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Department of the Prime Minister & Cabinet &
the Australia New Zealand School of
Government Conference
21 – 22 February 2006

Successful implementation of Government Programmes and Initiatives

Wednesday 22 February 2006

*With thanks to Alan Greenslade and Karla Rayner of my Office
for their assistance in the preparation of this address.*

Ian McPhee
Auditor-General for Australia

Introductory remarks

I would like to thank the Department of the Prime Minister and Cabinet (PM&C) and the Australia New Zealand School of Government (ANZSOG) for their invitation to speak at the *'Project Management and Organisational Change in the Public Sector'* conference.

I welcome the opportunity to share some lessons learned and insights from our work on what contributes to successful implementation of government programmes and initiatives.

Australian National Audit Office auditing and communicating lessons learned

The Australian National Audit Office (ANAO) audits a wide range of Australian Government programmes. Perhaps inevitably, what stands out in the public eye tends to be audit work that has identified limitations in public administration, particularly if these areas are in the public spotlight.

For example, we tabled a report last week on the Integrity of Electronic Customer Records held by Centrelink.[1] The report covered issues such as the collection of customer information, quality assurance processes, data entry, data integrity, error detection and reporting, and so on. The audit found that Centrelink could significantly improve the accuracy and integrity of information on its customer database; that Centrelink had in place a number of controls designed to prevent inappropriate payments (and that duplicate payments had only occurred in rare cases); and generally the audit concluded that Centrelink's customer records were sufficiently accurate and complete to support effective administration. Amongst other things, the audit reported that 1.46 million records had a date of death recorded for the customer, some of which were many decades in the past.

The headlines in the press, following the tabling of the report, were *"Audit finds clients dead"*; *"Dead still receiving welfare"; "Centrelink paying welfare to the dead".*

-        some audit findings are obviously more newsworthy than others!

Obviously, we are expected by Parliament to examine areas where there may be limitations in public administration. Our audit planning and targeting is risk based to reflect this expectation. However, we don't just focus on the issues that 'stand out'. We do also report on areas where programme administration works well, but generally our findings in such circumstances do not seem to travel as far or as fast.

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1   ANAO Audit Report No 29 2005-06*: Integrity of Electronic Customer Records, Centrelink.*

The breadth and depth of our work does put us in a unique position to compare the operations across the public sector. We've increasingly been seeking to pass on these lessons to the Australian Public Service (APS). For example:

- The ANAO has recently commenced a series of *AuditFocus* newsletters. These seek to capture some of the lessons from our audit work that are likely to be of general interest and application;[2]

  - they are intended to be easy to read for busy public sector executives.

- we produce Better Practice Guides on specific aspects of administration, drawing on lessons from relevant audits as well as international better practice;[3] and

- we aim to promulgate lessons more broadly through seminars and conferences.

Key factors for successful implementation

One positive development in the Australian Public Service (APS) in recent years has been the emphasis given to the implementation of government programmes and initiatives by senior ministers and officials. This is important, as the community expects the Government to deliver on its policies; and so does the Government.

Any delays in implementation mean that the community is not receiving the benefits of the new policy or initiative, and there is likely to be an adverse budgetary effect as well, neither of which are appreciated by Government.

Parliament and its Committees are also interested in programme implementation issues as evidenced by reports over many years on aspects of programme administration and systems implementation.

Today, I would like to focus on six themes that I feel are important factors for successful implementation. These are:

- organisational self-awareness;

- effective governance

- the need for support from the 'top';

- an understanding of the interaction between policy development and implementation;

- engagement with other organisations; and

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[2] The first issue of *AuditFocus* was published and distributed in November 2005. It covered: compliance with the APS Financial Framework; Audit Committees; maintaining proper records; and project and contract management. See http://www.anao.gov.au and follow the link to the *AuditFocus* newsletter.

[3] See http://www.anao.gov.au and follow the link to Better Practice Guides to see a list of the guides.

- continuous monitoring and evaluation.

There are factors that may not be new but, from my experience, matter for successful implementation.

My observations are also reflected, to a degree, in our work with PM&C on a *Better Practice Guide: Implementation of Programme and Policy Initiatives.* As well as the experience of the ANAO and PM&C, we have also drawn on the experience of the APS Chief Executive Officers, private sector organisations and overseas experience, for example the ANAO's counterparts, and the Office of Government Commerce (OGC) in the United Kingdom.[4]

- I will return to our plans for the guide later in this paper.

Organisational self-awareness

Every organisation has different strengths and weaknesses that bear on successful implementation.

An issue for those responsible for programme implementation 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[5];

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.

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[4]   The OGC is an independent office of the Treasury (UK) and works with public sector organisations to help them improve their efficiency, gain better value for money from their commercial activities and deliver improved success from programmes and projects.

