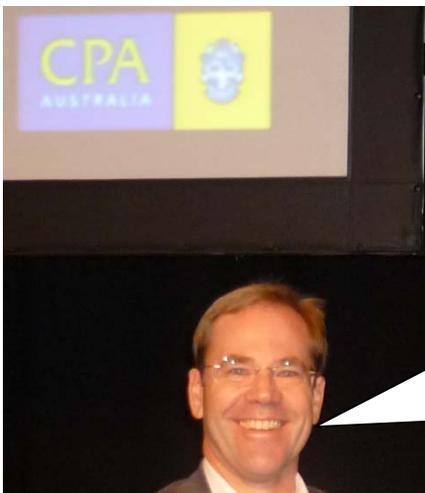


Master Class 2: Defence governance and accountability – implications for contractors and SMEs

9 December 2011

think+create



Hello.
My name is Kevin
Riley.
Welcome to our
master class on
accountability.

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Master class aim



The *Black Review* has initiated a new era of governance and accountability for Defence. This will affect relationships with industry and possibly increase the requirements for industry to align to the Defence framework.

This master class is designed to introduce you to the issues faced by contractors and SMEs as a result of the ***Review of the Defence Accountability Framework***.

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Specific content



- + understanding the key directions of the ***Review of the Defence Accountability Framework***
- + specifying the role of accountability – ‘a system of why first then who’
- + identifying the accountability challenges to end-to-end capability development
- + considering the implications for Contractors and SMEs
- + specifying outcomes – what will be required in contracts
- + improving accountability arrangements – identifying industry’s role in improving accountability.

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References, examples and checklists



Included with your materials are:

- + references that you may find useful – page 25
- + example - Project approval statement – page 27
- + checklists – Questions for executive review of project proposals – page 30

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What do we mean by accountability?



Accountability is a word that is used time and time again. But do we all use the word 'accountability' in the same way or with the same meaning?

Activity – page 4

Using the sticky notes in front of you, write down the words that come to your mind when you think about accountability. Write one word on each sticky note.

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Governance – 1



“Governance is about how power and authority is provided, apportioned and exercised.”

Source: The World Bank, *Managing Development: The Governance Dimension*, World Bank, Washington D.C., 1991, p.1

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Governance - 2



“Good governance in the public sector is grounded in accountability, transparency, leadership, integrity and stewardship.”

Source: The Australian National Audit Office, *Public Sector Governance, Volumes 1 & 2: Better Practice Guide*, Commonwealth of Australia, Canberra, 2003.

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Accountability - 1



“Accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny.

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Accountability - 2



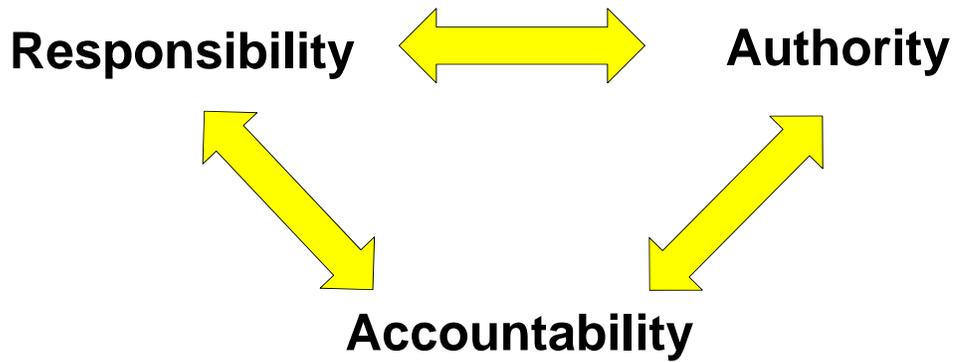
“It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for a responsibility conferred.”

Source: International Federation of Accountants, Public Sector Committee, *Governance in the Public Sector*, International Public Sector Study, 2001

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Triangulation



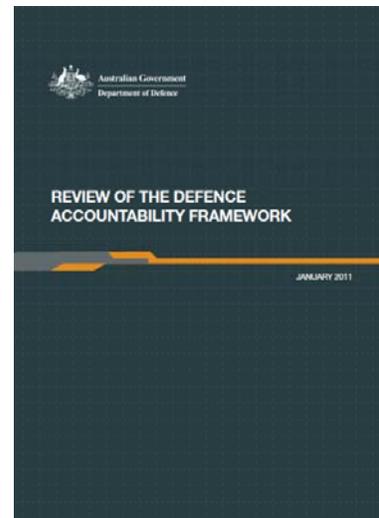
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The Black Review



“A system of ‘why first then who’.”



Source: Department of Defence,
Review of the Defence Accountability Framework, Commonwealth of
Australia, Canberra, 2011, p. 16.

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Accountability in Defence



What makes governance and accountability so difficult in Defence?

