

Australian Corporate Lawyers Association
(ACT Division) Conference

Government Lawyers Influencing Change

**What Government lawyers can do
to bring about positive change
in their agency**

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*With thanks to Greg Cristofani of my Office
for his assistance in the preparation of this address*

Ian McPhee
Auditor-General for Australia

Introduction

Thank you for the opportunity to speak to you today. I look forward to these occasions, as they offer the opportunity to share some of the insights gained from the unique perspective and role that being the external auditor of public sector entities can offer.

The Auditor-General has a statutory mandate to audit the financial statements of all Commonwealth controlled entities; and with few caveats has complete discretion in the selection of performance audits in public sector entities. The reason for this privileged position is to allow the Parliament to be directly informed by the Auditor-General on whether public administration is being conducted efficiently in accordance with legislation, and also the announced policies of the Government.

This is the core role of my office. We interpret this role broadly as having a charter to improve public administration. Hence we endeavour to leverage off our audit work, to extend our reach to improve public administration. Our series of Better Practice Guides (BPGs) and our newsletters *AuditFocus* and *Opinions* are important levers in this regard.

We have some common ground with in-house lawyers in seeking to ensure agency compliance with legislation and government policy, and overall encouraging sound public administration. We also have common ground in assessing the significance of an issue and in deciding when to stand firm on a judgement or when to modify a view in the light of additional information. Further, we have a similar role in providing advice or counsel, and (generally) not having direct management responsibility for the matter at hand. All of this requires those admirable traits of having a worldly understanding of issues, a sense of balance and sound judgement.

I have always known auditors had to keep these matters in mind, particularly the issue of balance, but I was reminded of their importance to lawyers by an article in the Australian Financial Review¹ recently. The article was about marriage proposals and, more specifically, about better (legal) practice in the art of passing across the engagement ring. It suggested handing over a little card with the engagement ring saying it is '*in contemplation of marriage*'..... and keeping a photocopy - as apparently, this romantic gesture makes it easier to keep 'the rock' if things turn sour!

Now there are any number of messages here, but one of them is about knowing where the balance is, and where to draw the line.

For me, it is time to focus on the Australian National Audit Office's (ANAO) experience which may assist you in your role in guiding public sector organisations in today's increasingly complex world, and bringing about positive change for the better.

I plan to discuss the headline messages arising from our reports in relation to organisational performance, and in this context to mention some areas where legal or related issues have been factors in sub-optimal performance. I will also mention some of the practice issues that allow the ANAO to bring about positive change that may be of some benefit to you. Finally, I will also briefly refer to some of the key matters arising from our audit of legal services and the related Better Practice Guide *Legal Service Arrangements in the Australian Public Service*.ⁱⁱ

Organisational Performance

In our world, legislation and the law generally are necessary features of the administration and accountability of government, underpinning the broad range of government functions from social welfare, education, defence, to regulation and enforcement. In addition, a significant body of law governs the operating environment of agencies for their day-to-day management. In this light, it is important for all of us to understand the legal framework as it is integral to our responsibilities. Misunderstandings can be costly and embarrassing.

As lawyers working in government, you are in a position to influence organisational governance and be alert to risks that impair the delivery of programmes.

All organisations and organisational units (including our own) should have in place governance arrangements which focus appropriately on both conformance and performance, and which are self-evaluating. It is important in today's world to cut through complexity and to focus on those factors that make a difference to organisational performance and which respect our legal framework.

In our experience, the headline factors include:

- ✓ effective governance and management
- ✓ organisational self-awareness; and
- ✓ leadership

We also must continue to reinforce the Public Service Values as they are the essential underpinnings for public sector agencies. They speak volumes as to our role in public sector administration and they are common ground amongst all agencies.

Effective Governance and Management

The most recent review focussed on public sector governance in the Australian Government Public Sector was undertaken by John Uhrigⁱⁱⁱ. While much attention has been focussed on the organisational changes flowing from the Uhrig Review, Uhrig's report was interesting also for what it said about the

practice of governance. Uhrig captured succinctly the control elements to effective governance which he underlined the importance of:

- ✓ Understanding success;
- ✓ Organising for success; and
- ✓ Making sure success is achieved.

Clear objectives and appropriate accountabilities, authority and reporting regimes are necessary components of effective governance. Having the right skills and methodologies is a pre-requisite. Staying focussed on what is important is critical.