[5]   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

The importance of risk management in today's public sector was captured by the UK Government's Strategy Unit as follows:

> *'Governments have always had a critical role in protecting their citizens from risks. But handling risk has become more central to the working of government in recent years. The key factors include: addressing difficulties in handling risks to the public; recognition of the importance of early risk identification in policy development; risk management in programmes and projects; and complex issues of risk transfer to and from the private sector'.*[6]

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.

Effective Governance

The Government has highlighted public sector governance as a key review area going forward, following on from the *Uhrig Review.* Some of what Uhrig had to say applies directly to programme implementation.

Uhrig captured succinctly the central elements to effective governance when he underlined the importance of:

- understanding success;

- organising for success; and

- making sure success is achieved.

Clear objectives and appropriate accountability, authority and reporting regimes are necessary components of effective governance. Having the right skills and methodologies is essential. Even so, don't hesitate to apply the 'blow torch' to critical judgements or assessments. Stay focused on what's important.

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 commences. 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 and risk management is required.

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[6] The UK Government Strategy Unit, 2002, *Risk: Improving government's capability to handle risk and uncertainty*, p. 1

The main message, though, is *don't lose sight of the fundamentals of good governance; they will hold you in good stead.* And if you are looking for a useful reference there is a Better Practice Guide issued by the ANAO in 2003 on Public Sector Governance, and a reference published in 2004 on the same topic by CCH[7]. You may even wish to read ANAO reports concerned with the governance of programmes and projects, available from www.anao.gov.au

Support from the 'top'

I mentioned earlier the importance of leadership. Our experience suggests that appropriate engagement by the 'top' reduces the chances of sub-optimal implementation. This experience is echoed overseas. For example, a manager's checklist published by the Office of Government Commerce (OGC), in the United Kingdom, states that one of the critical things to get right is to '*have the visible support of the top of the office.*[8]

I am pleased to see that Ian Glenday, Executive Director of Better Projects from the OGC is speaking next, and I look forward to hearing about their experience.

The United Kingdom's National Audit Office (NAO) and the OGC have also 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).

Without strong and visible top-down support, any underlying infrastructure risks being ineffective, especially if it involves cultural change. As was recently noted in the Palmer report:

> *'a strong government policy calls for strong executive leadership, together with careful management, to ensure that enforcement and application of the policy are justified and equitable.'[9]*

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? This is a matter both for the giver and receiver of the news, but in my experience is heavily influenced by organisational leadership.

Appropriate means of dealing with 'bad news' promptly is important to implementation success.

This links back to my earlier comments:

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[7] CCH Australia *Public Sector Governance – Australia.* July 2004

[8] Office of Government Commerce, *Achieving Excellence in Construction: a Manager's Checklist,* OGC, London, 2003.

[9] MJ Palmer, *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau Report*, Canberra, 2005, p. ix.

- do the governance arrangements within the organisation provide for adequate progress and review mechanisms. This means including escalation of significant issues to chief executive and/or ministerial level at the appropriate time; and

- does the tone and culture of the organisation facilitate this – will 'bad news' be reported and listened to?

To be effective, policy and programme implementation generally requires there to be a senior responsible officer who is accountable for the success of a policy's implementation.[10] This is the person who the relevant Minister and executive can turn to for progress reports and details of emerging risks during implementation.

Policy development and implementation are not separate

It is not a new idea to say that how a policy is to be implemented should be an integral part of policy design – begin with the end process in mind. By this, I mean engage those with implementation experience during the policy development stage. This is important for assessing the practicability of a policy.[11] For example, it may enable the identification of:

- practical constraints which need to be overcome in order for the policy to deliver required results on the ground; and

- more reliable cost and uptake estimates.

There has sometimes been a tendency for those with implementation experience to be consulted fairly late in the design process. This risks increasing the difficulties encountered during implementation, with subsequent risks to outcomes. The point is that, those with implementation experience may have far better practical knowledge of what is likely to work and what is not likely to work.[12]

It is also necessary to avoid any tendency to downplay the analysis of implementation risks. This is especially important where time constraints and complex negotiation processes create pressure to focus on the outcome to be achieved, rather than the capacity of administrative processes to deliver. The danger is of 'unwanted surprises' down the track, with mitigation usually much more difficult at that point.

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[10] A recent ANAO audit highlighted that a senior responsible officer should be allocated to a project, particularly where there is more than one agency involved in implementation (see ANAO Audit Report No.40, 2004–05, *The Edge Project*). 'Senior Responsible Owner' (SRO) is a term used by the OGC with regards to the Gateway Review Process. The Gateway Review Process makes reference to the concept of a SRO as an individual who is senior and takes responsibility for the successful outcome of a programme or project. See Office of Government Commerce, *The OGC Gateway Process: a Manager's checklist*, version 1.0, OGC, London, 2004.

