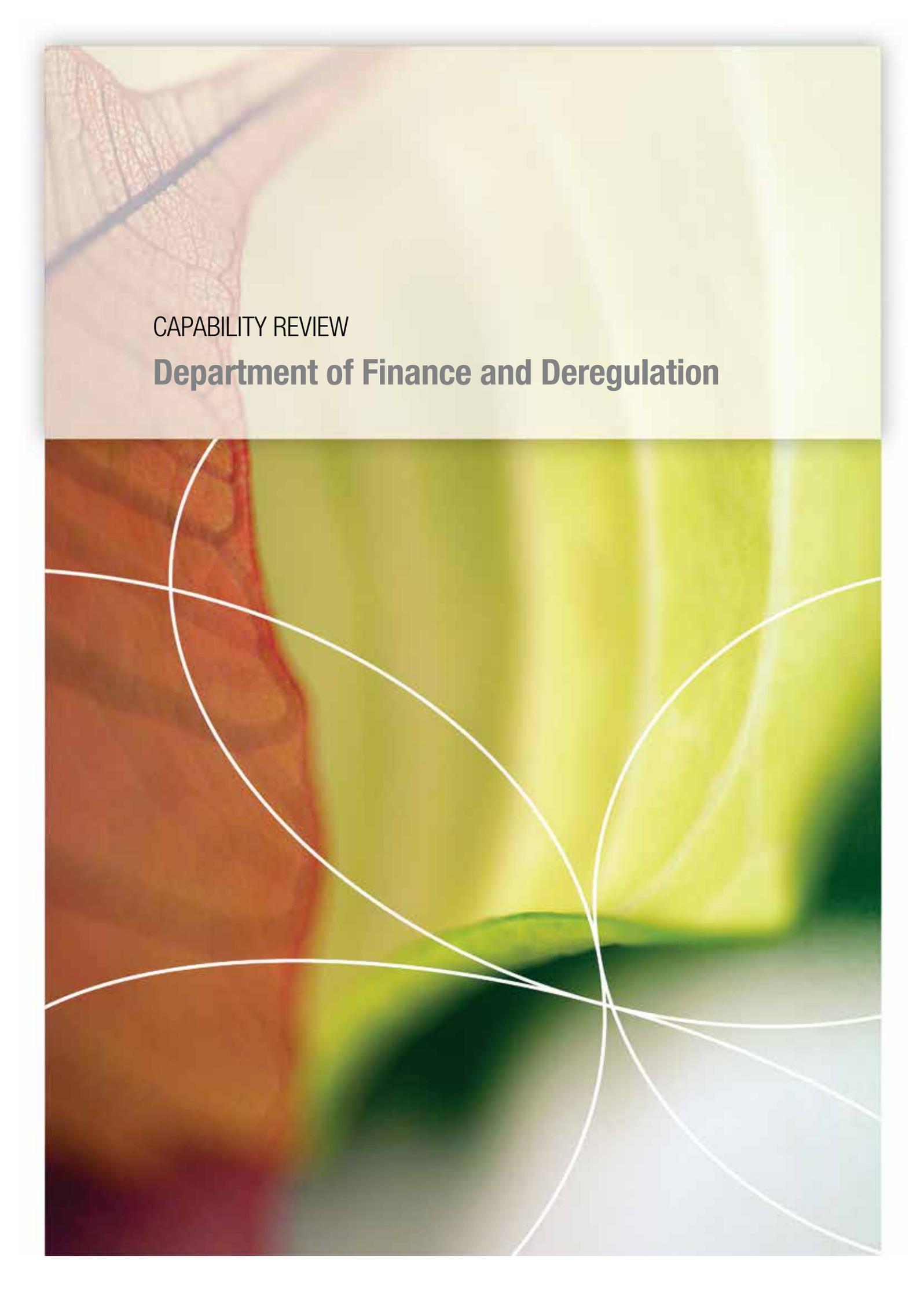
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CAPABILITY REVIEW

**Department of Finance and Deregulation**



## Foreword

The 2010 report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* recommended that the Australian Public Service Commission (APSC) undertake regular and systemic reviews to promote improved capability in the key agencies and to assess the institutional capability of the service as a whole.

The methodology used by the APSC to conduct these reviews drew significantly on the United Kingdom Capability Review Programme. Through the knowledge gained from the first tranche of reviews (the three pilots), the United Kingdom methodology has been gradually refined to more closely reflect the Australian context in which the review program is being conducted.

I thank the Department of Finance and Deregulation for participating in the capability review. Its support and commitment to the review and capability review program objectives is evident in the time the Secretary and his senior staff have given to the review.

I was also greatly encouraged to see the highly collaborative approach taken by the senior reviewers to their task and in this regard would like to thank Dr Jeff Harmer AO, the chair of the review team, and the other senior members, Ms Helen Williams AO and Dr Steven Kennedy.



Stephen Sedgwick AO  
Australian Public Service Commissioner





## Contents

|   |  |    |
|---|--|----|
| 1 | About the review.....                                    | 5  |
| 2 | About the department.....                                | 6  |
| 3 | Summary assessment.....                                  | 9  |
| 4 | More detailed assessment of departmental capability..... | 12 |
| 5 | The department's response.....                           | 36 |
| 6 | Abbreviations and acronyms.....                          | 38 |





# 1 About the review

A capability review is a forward-looking, whole-of-agency review that assesses an agency’s ability to meet future objectives and challenges.

This review focuses on leadership, strategy and delivery capabilities in the Department of Finance and Deregulation (DoFD). It highlights the department’s internal management strengths and weaknesses using the model set out in Figure 1. A set of 39 questions is used to guide the assessment of each of the 10 elements of the model. Those assessments are included in Section 4 of this report.

Capability reviews are designed to be relatively short and sharp and to take a high-level view of the strategic operations of the agency. They focus primarily on its senior leadership, but are also informed by the views of its middle management, who attend a series of workshops.

External stakeholders are also interviewed, including relevant ministers, private sector companies, state delivery organisations, peak bodies, interest groups, citizens, clients and central agencies.

The fieldwork for the capability review of DoFD was undertaken between 13 August 2013 and 19 October 2013.

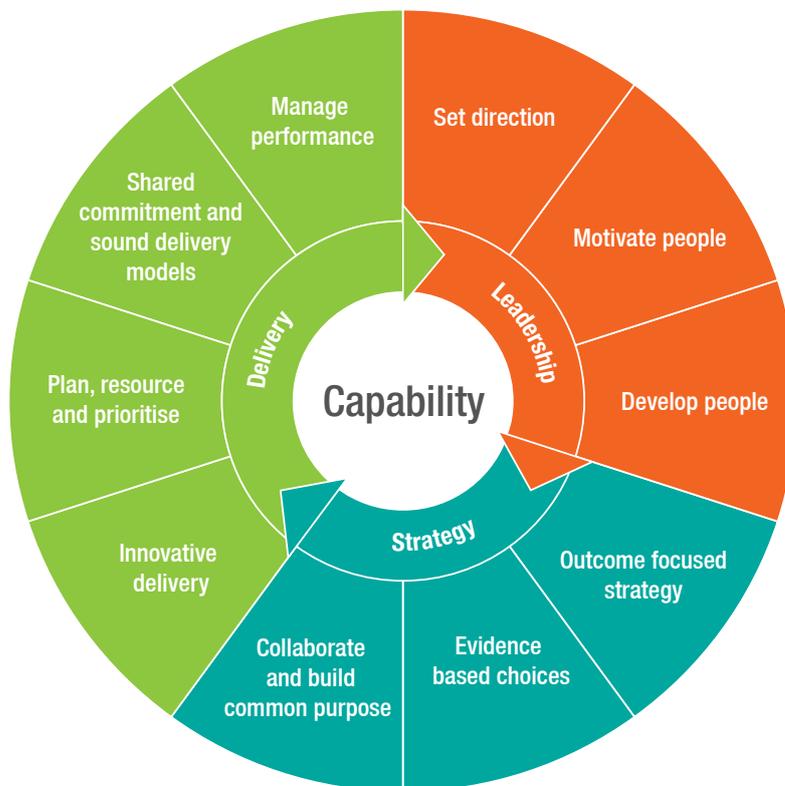


Figure 1—Model of capability

## 2 About the department

The functions of DoFD are essential to the efficiency and effectiveness of the operation of government, and the department's diversity and complexity have increased considerably over the past 20 years.