This is particularly so with the quickening pace of public administration, including in respect to policy development and implementation. It is not uncommon for not all policy dimensions to be known before a policy is announced, nor all implementation details to be settled before an implementation commenced. Planned pilot studies can be truncated, or turned into a rolling 'implementation'. So while these approaches may not always reflect best practice models of implementation, they can reflect particular priorities and/or timetables. In these circumstances, an agile approach to governance is required.

The fundamentals do not change, whether you are managing a new initiative or a large stable programme. When timetable pressures apply, and they generally do, the fundamentals are even more important, but need to be appropriately tailored to suit the circumstances.

Senior managers are expected to have a good understanding of the environment, including the applicable legal framework, to be aware of the risks to successful performance, have in place suitable information systems to report on performance, keep in touch with key stakeholder groups, and take action where performance is, or is expected to be, significantly below expectations.

And for many Australian Government programmes, this is occurring.

However, there have been some significant governance and management matters raised in recent audit reports to remind us all of the importance of sound governance and management, and particularly to underline the role of senior managers. Some of these are mentioned below.

In the audit of *Customs Cargo Management Re-engineering Project*^{iv} the ANAO reported that:

“12. The management framework that Customs had in place to support this project lacked many of the basic fundamentals necessary to successfully implement a large ICT project. The outcomes to be achieved and the expected benefits from the project were never clearly defined. There was no overall CMR project plan, financial management plan, project budget or proper assessment of the risks facing the

project. There was also a lack of supporting documentation surrounding contractual arrangements. Delays in the early years of the project had major repercussions for the latter stages of the project. Project teams were continually under pressure to meet tight deadlines, which were not achieved. Delays with the project necessitated three amendments to the legislated implementation date.

13. Customs underestimated the complexity and the risks associated with the project and failed to properly respond to emerging issues and changes in risks. The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning. Insufficient time was allowed for system testing, particularly end-to-end testing. Customs did not have quality assurance mechanisms to assess the readiness of third-party software providers, the quality of their software or the preparedness of industry participants. Problems with the Cargo Risk Assessment system also impacted on Customs' ability to clear cargo and to target and assess high-risk cargo, increasing the risks to Australia's border security and Customs' revenue collection responsibilities."

The audit of *The Conservation and Protection of National Threatened Species and Ecological Communities*^v identified, amongst other things, a number of areas of non-compliance with the *Environmental Protection and Biodiversity Conservation Act 1999* and that the Department had sought supplementary funding, on four occasions, for this, but these requests were not agreed. The ANAO considered that the Department was slow in the early years of the Act to adjust its strategies to ensure it met its statutory responsibilities, but also acknowledged that the department had sought additional funding and kept Ministers informed of the position. The matter has been addressed by both legislative change and additional resources in the 2007-08 budget.

In the audit of *Distribution of Funding for Community Grant Programmes*^{vi}, the ANAO reported that:

"65. A consequence of the then Minister for Children and Youth Affairs' variations from FaCSIA's funding recommendations in the first round of VSEG funding in 2004 was an increase in the allocations to Coalition, particularly National Party, electorates. Although National Party electorates accounted for around 20 per cent of VSEG applications, around 70 per cent of the then Minister's variations from FaCSIA's funding recommendations (involving 85 applications) related to organisations in National Party electorates with 15 per cent of variations (involving 17 applications) relating to organisations in the then Minister's own electorate. Most of these variations, including those relating to the then Minister for Children and Youth Affairs' electorate, involved funding organisations from National Party electorates that FaCSIA had not recommended to fund.^{vii} A small portion of the variations were to not fund projects that FaCSIA had recommended for funding.