[11] National Audit Office, *Modern Policy-Making: Ensuring Policies Deliver Value for Money,* report by the Comptroller and Auditor-General HC 289 Session 2001–2002, the Stationary Office, London, 2001, p. 42.

[12] ibid.

The other point I would stress in this area is that lessons from ANAO audits reflect the value of systematic and structured planning for implementation.[13] Planning provides a 'map' of how an initiative will be implemented addressing matters such as:

- timeframe, including the different phases for implementation;
- roles and responsibilities of all those involved in implementation;
- resources (including funding and human resources);
- risk management, including how any potential barriers to implementation will be dealt with; and
- monitoring and reporting requirements.

Where attention is not given to these matters, problems may arise such as: overambitious timeframes;[14] resources not being available when required;[15] those implementing the initiative do not have the appropriate skills or capability;[16] and insufficient contingency planning.[17]

Engagement with other organisations

It is becoming increasingly the norm for organisations to implement initiatives with the assistance of others. This may be: other Australian Government agencies; State and Territory Government agencies; non-government organisations; the private sector etc.

There is a heavy emphasis today on whole of government initiatives which bring together the essential policy and delivery skills from within the APS;

- organisational boundaries are no longer as important as they used to be.

Further, there are global initiatives such as the development of the Joint Strike Fighter, which allow for nations to co-operate in large scale, high cost projects.

Our experience suggests that whole of government implementation is often a particular challenge for agencies. Such initiatives are greatly assisted by: clear articulation of roles and responsibilities; assigning responsibility for risk and their treatment; and the ability to assess progress and outcomes from a whole of government perspective rather than in 'silos'.

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[13] All too often ANAO audits find that agencies have not given sufficient attention to planning for implementation. Recent ANAO audits that have highlighted poor implementation/project plans include: ANAO Audit Report No.40 2004–05, *The Edge Project;* ANAO Audit Report No.36 2003–04, *The Commonwealth's Administration of the Dairy Industry Adjustment Package; ANAO* Audit Report No.15 2002–03, *The Aboriginal and Torres Straight Islander Health Program Follow-up audit;* and ANAO Audit Report No.27 2004–05, *Management of the Conversion to Digital Broadcasting.*

[14] For example see ANAO Report No. 8 2005–06 *Management of the Personnel Management Key Solution (PMKeyS) Implementation Project.*

[15] For example see ANAO Audit Report No.20 2003–04, *Aid to East Timor*, para 6.16.

[16] For example see ANAO Audit Report No.36 2003–04 T*he Commonwealth's Administration of the Dairy Industry Adjustment Package*, para 2.44*.*

[17] For example see ANAO Audit Report No.50 2004–05, *Drought Assistance*, para 2.3.

Identification of a lead agency is also highly desirable for whole of government initiatives.[18] As well as working from the perspective of their agency, a lead agency is able to extol the benefits of a whole of government perspective[19], including whether information is shared and flows between the agencies involved; performance is monitored; promotion is assessed; and the commitment by all parties is being met.[20]

For the arrangement to be effective, the lead agency should be recognised and supported as acting in this capacity.

Keep monitoring!

Implementation of government and programme initiatives is most commonly a staged process. Where it is not, there is value in trying to break the tasks into several manageable steps. Experience here and overseas suggests this increases the chance of success.

One of the comments I would make from our experience is *don't assume that the job is done three quarters of the way through*. Robert Burns once said *'the best laid plans of mice and men often go awry'* (sic). Regular and continuous monitoring is essential to determine the extent to which the desired outcomes have been achieved. This requires structured reporting.

I would like to emphasis the point that there is little value in agencies identifying and analysing key implementation risks, and then failing to act promptly when confronted by performance warning indicators. This is precisely when it is critical to act promptly.[21]

Of course, as I've already mentioned good systems need to be supported by the right culture. Be willing to hear 'bad news' and react promptly.

Another consideration is to keep sight of the Government's objective. During roll out of an initiative one should continually ask whether the programme's objectives are being met. This can sometimes be a challenge as the distance between the policy dimension and implementation increases during roll out. Keep in mind the key questions: *Is the project on track, on time, and on budget?*

Evaluation at an appropriate time assists in determining the extent to which an initiative has met, or is meeting its objectives and that those intended to benefit

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[18] See ANAO Report No.50 2004–05, *Drought Assistance.*

[19] Management Advisory Committee, W*orking together: Principles and practices to guide the Australian Public Service* [internet]. Australian Government Australian Public Service Commission, Australia, 2005, available from <http://www.apsc.gov.au/mac/workingtogether.htm> [accessed 11 May 2005].

[20] Office of the Auditor General of Canada, *Managing Departments for Results and Managing Horizontal Issues for Results*, Report of the Auditor General of Canada-December 2000 Chapter 20, 2000, p. 29.