The initial role of the Treasury at federation—accounting and supply—was included in functions passed to the Department of Finance in the division of the Treasury in 1976. This split involved separating the public expenditure and departmental spending functions from the economic management and revenue side of the Budget, essentially to gain efficiency advantages and better control of public expenditure. The department responded and through the 1980s and 1990s proved to be a powerful force in both fiscal management and policy advice.

The role of the department was expanded in 1997 when it absorbed the functions of the former Department of Administrative Services, in 2004 when it incorporated the Australian Government Management Information Office, and in 2007 when the new government sought an increased focus on deregulation.

The addition of these functions has significantly increased DoFD's potential strength and influence. However it has also presented considerable challenges.

The later additions to the more traditional finance functions have, with some minor adjustments, retained their identity as separate units within the department. The distinctions that this history has produced continue to resonate strongly with many staff and tend to shape their attitudes and operations. Achieving coordination and a common sense of direction and purpose across the department has therefore proved difficult.

The Secretary is working to meet this challenge through an emphasis on values and behaviours in DoFD's Strategic Plan 2011–2014 and, in particular, a strong focus on collaboration and collegiality. The behaviours are:

**Culture** – that is a great place to work where great work is done;

**Collaboration** – by engaging with others to deliver better outcomes;

**Excellence** – by being the best that they can be; and

**Influence** – where they are respected for the difference they make.

Cultural change of this type requires a strong focus, particularly from the leadership group, and it presents a significant challenge for the department.

Changes to the operational and budgeting framework in the early 2000s also had a significant impact on DoFD's operations.

The Australian Government's move to a full accrual accounting and budgeting framework in the 1999–2000 Budget brought with it a move to an outcomes and outputs structure and the devolution of banking arrangements to agencies. In parallel, DoFD's operations were significantly re-engineered with some consequent loss of human capital, leading to a loss of corporate knowledge and skill.

The amount and complexity of work increased with the introduction of accrual budgets and later adjustment to the framework, including changes to provide the government with clearer



financial information to inform decision making, including showing the cash impact of decisions.

This has meant that, over the past 10 years, DoFD has had to undergo something of a rebuilding phase that is yet unfinished. At the same time—and perhaps because as the gatekeeper of expenditure DoFD has tended to be cautious about seeking funding on its own account—the department’s systems for internal and external purposes have not kept pace with the demands placed on it. Indeed DoFD faces a particular problem in addressing these issues in the current and prospective climate of budgetary stringency.

This is an important issue for DoFD in its position as a central agency with a whole-of-government oversight and monitoring role. In its position of exemplar, staff are sensitive to departmental shortcomings and are conscious that they should do well themselves what they ask of others.

Nevertheless, and despite significant pressures, staff commitment and motivation is particularly strong. In the department’s 2011 staff survey, 86% of staff rated DoFD as a good place to work, 84% agreed they are motivated to do the best possible work they can and 86% said they put in extra effort to help the department succeed. Furthermore, DoFD’s separation rate was a respectable 12% at the end of 2011–12, a considerable decrease from 20% in the mid-2000s.

### Staff and resource snapshot

DoFD’s wide range of functions requires a broad spectrum of staff skills and positions. Positions include financial analysts, information technology (IT) specialists, construction project managers, high-level policy officers and COMCAR drivers. The department also maintains key staff expertise in financial and asset management, expenditure, deregulation reform, government operations and government administration.

As at 30 June 2012, DoFD had 1786 full time equivalent (FTE) staff comprising:

- 152 part time, 300 casual (mostly COMCAR drivers) and the remainder full-time staff
- 171 staff in state and territory offices (from Asset Management and Parliamentary Services Group), and 16 staff in Indonesia and the Pacific
- 49% of the workforce at the Australian Public Service (APS) level and 44% at Executive Level
- 53% of DoFD’s ongoing staff were female
- 34% of SES staff were female
- 37% ongoing staff were aged between 21 and 35 years of age
- Average age 39 years (compared to APS average age of 42 years)

The department’s combined administered and departmental budget (including special accounts) for 2012–13 is \$13.5 billion. Total departmental appropriation is \$481.7 million (including \$8.2 million in capital appropriation). Total administered expenses are \$9.4 billion.

Today DoFD's functions are structured into these six principal groups:

- 1 *Asset Management and Parliamentary Services* which manages parliamentary entitlements, government business and non-Defence property assets, special claims and the government's insurance and risk operations.
- 2 *Australian Government Information Management Office* which provides advice, tools, information and services to help government in its use of information and communications technology for public administration and service delivery.
- 3 *Budget Group* which develops the annual Australian Government Budget and provides advice to the Minister for Finance and Deregulation, senior ministers and Cabinet's Expenditure Review Committee on issues relating to government expenditure and non-taxation revenue.
- 4 *Chief Operating Officer Group (COOG)* which supports the internal operations of Finance.
- 5 *Deregulation Group* which advises on and implements the government's deregulation agenda and assists agencies to comply with policy in relation to regulatory impact analysis.
- 6 *Financial Management Group* which develops and advises on the public sector financial framework and looks after the government's investment funds, superannuation arrangements, procurement policy and reviews into the implementation and delivery of higher-risk activities.

These six groups serve three ministers; the Minister for Finance and Deregulation, the Special Minister of State and the Minister Assisting for Deregulation. In addition, the department's stakeholders include all 109 *Financial Management and Accountability Act 1997* agencies, all 84 *Commonwealth Authorities and Companies Act 1997* agencies, state and territory governments, industry associations, companies that service DoFD and other agencies, and Parliamentarians and their staff.

The department also works with a number of portfolio agencies, including the Australian Electoral Commission, the Commonwealth Superannuation Corporation, Comsuper and the Future Fund Management Agency.

The heads of the six groups, along with the Secretary and two members of the Senior Executive Service (SES) Band 2 cohort, who are rotated every six months, form the Executive Board. The Board is the department's primary decision-making body and is charged under its terms of reference with providing leadership and ensuring the efficient, effective and ethical performance of DoFD's operations.

Key performance measures against which the department judges itself include: providing high-quality and timely policy advice; providing accurate and appropriate costings and budget estimates; providing timely completion of capital projects approved by the Australian Government; identifying and addressing poorly performing regulatory functions and frameworks; delivering the government's Towards a Seamless National Economy agenda; and fully complying with all policies and requirements for which DoFD has whole-of-government responsibility.

### 3 Summary assessment



For the purpose of this review, the organisational capability of DoFD is defined as the sum of the expertise of its people and its capacity, as evident in its systems and business processes, to apply this expertise.

The review team concluded that DoFD staff and their expertise, along with the department's access to a significant body of service-wide information, represent its major strengths. The further development of its systems and business processes constitute its greatest opportunity.

For the most part, DoFD's staff are highly skilled and professional in their approach. Moreover, there is a remarkable spirit within the workforce which shows in satisfaction and engagement levels that are not only high in most groups but, on many measures, comparable to or above international public and private sector benchmarks. This spirit is particularly evident when the department is dealing with a crisis or issue requiring the rapid marshalling of expertise and resources. Staff hold their Secretary in high regard and support his efforts to build a positive collaborative culture across the department.

The consequence of this professionalism and commitment is a generally high level of performance. Yet such high levels of performance do not mean that there is not room for improvement in organisational capability.

The review team is also aware that, while individual sections often have strong skills, knowledge and processes, the same capabilities do not exist uniformly across the department. As such there is an opportunity to share good practice more systematically and encourage its adoption across DoFD.