66. *Many of these variations involved replacing strongly ranked applications with those that were ranked significantly lower. There were also a number of organisations that were approved for funding by the then Ministers whose applications FaCSIA had appraised as not consistent with the VSEG guidelines and, in terms of the department's appraisal, should not be funded. There was no evidence to suggest that any senior FaCSIA executives advised the then Minister for Children and Youth Affairs that, in the absence of additional information, such applications either did not satisfy the VSEG programme guidelines, or were relatively weak compared to other projects, and requesting that the Minister review these selections in light of this situation."*

In the audit of the *Management of the Tender Process for the Detention Services Contract*^{viii}, by the then Department of Immigration and Multicultural and Indigenous Affairs the ANAO reported that:

The department put in place an appropriate plan to evaluate the costs and benefits of competing solutions from tenderers, but failed to follow through effectively in the implementation of its plan. Shortcomings identified by the audit include:

- *ambiguity in DIMIA's management of the roles and responsibilities of key advisors and personnel;*
- *deficient recordkeeping, impacting DIMIA's ability to demonstrate accountability and transparency in this procurement;*
- *weaknesses in the conduct and documentation of contract negotiations;*
- *deficiencies in the assessment of tender bids against the value for money criteria.*

Some of the more important messages arising from the abovementioned audits are:

1. the benefits of following accepted methodologies;
2. the importance of properly allocating responsibility for programme management to senior staff, and their being alive to performance issues due to feedback from information systems and /or stakeholders;
3. the criticality of key judgements that influence either viability or timing, and the benefits of apply the 'blowtorch' to these;
4. being very conscious that risks change over the life of a programme or project; and

5. responding early and appropriately to untoward variations in programme expectations or performance;

Agencies were responsive to recommendations made in these reports. As for other areas of public administration, it is important that the experience gained be built into departmental communications and training.

The ANAO has contributed to the stock of material on public sector governance via Better Practice Guides on:

- *Public Sector Governance (8 August 2003)*
- *Public Sector Audit Committees (21 February 2005)*
- *Internal Audit (for publication shortly)*

Organisational self-awareness

Our audit coverage shows that every organisation has different strengths and weaknesses that bear on their success in providing policy advice and in implementing government programmes.

An issue for all chief executives is what I call organisational self-awareness. This means being able to recognise the organisation's strengths and weaknesses. The chances of successful implementation are increased if senior management is able to recognise their own (and the organisation's) strengths and weaknesses; this in turn enables senior management to consider how to compensate for any weaknesses in a pragmatic way.

This is fundamentally about risk management, taking into account the three major contributors to organisational risk:

- **strategic risk:** the concern that major strategic alternatives may be ill-advised given the organisation's internal and external circumstances;
- **environmental risk:** covering macro-environmental risks, including political, economic and market factors; and
- **operational risk:** covering compliance and process risks^{ix};

There is now a recognition by most agencies that an effective risk management strategy and control environment must be in place, and refined over time to actively manage their programmes in an environment of changing risk profiles – this is no longer discretionary.

To be most effective, managing risks should be aligned to strategic objectives, corporate governance arrangements and integrated with business planning and reporting cycles. There is a close relationship between risk management and effective governance.

While many audit reports touch on issues that suggest departments are not sufficiently aware of the potentially significant risks to successful performance, the most common area where this surfaces, in our experience, is in the management of large scale projects or contracts. In other words, 'execution' is commonly a challenge for agencies.

There are a couple of reasons why 'execution' risk is underrated: the inherent complexities and interconnections among components of many projects is frequently not well understood, and often take more time or resources to resolve; and there tends to be less senior management focus on execution, relative to the development of the original policy or proposal, in the public sector.

In this context, my observation of public administration over many years is that the legal issues or consequences are often not at the forefront of programme managers' minds in the development of policies or the implementation of measures. But when things go astray, the demands on legal services can be great and the timelines short. The message is clear: the early impact of sound legal advice will benefit both the development of policy and the implementation stages of reforms and initiatives. In this context, it is noteworthy that in some agencies the most senior lawyer attends executive leadership meetings on a regular basis as an observer. This practice was particularly useful when strategic decisions were being considered, as it provided scope for the in-house legal representative to highlight areas where legal issues may need to be considered.

The establishment within the Department of Prime Minister and Cabinet (PM&C) of the Cabinet Implementation Unit has been a response to the Government's concern about the delay to the implementation of Government policies. Of course, this is not only a public sector issue.

Audit reports commonly focus on agencies' management of risks as part of programme management.

For example, in our audit of the *Management of Army Minor Capital Equipment Procurement Projects*^x, the principal factors identified by the ANAO as contributing to project slippage, and consequent in-year underspending against projected expenditure, included:

- unrealistic or over optimistic and unchallenged baseline schedules and budgets;
- programming of projects based on underdeveloped or poorly specified capability requirements;
- inadequate project management methodology, particularly scheduling and risk management, and poor project management discipline;
- inadequate staff allocation to projects;

- poor performance by, and inadequate supervision of, contractors; and
- project reviews focused only on budgets.