[21] 'In the dynamic area of immigration detention, the challenge for executive management is to recognise potential weaknesses and ensure that the arrangements for monitoring, assessment, reporting and review are sensitive to the changing environment. In particular, the arrangements should provide for adequate and early feedback to enable corrective action by management, and there should be clear triggers for involvement and oversight at executive level'. See MJ Palmer, op.cit., p. 167.

have done so. It is evident from programmes such as the reaction to the 2002–03 drought, that evaluation can help agencies learn lessons and share better practice in policy development and implementation.[22] This can lead to more informed decision-making; facilitate better use of resources and enhance accountability.

Concluding remarks

As I mentioned earlier, the ANAO is currently working with PM&C, in particular the Cabinet Implementation Unit, to produce a *Better Practice Guide: Implementation of Programme and Policy Initiatives.* We anticipate that it will be available in a few months time.

The aim of the guide is to highlight some of the challenges to implementation that need to be considered prior to implementation.

We recognise that a manager may be expected to deliver something very quickly with limited notice. However, a consistent message from the ANAO's experience shows that planning for, and carrying through on implementation does reduce the risk of delay to, and dilution of outcomes. The guide will help to give some pointers and triggers to questions that make the difference between a smooth implementation and hitting 'potholes' along the way.

Following on from my theme of the need for awareness and support from the 'top', the guide is primarily targeted at senior managers.

The guide will include some considerations that we believe will assist Chief Executive Officers (and senior responsible officers who are advising them) to obtain confidence that the right approaches are being adopted to reduce implementation risks.

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[22] See ANAO Report No.50 2004–05, *Drought Assistance.* Also see National Audit Office (NAO) *Modern Policy-Making Ensuring policies deliver value for money* report by the Comptroller and Auditor-General HC 289 Session 2001-2002; November 2001, p. 14.

The key elements that will be included in the guide are outlined in this figure.
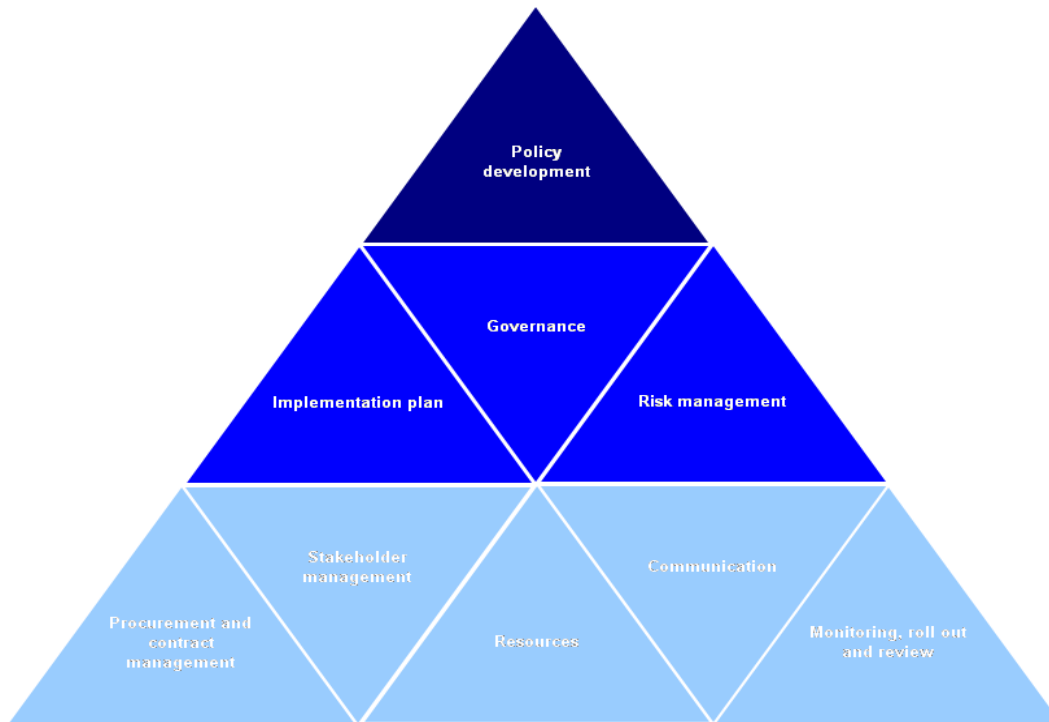
We intend to distribute this information widely and hope that it will contribute to assisting managers in meeting the challenges faced in implementing government policy.

Thank you.

Appendix 1: NAO and OGC summary of eight common causes of project failure[23]

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.

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[23] 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/bestpractice briefings/causesprojfailure.pdf> [accessed 23 January 2006].