In an environment of tightening resources and downsizing, the department's tendency to over-rely on particular staff, combined with the relative weakness of its systems and business processes, means there is some degree of inefficiency and ineffectiveness in its operations. These are qualities that no department moving into a challenging future can easily afford.

DoFD's own assessment acknowledges that it faces a number of challenges, including the tightening fiscal environment, a shortage in some key staffing capabilities, changing legislative requirements, and better leveraging emergent information and communication technologies. In addition, the department believes it needs to balance its roles within government and the APS as an independent policy advisor, fit-for-purpose regulator and promoter of better government through increased accountability, transparency and efficient service delivery. The department has equally made clear to the review team that it is looking to improve its delivery and capability through increased stakeholder collaboration, better use of information and more strategic workforce planning.

This appreciation of future challenges is welcomed by the review team and bodes well for further development of the department's capability.

In addition, the review team believes the Secretary, senior leadership and all staff within the department need to be cognisant of the following issues and may wish to consider the following suggestions and ideas:

- It is clear to the review team that group identity and a siloed approach dominates at the group manager level. Executive Board members—along with the leadership generally—need to take steps to ensure greater collegiality and collaboration across group boundaries. Indeed, the visibility of the Board to staff, and the Secretary as leader of the Board, could be enhanced in the interests of promoting even greater collaboration with emphasis on demonstrating as much as communicating the need for such collaboration.

- To this end it may be useful for the Executive Board to shift its current focus from the group—which is the unit of operation most closely tied to individual deputy secretaries—to divisional level. This would have two benefits. First, it would provide the Board with opportunities for deputy secretaries to stand back from their respective groups, along with the more detailed knowledge that it requires to make the ‘corporate’ decisions about priorities and resources it will inevitably face in the near future. Second, it would likely translate into Band 2 and Band 1 SES feeling more empowered to take responsibility for, and control over, decision making; redressing the propensity for such authority to elevate upwards.
- While the DoFD Strategic Plan is a highly useful document welcomed by the majority of staff, the department could benefit from a clearer articulation of its purpose and priorities within the plan. This will allow for a sharper link between the strategic plan and business planning than the current behavioural and aspirational focus permits.
- While the Secretary and senior leadership have, in recent times, understandably focused on ‘how’ the department goes about its business, advocating among other things a more collegiate and collaborative approach, what is problematic for many staff is the absence of a unifying ‘purpose statement’ that makes clear in practical and concrete terms how their individual efforts contribute to departmental objectives. The need for such a statement has been acknowledged by DoFD’s leadership in its thinking around possible unifying principles and a departmental ‘philosophy’.
- In considering such purpose and priority, the review team suggests that the department build on and leverage its comparative strength, particularly in information about whole-of-government administration, policy and programs, and the potential this provides for analysis and evaluation to refine the articulation of its contribution relative to the other central agencies.
- The review team encourages such efforts and equally warns against the casting of such a statement in terms designed to accommodate specifically every branch or section in view of the complexity and reach of the department’s functions.
- While there has been emerging emphasis on workforce planning and development, as yet there is no systematic approach to this area within the department. In moving quickly in this regard, the department could consider greater support for formal and informal mobility within the department at both SES and non-SES levels.
- For, as evident in many interviews conducted by the review team, increased mobility and diversity of work experience are well recognised across DoFD as of significant benefit in dealing with some of the department’s current issues. Increased mobility also has benefits for individual career development, and a conscious effort towards active and full-scale implementation of such a program would assist in building organisational capability.
- Equally, while the diversity of functions within the department must be recognised, this does not preclude distinct operations profiting from greater interaction and understanding. Indeed the review team considers there is more commonality across the department in functions and associated skills sets than is often appreciated.
- Departmental systems are generally undervalued and underdeveloped, making knowledge or information management a challenge. This has consequences for the ability of the department to manage its performance, assess whether it is achieving its priority objectives or determine where resources should be concentrated to achieve those objectives. It



equally limits the effectiveness of staff and leads to an over-reliance on person-specific knowledge. More broadly the lack of systems that build business intelligence limits the ability of the department to move beyond its historical ‘gatekeeping’ roles for individual departments and use what it gathers to create greater strategic value for government.

- It is noted that the Secretary, in his communication and in the latest iteration of the DoFD Strategic Plan, has encouraged a greater level of innovation and appropriate risk taking. This is appropriate given the potential benefits that may flow from fostering a creative ethos. However, in an organisation such as DoFD—which is understandably risk averse when it comes to some of its operations—some greater clarity or ‘practical definition’ of what ‘innovation’ and ‘risk taking’ mean would greatly help staff in understanding what is meant by innovation within the context of the department.
- There needs to be greater ownership of corporate matters across the department. In a well-functioning organisation these issues should not be the responsibility of the corporate area alone. In the interests of generating shared responsibility for developing corporate solutions, DoFD could consider expanding its governance arrangements and working models.
- This could be in the form of cross-group taskforces taking responsibility for matters like workforce planning and information management or other fora dedicated to fostering cross-group collaboration and planning. This effort will counteract the current tendency for the Chief Operating Officer Group (COOG) to be held solely accountable for matters that are in fact the responsibility of the whole leadership cohort.
- Finally, the department could consider whether its current structural arrangements are both efficient and appropriate for the future. While structural reform in and of itself cannot solve issues of capability, in the opinion of the reviewers some measured structural change could help build a common identity across groups and allow disparate parts of DoFD to leverage the skills, wisdom and resources of others.

Overall, DoFD is well placed to take the next step in its evolution.

The Secretary is well aware of this and has expressed his wish for the department to take up its full role as a central agency contributor. As he recently noted in an all-staff message, DoFD staff together ...

*“... play a key role in ensuring fiscal responsibility and sustainability in government, and it has rarely been as visible and important as now.”*

Assisting the government of today and governments of the future in meeting policy, program and service delivery objectives in the most cost-effective way possible will require a focus on the quality of expenditure, a capacity to look beyond traditional divides and established roles and the effective deployment of DoFD’s considerable body of service-wide operational information.

## 4 More detailed assessment of departmental capability

This section provides an assessment framed by the leadership–strategy–delivery structure of the capability review model.

Assessments were made according to the assessment criteria set out in Figure 2.

|   |                         |   |
|---|-------------------------|---|
|    | <b>Strong</b>           | <ul style="list-style-type: none"> <li>• Outstanding capability for future delivery in line with the model of capability.</li> <li>• Clear approach to monitoring and sustaining future capability with supporting evidence and metrics.</li> <li>• Evidence of learning and benchmarking against peers and other comparators.</li> </ul>         |
|   | <b>Well placed</b>      | <ul style="list-style-type: none"> <li>• Capability gaps are identified and defined.</li> <li>• Is already making improvements in capability for current and future delivery, and is well placed to do so.</li> <li>• Is expected to improve further in the short term through practical actions that are planned or already underway.</li> </ul> |
|  | <b>Development area</b> | <ul style="list-style-type: none"> <li>• Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so.</li> <li>• More action is required to close current capability gaps and deliver improvement over the medium term.</li> </ul>                              |
|  | <b>Serious concerns</b> | <ul style="list-style-type: none"> <li>• Significant weaknesses in capability for current and future delivery that require urgent action.</li> <li>• Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery.</li> </ul>   |

Figure 2—Rating descriptions

The review team’s assessment of the Department of Finance and Deregulation’s capability is outlined in the tables below.