The audit of *The Edge Project*^{xi} a joint project between the Department of Family and Community Services and Centrelink, to develop an expert system, was undertaken by the ANAO at the request of the Joint Committee of Public Accounts and Audit (JCPAA) four months after the project was terminated, at a cost of some \$64m. Factors leading to the termination included:

- *Edge*, in its planned form, was no longer properly aligned with the business needs of the programme;
- the legal or anticipated benefits were unlikely to be realised, leading to a negative return on investment;
- the funding and savings for the project were unlikely to be realised, leading to a negative return on investment;
- the funding and savings for the project were to be defined in a Memorandum of Understanding (MOU) between the two agencies, but the MOU was never agreed; and the relative responsibilities for the cost of the project were in dispute.
- there were technical difficulties in successfully integrating the expert system into the current IT environment.
- the communications and data matching needs of interfacing *Edge* with the mainframe had been identified as a high risk in the original business case; however, the mitigation strategies were inappropriate and proved to be ineffective;
- optimistic predictions of customer claims that could be processed.

In the audit of *Airservices Australia's Upper Airspace Management Contracts with the Solomons Islands Government*,^{xii} the ANAO reported that:

14. *Airservices Australia's administration of the payment of air navigation fee revenue to the Solomons Islands Government departed significantly from the approach specified in the written contracts. Specifically, more than \$2.1 million (20 per cent of all payments from the air navigation fee revenue) was paid outside the terms of the upper airspace management contracts.....*
15. *Airservices Australia relied upon authorisation from Solomon Islands Government Ministers and officials as sufficient basis to depart from the terms of the written contract when making payments from the air navigation fee revenue. This was not only a departure from sound contract management practices, but was not prudent given the number and variety of payment transactions. The manner in which these transactions were processed as deductions from air navigation fee revenue may*

also have contributed to any irregularities in the use of this revenue by Solomon Islands Government Ministers and/or officials.

There was also a series of ANAO audits focussed on agencies' administration of aspects of the *Financial Management and Accountability Act 1997* (FMA Act), covering such topics as net appropriation arrangements^{xiii}, special accounts^{xiv}, special appropriations^{xv}, and the investment of public funds^{xvi}, which highlighted a range of departures from the financial management framework. The outcome of these audits and concerns expressed by the JCPAA in relation to these reports were influential in the Government deciding to require chief executives of public sector agencies preparing a Certificate of Compliance with specified elements of the financial management framework, on an annual basis.

Most of us have been in situations where risks could have been better managed.

It also doesn't pay to be over-confident in assessing an organisation's ability to manage risk. I recall the comment by Rick Buy, Executive Vice President and Chief Risk Officer, Enron in 2000

"A rattlesnake may bite us every now and again, but we knew it was there and how much it might hurt."

The quote was in a publication by Arthur Anderson, *Managing Risk, Managing Value*.^{xvii}

A rather sobering reference, given neither organisation has survived.

To assist agencies in managing risks in particular areas of public administration, the ANAO has issued Better Practice Guides in relation to:

- *Developing and Managing Contracts* (2 February 2007)
- *Implementation of Programme and Policy Initiatives* (16 October 2006)
- *Fairness and Transparency in Purchasing Decisions – Probity in Australian Government Procurement* (August 2007)

Leadership

All senior executives carry an important leadership role in APS agencies. As many in today's audience are aware, the leadership capability framework for the SES is quite demanding.

Amongst other things, this means managers taking a 'broad' rather than a 'narrow' view of their role, both in terms of programme management and their corporate responsibilities. While on some issues managers will need to rely on legal or technical advice, and appropriately inform themselves of the

options and consequences, the normal expectation should be that it is the programme managers who decide on the appropriate strategy, not the legal or technical advisor. It is critical to have a clear understanding of roles, responsibilities and accountabilities. The ANAO has made this point, not only on audits of individual programmes, but on audits involving whole of government approaches with multiple agencies participating.

There is no doubt that appropriate engagement by senior executives reduces the chances of sub-optimal implementation.