### Leadership

|                 |  |                  |
|-----------------|--|------------------|
| Set direction   |  | Well placed      |
| Motivate people |  | Strong           |
| Develop people  |  | Development area |

### Strategy

|                                      |  |             |
|--------------------------------------|--|-------------|
| Outcome-focused strategy             |  | Well placed |
| Evidence-based choices               |  | Well placed |
| Collaborate and build common purpose |  | Well placed |

### Delivery

|   |  |                  |
|---|--|------------------|
| Innovative delivery                         |  | Well placed      |
| Plan, resource and prioritise               |  | Development area |
| Shared commitment and sound delivery models |  | Well placed      |
| Manage performance                          |  | Development area |

## 4.1 Leadership summary

### Set direction

- The Secretary is liked and respected, and the direction he has set for the culture of DoFD has wide acceptance and is beginning to take root.
- However the department could benefit from a clear articulation of its purpose and priorities.
- There is a widespread view that the Executive Board needs to do more to drive collegiality.

### Motivate people

- The majority of staff are highly motivated, and respect for leadership is strong. This is a key strength of the department.
- DoFD needs to continue to build upon this motivation and create a unified culture and identity that celebrates and learns from success across departmental groups.

### Develop people

- DoFD has a highly professional workforce and has made significant investments in learning and development.
- DoFD needs to prioritise development of its workforce plan to enable more targeted learning and development, and harness the skills and experience of its workforce across the department.
- The department could benefit from developing a systematic approach to movement of staff to broaden their experience.
- Performance management within DoFD is not consistent and could be further leveraged to achieve departmental priorities.

Comments and ratings against the components of the leadership dimension follow.

### Set direction

|                    |   |   |
|--------------------|---|---|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis?</li> <li>2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?</li> <li>3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?</li> <li>4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs?</li> </ol> |
| Rating             |  | Well placed   |

### A unifying purpose statement

A clear direction for how DoFD positions itself to support the government and APS is articulated in the DoFD Strategic Plan. The plan is built on four key aspirations of culture, collaboration, excellence and influence and underpinned by five enabling strategies (IT, people, communication, information management and financial management).

Now in its second year, awareness of, and support for, the plan is strong across the department. The four key aspirations are communicated regularly by the Secretary in his messaging, feature prominently on the intranet and are linked to group plans.

The department’s own self-assessment identifies a need to complement the focus of the plan on ‘how’ the department works, with ‘what’ the department does, further defining the department’s broader purpose. Recently, the Secretary raised with staff four draft unifying principles that could help define a narrative for the department:

- We support an open and flexible market economy;
- We are a key part of helping government deliver on fiscal sustainability;
- We play a key role in helping government provide efficient and quality services; and
- We promote better government through accountability and transparency.

Identifying these draft unifying principles is a positive step and one well received by staff.

It is notable that the diversity of DoFD’s functions means it is not possible or desirable to accommodate specifically every section or branch in the statement. However, staff from across the department pointed to the benefit that developing a purpose statement through a consultative process could bring in uniting the functions of the department behind shared goals and lifting the narrative of the department from the group level to the department as a whole.

Another mechanism available to DoFD to lift the narrative and focus of the department from the current group lines is a structural response which might review the historical divisions.

In this respect the different sizes of the groups would need to be recognised and considered.

However the review team would caution against an approach which sees resolution of the issues confronting DoFD in structural change alone, noting that the leadership of the department should also be working to engender a true sense of unity and purpose through non-structural means.

## DoFD's Executive Board

Identity within the department is most strongly defined at the group level and the department was commonly identified to the review team as a 'federation' in terms of the operation of the groups. Such an operating model can be effective but only where there is effective coordination and where the interests of the department as a whole are the dominant force.

As the peak leadership body, the Executive Board has the lead in setting the direction for the department and bringing together the different groups in a culture of teamwork.

Staff at all levels expressed concern that a tendency to function along group lines rather than as a collective limits the Board's ability to make resourcing and other critical priority setting decisions for the department as a whole if this is at the expense of a group.

A key priority for DoFD is improving the Executive Board's ability to work together as a team to lead the department through change.

Moreover, the review team is concerned, based upon scrutinising the Board's agenda and minutes, that the focus of the Executive Board tends toward detailed operational, and primarily corporate, matters. This suggests there would be benefit in greater focus on matters of strategic importance, the identified priorities of the department and addressing whole-of-government challenges. Such a shift of focus would send a strong signal to staff that the Board is taking a more strategic approach and collective responsibility for whole-of-department priorities.

Finally, the image of the department as a 'federation' is reinforced by the geographical location of groups, including some of the deputy secretaries, in different buildings. While there are arguments for and against physical co-location of the top team, co-locating the Secretary and deputy secretaries at this time is worthy of consideration to help achieve a united leadership group. More general co-location of the department could also continue to be addressed as circumstances permit.

Motivate people



|                    |   |   |
|--------------------|---|---|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Does the leadership create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?</li> <li>2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?</li> <li>3 Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?</li> <li>4 Does the leadership display a desire for achieving ambitious results for customers, focusing on impact and outcomes, celebrating achievement and challenging the organisation to improve?</li> </ol> |
| Rating             |  | Strong  |

Beyond intrinsic motivation

DoFD attracts highly motivated, engaged and professional staff. This was consistently reflected in interviews and is a key strength for the department. Respect for and confidence in the leadership is strong.

Staff engagement is also high. In the 2011 DoFD staff survey, 84% of staff agreed they are motivated to do the best possible work they can and do their work for the satisfaction they experience from taking on interesting challenges. 86% of staff indicated they put in extra effort to help the department be successful. Furthermore, 76% believe DoFD is well managed and has high quality leadership.

The APSC’s 2012 *State of the Service Report* data in relation to leadership within DoFD is very positive, especially when compared to the APS overall. 68% of departmental staff considered leadership was of a high quality and 70% considered the department was well managed, both well above the 46% and 44% respectively across the APS.

DoFD has recognised the need to improve its efforts in maintaining a healthy work-life balance, noting that the demands of the job in some sections will be well above ordinary working hours. The ‘work-life balance champion’ has supported a culture of work-life balance, modelling and regularly talking about what is required to ‘find the right balance’ in the interests of a healthy and productive workforce. The fall in the department’s separation rates speak to its success in this regard.

Pride and understanding, however, tend to fall along group lines, and interviewees indicated a lack of curiosity beyond these boundaries. DoFD is working towards creating a unifying culture which leverages motivation in interests of the department as a whole, and celebrates and learns from success across its diverse functions.

Furthermore, as positive as motivation levels within the department are, it needs to be acknowledged that motivation can vary, and the leadership needs to be aware of this and have strategies ready to address the waning of motivation when and where it occurs.

## Building a common culture

Many staff noted the positive change in culture encapsulated in DoFD's strategic plan. However, cultural change is an evolutionary process, and the extent to which the plan has permeated throughout the department is uneven.

A number of initiatives are in place to make the aspirations of the strategic plan real to everyday work. These include the 'showcase' page on the department's intranet which showcases examples of culture, collaboration, excellence and influence. Clearly articulating what culture, collaboration, excellence and influence look like in practice across the department is important to build a unifying culture.

## Visibility and celebration of achievement across the department

In the 2012 State of the Service results, 62% of staff in the department considered senior leaders were sufficiently visible, well above the APS results of 45%.

Messaging from the Secretary is consistent and is appreciated by staff who see him modelling the collaboration he supports, and who would like more of his time. His message is also supported by the 'Tune In' update and 'Inside Finance' newsletter. The current initiative for the Secretary to attend divisional meetings is a positive step to building his visibility across the department.

Building visibility of the leadership team across groups is important and the recent 'Behind the Board' initiative whereby members of the Board regularly but informally brief staff on current happenings across the department could prove an important forum for further opening up visibility of the senior leadership group.

The department's assessment noted that DoFD is increasingly celebrating its achievements at group, division and branch levels and through the annual Secretary's Awards for Excellence through which individuals and teams are recognised for work that best demonstrates innovation and the aspirations of the strategic plan. The review team suggests that further emphasis could be given to celebrating achievements that include staff across group lines, to demonstrate and build links between groups, lifting enthusiasm and pride in the department as a whole.

## Develop people



|                    |  |   |
|--------------------|--|---|
| Guidance questions |  | <ol style="list-style-type: none"> <li>1 Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality?</li> <li>2 Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation?</li> <li>3 Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions?</li> <li>4 How do you plan to fill key capability gaps in the organisation and in the delivery system?</li> </ol> |
| Rating             |  | Development area  |

### Addressing critical person risks and developing future leaders

The department has a range of highly skilled and professional staff and its workforce is comparatively stable which allows the development of both experience and depth of knowledge.

A considerable number of staff and stakeholders, however, commented that DoFD was dependent, to a significant extent, on particular staff whose departure could cause a major loss of skills and corporate knowledge. In this context, building future capacity is an essential task and staff are not confident about the approach to talent identification, leadership development and succession planning.

While a workforce plan is under development and the Executive Board has discussed leadership development and succession planning, a systematic approach is yet to be implemented. Discussion of development and succession planning tends to happen at a group or divisional level, limiting broader development and movement and the ability of DoFD to harness skills and expertise across the department.

A key theme from staff at all levels was the positive benefit that could be gained from more internal movement. While staff may be highly skilled in their area, there is not a culture of using key placements to aid development or ensure effective succession planning. This hampers the opportunity for key staff identified as having potential to gain broader experience, build a shared understanding of DoFD and leverage expertise across the department towards its outcomes.

Despite comments that the diversity of skills limits movement, broadly speaking there are comparable skill sets required across many roles within DoFD. Existing initiatives, such as the opportunity for rotation by Budget Group, could be extended across the department. Equally, consideration could be given to implementing a system for rotating high performers through COOG in the interests of building corporate understanding, strengthening the corporate area and enhancing individual career development.

In fact a systemic and strategic approach to staff rotation between groups could serve as an important mechanism to reinforce a culture which encourages discussion and exchange between groups, broadens staff, and fosters innovation.

In this regard it is noteworthy that while the mobility of the SES is comparable to other agencies, only slightly more than half of DoFD's SES have worked in a line agency and for many that experience was of limited duration, some time distant or in a highly specialised role that would not afford them the wider experience considered beneficial in understanding the department's client base. The experience of the majority of SES within the department is therefore relatively limited, despite this cohort having an average length of service in the APS of 17 years. For a central agency such as DoFD, which plays a strategic role across government, broadening the experience of its staff stands out as a key area for development.

Giving greater value to diversity of experience (within the department, government and externally) in recruitment and promotion could be another strategy for building this capability. This is particularly pertinent given concerns expressed on the part of some stakeholders that the limited work experience of DoFD staff, including of the non-government and business sectors may work against the department in the longer term in its efforts to provide value-adding and grounded advice to government.

### Targeting learning and development investment

The department invests to a significant extent in a suite of learning and development opportunities for its staff and this is acknowledged by staff. In the 2011 DoFD staff survey, 82% of staff believed the department placed a high priority on the learning and development of staff, compared with 51% across the APS in the 2011 State of the Service employee survey. However only 59% of staff believed the department's learning and development programs are effective in assisting them to perform their job better.

Currently, while skills shortages (such as writing, management skills, analytical skills and project management) are identified in some areas, there is no systematic analysis of need across DoFD and the need to improve the targeting of learning and development emerged as a key theme from staff. The department is working to position itself more strategically in this area through centralising core learning and development programs and the development of a workforce plan, which is a key priority to enable future investment in developing staff based on the skills needs and gaps across DoFD.

### Utilising individual performance management

While the current DoFD performance management scheme is well documented, there is evidence that it is not being consistently applied nor used strategically or systematically to identify and prioritise training needs or identify opportunities for career development through rotation or placements. The 2012 State of the Service data indicated that only 56% of staff in the department considered their performance review assisted them to improve their performance, and a number of interviewees believed the department did not have consistent application of performance management.

DoFD is looking to reform its performance management system so there is broader ownership of it and so it is more strategically linked to the department's priorities and needs. This could include, for example, a more effective mechanism for assessing collaboration at an individual level. Drawing on the APSC Integrated Leadership System could be a positive step in this

process. However, a key requirement will be to embed a culture of high performance, and build management skills, so that performance management is seen as a critical component of DoFD's success.



## 4.2 Strategy summary

### Outcome-focused strategy

- DoFD has a strategic plan that is well recognised by staff, and which sets out the objectives and measures of success for the department.
- Business planning within DoFD could link better with its strategic plan and focus on interdependencies and opportunities across groups, divisions and branches.
- DoFD could consider building on and leveraging its comparative advantage, particularly in information about whole-of-government administration, programs and service delivery, and articulate its contribution relative to the other central agencies.

### Evidence-based choices

- There is a strong culture within DoFD which supports the provision of advice that is solidly grounded in evidence and argument.
- Departmental systems are undervalued and underdeveloped, making knowledge management a challenge and limiting DoFD's capability to maximise its contribution across government.

### Collaborate and build common purpose

- DoFD has made some positive steps in building an approach based on collaboration and early engagement.
- Stakeholder feedback is mixed and points to the need for a more consistent and coordinated approach to engagement, particularly in dealing with private sector and non-government stakeholders where internal skills and experience of these sectors is limited.
- DoFD's individual performance management system could be used to promote greater collaboration with stakeholders, supported by learning and development which looks to build this as a strength within the department.

Comments and ratings against the components of the strategy dimension follow.

Outcome-focused strategy

|                    |  |   |
|--------------------|--|---|
| Guidance Questions |  | <ol style="list-style-type: none"> <li>1 Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success?</li> <li>2 Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?</li> <li>3 Is the strategy kept up to date, seizing opportunities when circumstances change?</li> <li>4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes?</li> </ol> |
| Rating             |  | Well placed   |

Enhancing strategic focus

The review team notes that ministers were positive about the capability of DoFD and the quality of advice provided.

The team also notes that the Secretary has sought to expand the department’s policy role, particularly in regard to fiscal consolidation, the pursuit of the government’s productivity agenda, and the need to improve the efficiency and effectiveness of government generally.

DoFD’s strategic plan sets out the objectives and measures of success for how the department wants to work. The four behaviours identified in the plan are clearly linked with all group business plans although the extent to which the behaviours are integrated into these plans is not universal. The strategic plan, along with the five enabling strategies that support it, have been updated to reflect the focus for 2012–13.

However, while the strategic plan is clear on how DoFD will conduct itself, it does not provide an overarching purpose of the department.

As identified earlier in this report, the review team supports the opinion of many staff that a clearer articulation of DoFD’s purpose and key priorities would be of benefit to the department and it notes that the Secretary is already working with the Executive Board on unifying principles. In developing this purpose statement, and the strategy to achieve it, the department could give consideration to its position as a central agency and where it can use its particular strengths to add value to the business of government.

Many stakeholders discussed the issue of the lack of distinction around the roles of the three central agencies. For DoFD, this lack of certainty may reflect the tension between its

regulatory/assurance role and its advisory/facilitative role. There is scope for the department to articulate its role more clearly and identify where it adds value in the context of the three central agencies.

There are a number of opportunities in the current environment for DoFD to leverage further its unique position in the whole-of-government space to drive greater efficiencies, higher quality public spending and evidenced-based policy. The Secretary noted in a presentation to the Canberra Evaluation Forum of August 2010 that there is an opportunity for DoFD to lead work on reforming evaluation given the significant momentum to improve APS performance. This could include taking a greater role in benchmarking services such as human resources and financial services, just as DoFD has developed a series of information and communications technology benchmarks following the Gershon report. It could also include the potential for the department to take on a more strategic role in respect to medium to long-term fiscal strategy.

In the view of the review team, DoFD's competitive advantage rests in its detailed knowledge of programs and service delivery across government, and the opportunities for analysis and evaluation this provides. This competitive advantage needs to be supported by systems that make this information accessible. At the same time its value adding needs to be grounded in a solid understanding of policy supported by creative thinking in addition to the critical analysis that is central to DoFD's good reputation.