There was some research published last year^{xviii} that silence was the root cause of project failure. In short, the message is that we need to ensure an environment conducive to holding crucial conversations so that issues don't remain unaddressed or invisible. The complementary part of the research is that there is a clear difference in speaking up and speaking up well, ie: while some speak up, they are often ineffective because, for example, they water down their concerns or speak up in a way that provides defensiveness in others.

It is a fact though that 'bad news' happens. One aspect of an effective organisation is that 'bad news' needs to be willing to be given and received. No one would dispute this principle. However, do organisational arrangements support this? The answer to this question is heavily influenced by organisational leadership.

The United Kingdom's National Audit Office (NAO) and the OGC have published a list of eight common causes of project failure, one of which is a '*lack of clear senior management and Ministerial ownership*' (see [Appendix 1](#) for a summary of the eight common causes of project failure).

Issues concerning senior leadership have generally been dealt with in our audit reports in the context of governance or management. However, I will mention an example of leadership intervention which was timely and had a positive effect on a multi-year strategy to overcome deficiencies in financial management.

I am referring to the fairly bleak period involving Defence administration when the certificate by the chief executive and chief financial officer, and the audit opinion on the department's financial statements had been disclaimed due to uncertainty around a number of material account balances in 2004 and 2005. Successive departmental secretaries, who carry the responsibility under the *Financial Management and Accountability Act 1997* (FMA Act) for financial management in the department, and for preparing the financial statements, had instituted plans to overcome the deficiencies.

However, without the support of the Services, this was always going to be an uphill battle. General Cosgrove, then CDF, stepped forward. At the launch of Defence's Financial Flagship programme in 2005, General Cosgrove in his typical direct style said:

‘There’ll be no excuses accepted, to say “I’m very busy on operations”. If we don’t get the fundamentals fixed, that is, our finances, by taking responsibility and working with our people, then operational success will not be sustained and all the world will see we are half-baked.’

In the history of Defence’s journey to improve its financial management and financial reporting, this display of leadership to join the Services and officials in the campaign to overcome the many legacy issues will be a key milestone.

For those of us mere mortals who have leadership responsibilities, it is important to be reminded of the key dimensions of leadership from time to time.

The ANAO’s role in bringing about change

Effective governance, self-awareness and leadership are critical elements in successful organisations that need to be well-supported by underlying methods, systems and processes. This is generally understood. But there are other dimensions of our role that need to be clear, as well, if we are to be successful in discharging our professional responsibilities and bringing about change.

Due to there being some common ground between our roles, I thought it best to refer to these dimensions by reference to my organisation, allowing you to readily translate to your world.

Auditing is a mature profession in many respects. Historically, it was very focused on the audit of financial statements. One of the text books^{xix} that I used in my student days contained a quote that I have not forgotten:

“As recently as 1942, a committee of English experts, in discussing the future of auditing in Britain, wrote, somewhat intemperately:

Attempts to persuade the accountancy profession to take a wider view of their public responsibilities have so far met with little success....there is little or no evidence during the last twenty or twenty-five years to show that the professional accountant, qua professional accountant, has produced a single idea of value to industry or the State. He has merely ticked and cast and trusted in God”^{xx}

Fortunately, there have been some positive developments since then! Firstly, women make up more than half of our staff. Secondly, the Australian Government and Parliament decided in 1979 that indeed there was a role for the ANAO to take ‘a wider view’ and gave the Auditor-General the powers to undertake performance audits. This additional responsibility has given the ANAO the mandate to make a contribution to improved public administration as well as the traditional assurance provided in relation to financial reporting.

So, what are the essential elements to effectively discharging a professional role?

- Clear understanding of role:
 - : *the ANAO has a clear legislative mandate.*

- Appropriate authority to be able to discharge the role effectively:
 - : *the ANAO has wide powers of access to people and information, including Cabinet documents, in undertaking our audit responsibilities. The Auditor-General may direct a person to provide any information the Auditor-General requires, attend to give evidence (including on oath or affirmation), and produce any documents.*

- Sufficient resources to be able to discharge the role effectively:
 - : *in addition to the normal budget processes, the JCPAA has a role in considering the resourcing and budget estimates of the ANAO.*

- Adherence to accepted professional practices, and due process, to inform your judgement:
 - : *the Auditor-General sets Auditing Standards which, in turn, adopt the profession's auditing standards in Australia.*

- Clear understanding of your reporting/advisory responsibilities
 - : *the **Auditor-General Act** establishes the Auditor-General's authority to table reports in the Parliament.*

It is important for you and your organisation to have a clear understanding of your role and operating model. While there has been a substantial growth in the volume of legal work in recent years, the level of demand for, and the nature of, legal services, varies considerably across agencies. The nature of the agency's function, the extent of change to legislation it administers, the nature of litigation, can all have a significant impact on the manner and value of legal services demanded. Organisational cultures, including appetite for risk and the effectiveness of strategies to manage risk, also have a bearing.

And last, but not least, is the model of legal service provision that the department has in place.

So, getting clarity around your role and modus operandi, and communicating this to your stakeholders, is fundamental to effective operations. Then, being able to manage the workload in terms of time, cost and quality is, as we all know, another issue.

Our audit of *Legal Service Arrangements in the Australian Public Service*^{xxi} in mid 2005, which surveyed 40 agencies and involved audit work in 16 agencies, concluded that:

“...the quality of agency management of legal services has been variable. Some agencies demonstrated a high level of efficiency and effectiveness in the way they procure and manage legal services. Key features of this included a strong, informed, client-focused coordination point for legal services, the ability to adjust arrangements to suit changing needs, an active approach to the management of risks, and appropriate systems to monitor workload, expenditure and knowledge management needs and developments. However, the ANAO also found that a number of agencies require improvement in these areas.”

We also took the opportunity to develop a Better Practice Guide (BPG)^{xxii} which has been well-received. I readily acknowledge the strong support we received from the legal fraternity in developing the Guide.

If you haven't seen it, it provides guidance on:

- Legal Services Directors and the Office of Legal Services Coordination (OLSC)
- Defining legal service needs
- Funding and sourcing legal services
- The informed purchaser
- Costing and reporting legal services
- Managing uncertainty and risk
- Using in-house legal services
- Purchasing external legal services
- Negotiating a fee
- Managing relationships
- 'Educating' clients
- Information and knowledge
- Reviewing service arrangements

The reason I have taken a little time to dwell on these matters relating to role and operations, is that if we don't provide an effective service, it affects our own standing and influence. The matters relating to governance, awareness and leadership bear on our operations as they do more broadly. Momentum is important in public sector administration, and it is much easier to influence the debate if you are 'on a roll' than if you are having to battle every inch of the way. And the only way to sustain momentum over time is by employing sound practices and consistently delivering services to the expected standard.

The next phase along the road to positive change is how to increase your leverage to get stronger organisational performance. This is commonly done via communication or education of key stakeholder groups.

In the ANAO, we have used our BPG's and newsletters as key ways to leverage our knowledge and experience in the interests of better public administration. They also assist in balancing the harder edges of objective audit assessments. In addition, the BPG's provide a normative model that establishes the audit criteria for future audits. And, they can reduce the level

of audit resources required to conduct our audits. Perhaps the most significant BPG example of this was our guide on Preparation of Financial Statements by Public Sector Entities^{xxiii} which not only assisted agencies, but also assisted the ANAO to streamline our financial statement audits.

Legal units also have potential to leverage their experience for the benefit of the organisation in a similar way. While it is often a challenge to locate the resources for these endeavours, the returns in our experience, make the effort worthwhile. Your across-agency perspective and understanding of government-wide legal issues, provides you with an understanding that is critical in the public sector, where authority is based in law and legislation and government policy establishes the frameworks within which we all operate.

Conclusion

We all want to work in organisations that perform strongly and have sound reputations. Such organisations do not happen by chance, but are the outcome of a structured and disciplined approach to goal setting, strategy development and delivery. All elements of core business are important from policy development, to implementation, to customer service. Governance arrangements focus on both conformance and performance to ensure programmes are delivered to the standard expected within the parameters set by legislation on government policy.

As lawyers working within government you are well acquainted with the legislative underpinnings of your organisation and the programmes it delivers.

You are also likely to have a better than average view of those parts of the legal and administrative framework that are likely to expose the organisation to risk, and areas where there are opportunities to improve the framework, where it may act as an unreasonable brake on performance. Further, your particular vantage point allows you to observe well-managed programmes, and the others, and to be aware of those factors that appear to make the difference.