A clearer articulation of the department's role and strategic priorities may serve to make better use of this comparative strength and help parts of DoFD strengthen its relationship with stakeholders such as line agencies, other central agencies, business and industry.

### Developing a comprehensive business planning approach

Finally, DoFD could benefit from a more comprehensive whole-of-department business planning approach which not only defines the outcomes it seeks in each area of its work, but also identifies interdependencies between different parts of the department where appropriate

Any approach along these lines would need sustained attention and commitment by all members of the SES to overcome resistance to change and shift DoFD from being task focussed to outcome focused.

#### Evidence-based choices

|                    |   |   |
|--------------------|---|---|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Are policies and programs customer focused and developed with customer involvement and insight from the earliest stages? Does the organisation understand and respond to customers' needs and opinions?</li> <li>2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis?</li> <li>3 Does the organisation identify future trends, plan for them and choose among the range of options available?</li> <li>4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?</li> </ol> |
| Rating             |  | Well placed   |



## A culture of rigour and evidence-based policy

DoFD has a culture and reputation for providing rigorous policy advice, supported by evidence. A pertinent example is the role the department plays in preparing 'green briefs' for the Expenditure Review Committee of Cabinet. These briefs are based on analytical frameworks assessing the appropriateness, effectiveness and efficiency of government interventions and are highly regarded for their empirical base and financial accuracy. Another example is the gathering of whole-of-government data to inform property investment decisions and strategies.

The review team considers that the department could capitalise on these strengths and bring this approach to bear increasingly in relation to long-term, strategic 'over-the-horizon' work. For example, DoFD has a role to play in planning for medium to long-term pressures such as population ageing or the growth in health technologies, which are significant challenges for Australia's fiscal sustainability. Further, there is scope for the department to increase its collaboration with the Treasury and other agencies—inside and outside of government—to develop medium to longer-term strategies to address these and other challenges. Feedback from stakeholders indicated that DoFD is getting better at consulting early, but this is still patchy and the department could do more 'road testing' of policies before they are promulgated.

## Developing systems that support evidence-based choices

DoFD places strong emphasis on evidence-based advice and staff spoke to the review team about the importance of being able to justify any position they recommend. The review team commends the department for this focus, but notes that the underdeveloped nature of its systems limits ease of manipulation of data and speed of information recall. This in turn restricts the degree to which DoFD can leverage the advantage offered by its substantial information holdings and the robust analysis possible, particularly in the face of considerable time constraints.

In addition, this information is currently dispersed across DoFD and the sharing of information across the department is dependent on individual relationships, both to know the data is available and to gain access to it. This can lead to over reliance on the staff who hold the corporate memory.

The department has made a good start in addressing the need for system improvements with the recent release of an Information Management Strategy that captures its priorities to improve the capture, sharing and re-use of critical information. Underpinning this is DoFD's recently completed Strategy for IT and the IT Road map for the next 3-10 years. There is considerable support for this from within the department. The review team is similarly supportive and stresses that DoFD should not lose focus on this priority as it manages internal budget pressures.

## Collaborate and build common purpose

|                    |   |   |
|--------------------|---|---|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Does the organisation work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?</li> <li>2 Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience?</li> <li>3 Does the organisation ensure the agency's strategies and policies are consistent with those of other agencies?</li> <li>4 Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens?</li> </ol> |
| Rating             |  | Well placed   |

## Fostering external collaboration

DoFD's updated strategic plan has as one of its focuses for 2012–13 enhancing collaboration across the department and with stakeholders. The department is committed to engaging more effectively across the APS and throughout the broader community. The strategic plan aims to inform and implement good policy and service delivery through:

- Fostering productive relationships with key stakeholders;
- Strengthening understanding of stakeholders' needs and expectations;
- Supporting line agencies in achieving the best possible outcomes for government; and
- Simplifying governance frameworks and rules to reduce administrative burden on agencies.

There are growing examples of where DoFD is engaging with stakeholders early and in a genuine way. Recent examples include the Council of Australian Governments deregulation agenda, the banking review, and the Commonwealth Financial Accountability Review. This is corroborated by DoFD's own 2011 staff survey which reported a high proportion of staff (more than three-quarters of those surveyed) agreed that the department collaborates effectively with external stakeholders.

Nevertheless, while the Secretary's commitment to DoFD taking a collaborative approach is clear, and the department believes it is achieving in this area, feedback from stakeholders is mixed. Many stakeholders have had positive experiences when engaging with the department, and some have seen an improvement in the way DoFD has engaged with them in the last couple of years. However, other stakeholders noted that some in the department still use their positional authority and that true collaboration was too dependent upon the individuals concerned.

Some stakeholders commented that one barrier to effective collaboration with the department is the lack of a single DoFD view and the inconsistent advice or requirements the department

can provide. Stakeholders noted that these issues at times needed to be escalated to senior levels to be resolved. A further barrier to more effective collaboration is the department having what some stakeholders felt was a narrow or limited understanding of how line agencies, non-government organisations and private sector businesses operate, their priorities and constraints, and where DoFD can add value. In these cases, stakeholders noted that the department did not truly partner with agencies to achieve better outcomes, partly because it does not have sufficient understanding of the stakeholders business. In other cases stakeholders noted the absence of a solution-focused approach, whereby DoFD articulates what the problems are, but does not work with agencies to develop solutions.



### Next steps

The imperative for the department is to build trust with agencies, engage earlier in policy discussions and be clear on how DoFD can add value. Progress can be seen in the willingness of others to engage DoFD early on taskforces and in the development of major policy proposals. This new way of thinking and working requires cultural change. As noted earlier in this report, steps towards improving individual performance management, which genuinely assesses an individual's approach to collaboration with stakeholders, and a more strategic approach to learning and development, could go some way to improving the consistency of stakeholder experience. The review team notes there are key staff within the department who have excellent stakeholder management, communication and collaboration skills, and the team encourages DoFD to leverage those skill sets to build capacity throughout the department.

Finally, the review team notes that there is no mechanism to measure the level and quality of external collaboration. Regular external stakeholder surveys, or a structured approach to feedback, could be conducted by DoFD to address this issue.

## 4.3 Delivery summary

### Innovative delivery

- The Secretary's desire for staff to be more innovative is clearly articulated and understood.
- The pace of change needs to increase, but has been constrained by the absence of a practical definition of what innovation means in the DoFD context.
- There is an understandable risk aversion throughout DoFD that can impact adversely on the quality and frequency of innovation. Greater effort towards transitioning from risk aversion to risk awareness and active risk management could improve the department's capability in this area.

### Plan, resource and prioritise

- Group plans sit below DoFD's strategic plan and set out objectives and priorities for each group.
- The Executive Board needs to be more effective at setting departmental priorities when it is at the expense of group interests.
- Internal budgeting and financial management need serious and immediate attention for DoFD to meet the challenges of the current fiscal environment.

### Shared commitment and sound delivery models

- The Secretary has articulated his objective to push delegations downwards and devolve decision making, however the extent to which this approach is mirrored throughout DoFD is patchy.
- The full advantage that could be gained from DoFD's breadth and reach of functions is not being realised because its groups operate in silos. Examples of internal collaboration are often based on individual good practice and informal networks, rather than a systemic approach.
- Strategic corporate issues, such as workforce planning, are being seen as the responsibility of COOG. Responsibility for these matters could be shared by the leadership group as a whole.

### Manage performance

- The introduction of the new Strategic Assurance Report (or 'Dashboard Report') at Executive Board is a positive step for DoFD to increase its focus on monitoring and managing performance.
- The good practice performance monitoring and reporting that exist in specific areas of groups is not followed through on a whole-of-department basis.

Comments and ratings against the components of the delivery dimension follow.

Innovative delivery

|                    |  |   |
|--------------------|--|---|
| Guidance questions |  | <ol style="list-style-type: none"> <li>1 Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?</li> <li>2 Does the leadership empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery?</li> <li>3 Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?</li> <li>4 Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?</li> </ol> |
| Rating             |  | Well placed   |

An operational definition of innovation and risk

It is clearly the Secretary’s intention for the department and staff to be more innovative. This is articulated in DoFD’s behaviours, which call for ‘innovation, creativity, and appropriate levels of risk-taking’. Work has also started to reinforce that message for staff, with an example of innovation being acknowledged in the annual Secretary’s Awards, and a Deputy Secretary being appointed as Innovation Champion to drive innovation in the department. There are also examples where the department has taken an innovative approach to deliver outcomes, such as the review of government banking arrangements which set out to deliver a framework that supports adopting creative and innovative banking solutions.

During the capability review staff within DoFD expressed a desire to improve processes and change the way things are done to get better outcomes. However, staff have also expressed frustration at the pace of change and, despite efforts undertaken thus far, they do not have a sense that they have a licence to innovate or the associated support systems. This is borne out in the 2012 State of the Service survey data which shows that only 26% of DoFD staff believe there are established processes for evaluating innovative ideas and only 32% believe they are given the time and resources to try out new ideas.

While DoFD’s initial efforts to foster innovation are to be commended, including the creation of the Innovation Champion to further explain to staff what innovation means for DoFD, the department would benefit from further defining innovation in a way that is meaningful for staff. Indeed for a department like DoFD, which has responsibility for and is the standard bearer of a number of traditional functions and processes, the concept of innovation, the goal of innovation and the boundaries for where innovation is appropriate can be difficult for staff at all levels to determine.

## Risk aversion

Another factor which is impacting on DoFD's capability to innovate is its overarching risk aversion, which flows from a consciousness that the department is not expected to make mistakes. DoFD's strategic plan outlines that it will implement an 'approach to risk that supports better business outcomes and ensure openness and transparency in risk assessment, management and reporting, while fostering an appropriate balance of risk and opportunity.'

The review team is supportive of steps DoFD has taken in this direction, such as the risk register developed for Executive Board.

The review team considers that more focus should be placed on applying and promoting the Risk Management Framework across the department. For while there is value in stability the long tenure of many in the one position could at times be contributing to a reluctance to change practices that have developed. Increasing mobility, as well as broadening experience in identifying and managing risk, could result in fresh approaches.

## Sharing review learnings

DoFD has a strong practice of conducting internal audits and reviews, however even more benefit could be achieved from this practice with the wider circulation of reports and a sharing of learnings across the department.

This practice of limiting the circulation of reports was also recently identified by Price Waterhouse Coopers, the independent internal auditor, which noted that 'good practices and/or issues arising in one area do not appear to be broadly shared across the Department'.

## Plan, resource and prioritise

|                    |   |   |
|--------------------|---|---|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Do business planning processes effectively prioritise and sequence deliverables to focus on delivery of strategic outcomes? Are tough decisions made on trade-offs between priority outcomes when appropriate?</li> <li>2 Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?</li> <li>3 Is effective control of the organisation's resources maintained? Do delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?</li> <li>4 Are delivery plans and programs effectively managed and regularly reviewed?</li> </ol> |
| Rating             |  | Development area  |



## Setting departmental priorities

As previously noted, DoFD's strategic plan, with its focus on culture, collaboration, excellence and influence, goes more to 'how' DoFD will work rather than 'what' DoFD will do. The group 'plans on a page' which sit below the strategic plan set out objectives and priorities for each group.

There has been some feedback to the review team that the strategic plan, with its focus on behaviours, makes it difficult for staff to see the relevance of the plan to their work. While there have been some efforts across DoFD to translate group-level plans into divisional and branch plans, this has not been universal. There has also been feedback that the format of the group plans and the timing of the planning process contribute to the difficulty in translating the plans for staff.

In addition, in an environment of increasing fiscal constraint, the focus on group priorities has implications for prioritising and resourcing work at a department-wide level.

These issues are reinforced by an Executive Board that, as discussed elsewhere in this report, is currently functioning like a 'council' rather than a board with members often said to be representing their group's interests rather than focusing on DoFD's priorities. In an environment where some difficult whole-of-department resourcing decisions need to be made to shift resources from lower priority areas to higher priority areas, the review team considers it critical that the Executive Board shift its focus to take up this role.

This effort may be supported by reporting to the Executive Board in general being moved from group level to division level. That is, both the presentation of proposals for decision to the Board should be done by the person with primary responsibility and the responsibility for implementation of decisions. In addition, the level at which regular scrutinising of performance by the Board should shift from group to division. This shift could give all members of the Executive Board greater visibility of the work that is underway across the department, and, by positioning discussions at a level that is not in the direct control of the deputy secretaries, could help lessen defensiveness or 'patch protection' and aid in the setting of priorities. This change may also improve the focus on managing departmental performance and it has the benefit of increasing SES exposure to the Executive Board.

## Financial management

DoFD's senior leadership is well aware of the need to adapt to the tightening fiscal environment within which it must operate and appreciates that the potential for capital expenditure is limited. The leadership has instituted a program to harvest under expenditure.

Nevertheless the review team retains some concerns about the department's resource planning against the background of the current fiscal environment.

While DoFD has consistently met its *Financial Management and Accountability Act 1997* obligations, internal budgeting systems are less effective. Many staff spoke to the review team of the inadequacy of the financial information provided to them (including a lack of trend analysis and forecasting), delays in receiving information and some inaccuracies in internal financial reports. Given the importance of this function, the review team considers it appropriate for the department to give high priority to strengthening this capability.

In addition, there has not been a consistent approach to how budgets are managed across DoFD. Responsibility for managing budgets has ranged from being devolved to branch

managers in some areas to remaining substantially with the deputy secretary in others. While recognising that the size of groups, divisions and branches vary, it is important for the effective control of resources that responsibility and control of budgets be delegated to a consistent level wherever feasible. Such delegation allows managers to effectively control their staffing levels and other resources and it facilitates unspent resources being returned to the centre for re-prioritisation, rather than being reallocated within divisions or groups.

### Shared commitment and sound delivery models

|                    |   |  |
|--------------------|---|--|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries?</li> <li>2 Does the organisation identify and agree roles, responsibilities and accountabilities for delivery within those models including with third parties? Are they well understood and supported by appropriate rewards, incentives and governance arrangements?</li> <li>3 Does the organisation engage, align and enthuse partners in other agencies and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?</li> <li>4 Does the organisation ensure the effectiveness of delivery agents?</li> </ol> |
| Rating             |  | Well placed  |

### Improving internal collaboration

DoFD has a strong history and reputation for delivering across a wide range of functions, as exemplified by the delivery of the federal Budget every year and its ongoing support for parliamentary services. The department has also made significant steps in establishing cross-government frameworks for matters such as financial control and procurement. In this context, DoFD has managed to balance its role of independent policy advisor, fit-for-purpose regulator and promoter of better government.

Furthermore, when faced with a high profile or immediate challenge, DoFD works well together to deliver an outcome as it did in response to the Williams high court case decision that Commonwealth expenditure must be authorised by legislation and not solely through the Appropriation Acts. While this approach is demonstrably successful in a crisis or when DoFD is under pressure, when it comes to business as usual the delivery models across internal boundaries, although improving, are not as strong.

Not leveraging this crisis mode of collaboration as part of normal business has an impact on the quality of DoFD's delivery and its reputation with stakeholders. Some external stakeholders spoke to the review team of inconsistencies in DoFD advice, and many internally are aware of a tendency for external agencies to 'policy-shop' across different areas, which arises from staff having too little knowledge of what is happening across different groups or forgetting to inform other sections of the department about matters relevant to their particular functions and responsibilities.