I would encourage you to take a wide, rather than a narrow, view of your responsibilities.

This is not only in dealing with individual matters that require your advice, but in leveraging off your specialist knowledge to improve organisational understanding and performance. Through engagement of this kind, you will be able to limit, or head off, problems and contribute to a better performing organisation.

Appendix 1: NAO and OGC summary of eight common causes of project failure¹

Common Causes of Project Failure

1. Lack of clear links between the project and the organisation's key strategic priorities, including agreed measures of success.
2. Lack of clear senior management and Ministerial ownership and leadership.
3. Lack of effective engagement with stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Too little attention to breaking development and implementation into manageable steps.
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).
7. Lack of understanding of, and contact with the supply industry at senior levels in the organisation.
8. Lack of effective project team integration between clients, the supplier team and the supply chain.

¹ For the complete guide see Office of Government Commerce, *Common Causes of Project Failure: OGC Best Practice* [Internet], OGC, London, 2005, available from <http://www.ogc.gov.uk/sdtoolkit/reference/ogc_library/bestpracticebriefings/causesprojfailure.pdf> [accessed 23 January 2006].

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- ⁱ Australian Financial Review, 8 June 2007, p54.
- ⁱⁱ Audit Report No 52, 2004/05 *Legal Service Arrangements in the Australian Public Service*.
- ⁱⁱⁱ Uhrig, J, 2003 *Review of Corporate Governance of Statutory Authorities and Office Holders*.
- ^{iv} Audit Report No 24, 2006-2007 *Customs' Cargo Management Re-engineering Project*, pages 17 and 18.
- ^v Audit Report No 31, 2006-2007 *The Conservation and Protection of National Threatened Species and Ecological Communities*.
- ^{vi} Audit Report No. 39 2006-2007 *Distribution of Funding for Community Grant Programmes*, pages 31 and 32.
- ^{vii} The ANAO conducted regression analysis to assess the extent to which the net additional grants per electorate due to the Minister's changes could be explained by the political party holding the electorate, among other factors. This analysis found that the hypothesis that the decision by the Minister to add an organisation to the VSEG funding list was unrelated to the party holding the electorate in which the organisation is based was strongly rejected (at a statistical confidence level of over 99 per cent).
- ^{viii} Audit Report No 54, 2003-2004, *Management of the Tender Process for the Detention Services Contract*, page 36.
- ^{ix} Atkinson, Anthony A and Webb, Alan, *A Directors Guide to Risk and its Management*, International Federation of Accountants Articles of Merit Award Program for Distinguished Contribution to Management Accounting, August 2005, p.26.
- ^x Audit Report No 3, 2006/2007 *Management of Army Minor Capital Equipment Procurement Projects*.
- ^{xi} Audit Report No 40, 2004/2005 *The Edge Project*.
- ^{xii} Audit Report no 8, 2006/2007 *Airservices Australia's Upper Airspace Management Contracts with the Solomons Islands Government*.
- ^{xiii} Audit Report No 28, 2005-2006, *Management of Net Appropriation Agreements*.
- ^{xiv} Audit Report No 24, 2003-2004, *Agency Management of Special Accounts*.
- ^{xv} Audit Report No 15, 2004-2005, *Financial Management of Special Appropriations*.
- ^{xvi} Audit Report No 22, 2004-2005, *Investment of Public Funds*.
- ^{xvii} See Deloach, James W, Partner, Arthur Anderson, 2000. *Executive Briefing: An Executive Summary of Enterprise-wide Risk Management. Strategies for linking risk and opportunity*
- ^{xviii} See Amble, B, *Silence – the root cause of project failure*, 11 October 2006, www.management-issues.com
- ^{xix} See Mautz, RK and Sharar, Hussein A, *The Philosophy of Auditing*, American Accounting Association, Monograph No 6, 1961
- ^{xx} "The Future of Auditing", Anonymous, *The Accountant*, Volume 106, January 17, 1942, p 31.
- ^{xxi} Audit Report No 52, 2004-2005 *Legal Services Arrangements in the Australian Public Service*, pages 17 & 18.
- ^{xxii} Better Practice Guide, *Legal Service Arrangements in Australian Government Agencies*, 10 August 2006.
- ^{xxiii} Better Practice Guide, *Preparation of Financial Statements by Public Sector Entities*, 13 April, 2006.