The examples where DoFD has worked across its internal boundaries have demonstrated the



strategic advantage the full complement of the department's functions can bring, for example the benefits leveraging off of the knowledge and perspectives that Australian Government Information Management Office or Asset Management and Parliamentary Services can bring to functions in Budget Group or Financial Management Group. However, examples of this collaboration have often been based on individual good practice or action taken at senior levels rather than a systemic approach. Particularly in a department that is geographically dispersed, relying on the informal networks of staff is not sufficient to ensure appropriate levels of collaboration. DoFD's strategic plan and the Secretary's messaging clearly conveys the importance of collaboration inside the department as well as externally. The time may now be right to introduce some more systemic approaches to support networks and connections across the department and to genuinely assess staff performance in relation to collaboration.

The lack of information sharing across the department also means there is a tendency for issues to be raised to the deputy secretary level for resolution at Executive Board or by the Secretary. The review team heard examples of this practice, ranging from resolving different policy positions between two groups to dissatisfaction with course offerings provided by the corporate area. The review team considers there would be value in branch managers and division managers taking a larger role in resolving whole-of-department issues. A range of mechanisms could be used to facilitate this, such as time-limited taskforces and working groups, reference groups, increased exposure to Executive Board and more all-SES forums. However the critical step would be to make this cohort responsible for delivering outcomes across the department, including corporate outcomes.

## The role of COOG

There is an apparent over-reliance on COOG to implement corporate initiatives and change rather than the entire leadership group taking responsibility. Steps such as the establishment of executive board 'champions' are a positive initial step to share responsibility for areas such as work-life balance, workforce diversity and innovation. However, this needs to be taken further, particularly given the challenges in areas such as workforce planning, talent management, knowledge management and financial management which cannot be successfully addressed by COOG without high levels of support and collaboration from the other groups.

Previously decentralised corporate functions have been drawn back to strengthen the centre. Given the benefits that come from coordination, DoFD's steps to centralise functions, such as certain learning and development functions, are positive, and the time is now right for 'shadowing' of corporate functions to be considered further for centralisation. While this will require COOG to step up in terms of identifying its customers' needs, increasing the accuracy and timeliness of its reporting and clearly showing where it adds value, it is important that the other groups genuinely support this process and work with COOG to make it a success.

## Upward elevation of decision making

Many staff in the department spoke of the inconsistent devolution of responsibility and the tendency for decisions to be made at high levels, as discussed elsewhere in this report. The Secretary's efforts to increase delegated authority are to be applauded, although the support for this effort has not been universal across the department. While there are a number of factors

which potentially contribute to this (for example, risk aversion, the small size of some groups and divisions, the number of senior staff and personal management styles), there would be advantage in encouraging every SES officer to actively push down delegations and decision-making authority. In fact, a number of the SES the review team spoke referred to examples where they had done that. While a frequent response to mistakes or errors being made is to elevate decision making or introduce additional layers of clearance, a better approach would be to focus on training and developing staff to better manage these situations. To ensure that the Secretary's initiative is not undermined, it will be important that, where the need to tighten control on some operational matters occurs due to budget constraints, this is accompanied by very clear messaging about the reasoning behind it.

### Manage performance

|                    |   |  |
|--------------------|---|--|
| Guidance questions |   | <ol style="list-style-type: none"> <li>1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?</li> <li>2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?</li> <li>3 Does the organisation have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system?</li> <li>4 Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives?</li> </ol> |
| Rating             |  | Development area   |

### Building rigour and relevance into measurement

DoFD has a reputation for delivering and staff across the department take pride in this reputation. However, there is some sense across DoFD that the behavioural basis of its strategic plan means that the performance indicators in the plan are less rigorous. There is also a view that more could be done to monitor and manage performance on key deliverables across the department.

Group business plans include key performance indicators (what will success look like), but there is variability to the extent that they are SMART (specific, measurable, achievable, realistic and timely), while some areas of the department have quite well-developed performance monitoring and reporting regimes, produce a range of performance reports for agencies and for government as a whole. These are, however, specific to particular groups or individual functions, rather than systemised across DoFD.

The review team has been advised that the monitoring of the key performance indicators in the Portfolio Budget Statements are the responsibility of individual groups and that there is a process for reporting against group business plans. Overall, however, there does not appear to be a culture or rigorous process for monitoring, analysing and responding to departmental performance or an assessment of remedial action taken on a whole-of-department basis.

## The dashboard approach

The introduction of the new Dashboard Report recently formulated by the Executive Board is a positive step by DoFD to improve the Executive's ability to manage performance across the department on critical indicators.

At present, feedback to the Executive Board is by way of presentation or verbal advice, which in the current climate precludes objective assessment among peers. Common metrics that are accepted for their impartiality would help diffuse tensions over Board members scrutinising each other's areas of operation.

Moreover, as previously noted in this report, this could be further enhanced by shifting reporting to the Executive Board from group level (which is done on a rotational basis) to division level. This would give the Executive Board the ability to step back and manage performance across DoFD.

Performance reporting and analysis, of course, is highly dependent on the degree of accuracy of information provided, which in turn depends on integrated IT systems and internal analytical capacity. Development in these areas, as discussed elsewhere in this report, is important support for the formulation of a more rigorous whole-of-department monitoring framework.

Finally, as previously suggested, given the emphasis on building a collaborative philosophy within DoFD, some form of measurement of stakeholder opinion in this regard would prove worthwhile.



## 5 The department's response

The Department of Finance and Deregulation welcomes this review and the opportunity to validate our assumptions on our strategic priorities and the initiatives we have put in place to achieve them. We are pleased with the recognition and acknowledgement by the reviewers of our capabilities and the areas in which we are well-placed; having put considerable effort over the past few years into developing our strategies, our people and our systems. The department is particularly pleased with the recognition given to the skills, commitment and professionalism of our staff – which we agree is our major strength.

We note that our self-assessment and that provided by the reviewers is largely similar – indicating a high organisational self-awareness of where we need to focus our efforts and further position ourselves as an important central agency.

We agree with the key areas flagged by the reviewers as having the potential to benefit from further development. The Executive Board is committed to putting in place an action plan, developed with the input of our staff, to complete the work we have started and ensure our systems and business processes support our staff and our business to the greatest extent possible and focus on our priorities.

The department acknowledges the challenge of articulating a clear purpose statement – which we have been referring to as the *Philosophy of Finance* – which unifies the department, further engages our stakeholders and defines the value we bring as a central APS agency. The department agrees with the need to expedite the work it has been doing on strategic workforce planning. This will be a priority in the action plan.

The Executive Board also acknowledges the findings on its performance to date – its *modus operandi* and its perceived level of collaboration and collegiality – and has committed to defining a renewed purpose and role for itself. The Board has already implemented, for example, the suggestion to shift the current focus of matters for its consideration from the group-level to the divisional level. This approach takes effect from our December 2012 Board meeting.

Over the coming months, the department will build upon the success of our *Strategic Plan*; ensuring a clear understanding of our business – shared by our staff, our clients and stakeholders – captured in a concise positioning statement; reflected in the way we collaborate and share information to deliver better policy and service outcomes; and demonstrated in how we manage and monitor the performance of our systems and processes. We agree with the review finding that further development of our systems and processes, particularly to enhance the leveraging of information within the department for whole-of-government benefit, is a major opportunity to add value and better utilise the department's comparative advantage in this area.

The review has facilitated highly engaged and constructive discussions across our leadership cohort and we are confident the findings reflect a strong and shared commitment to building a stronger, more influential and effective department.

This review gives us the confidence to pursue key areas for development and to recognise our strengths. It also provides a solid platform on which to develop and deliver an achievable action plan in early 2013.

I thank the reviewers for their diligence and frankness, and my staff who engaged so constructively and positively in this exercise.



David Tune

Secretary

Department of Finance and Deregulation

## 6 Abbreviations and acronyms

| Abbreviation or acronym | Description                            |
|-------------------------|--|
| APS                     | Australian Public Service              |
| APSC                    | Australian Public Service Commission   |
| COOG                    | Chief Operating Officer Group          |
| DoFD                    | Department of Finance and Deregulation |
| EL                      | Executive Level                        |
| SES                     | Senior Executive Service               |