Activity – page 5

As a group, let's identify some of the very real challenges for Defence.

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Improving accountability in Defence



Review pages 7 – 11 extracted from *The Defence Annual Report for 2010-11*. These pages are from Chapter 6: Governance and Accountability.

Activity – page 6

In your teams identify three key recommendations you would make to improve accountability in Defence.

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What does the Black Review propose?



Review pages 13 – 16, a statement issued by the Hon. Warren Snowden, Minister for Defence Science and Personnel on 9 August 2011.

Activity – page 12

In your teams, review the statement and identify actions that you believe will enhance Defence accountability.

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What does Dr Black have to say



Review author Black joins Lateline - ABC News (Australian Broadcasting Corporation).flv

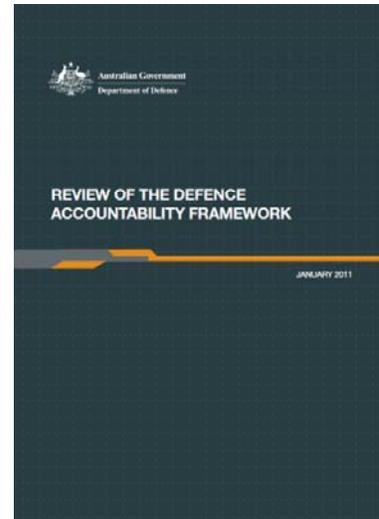
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Elements of accountability

The Review focused on four elements of accountability:

1. Decision-making and strategic direction setting
2. Vertical chain of personal accountability
3. Horizontal accountability across the organisation
4. Culture and skills in support of accountability.



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Decision making – not committee making - 1

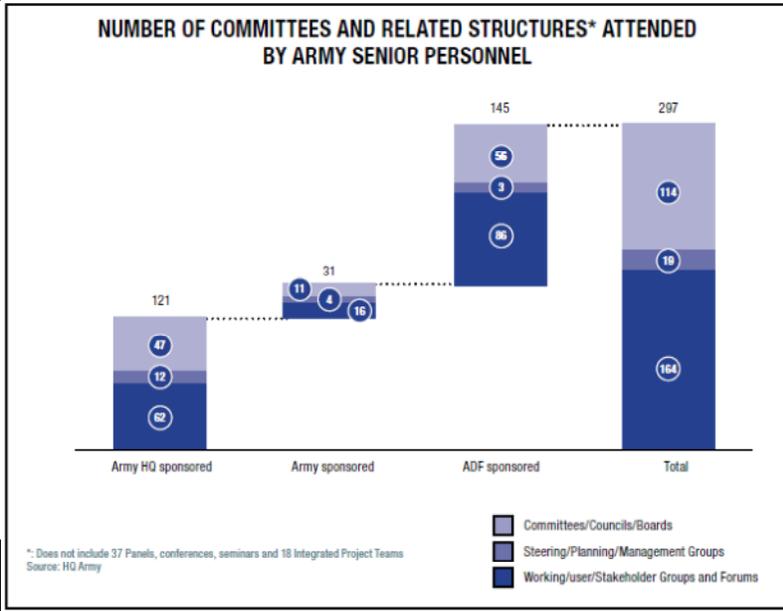
“There are too many committees in Defence, which create diffused and confused accountability and their operation is often characterised by confused committee roles, unstructured agendas, poor monitoring and feedback mechanisms for decisions made and weak commitment to decisions and actions down the organisation.”

Source: Department of Defence,
Review of the Defence Accountability Framework, Commonwealth of Australia, Canberra, 2001, p. 28.

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Decision making – not committee making



"...committees could improve their productivity with better follow up on actions between meetings to ensure action",
DAFS respondent

"...others... confuse process with decision making and allow the purpose of the process and the desired end state to be lost in the process itself",
DAFS respondent

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The case for a corporate plan

Defence has many planning processes, some of which are very sophisticated. However, there is no mature plan or planning processes that integrate them, enterprise-wide. Nor is there a single plan or planning process that integrates Defence's major activities and relates them to the outcomes that the organisation is supposed to achieve.

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The corporate plan should



Set out Defence expectations in terms of:

- ✓ overall outcomes and SMART targets for Defence – short term and long term
- ✓ clear accountabilities for outcomes – if shared, who does what to deliver each outcome
- ✓ clear priorities for delivery organised around themes.

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Decision-making supported by



1. 'Red Team' capability to subject key strategic decisions to contestability.
2. A centre for financial management analysis.

"... major defence decisions lack intellectual rigour",

DAFS respondent

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Vertical chain of personal accountability



Considerable work on the mechanisms of vertical accountability has been done in the past although many of the core mechanisms (e.g., Charters and OPAs) have fallen into abeyance.

Accountability for delivery needs to be assigned clearly to named individuals.

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Need to be focusing on outcomes and outputs



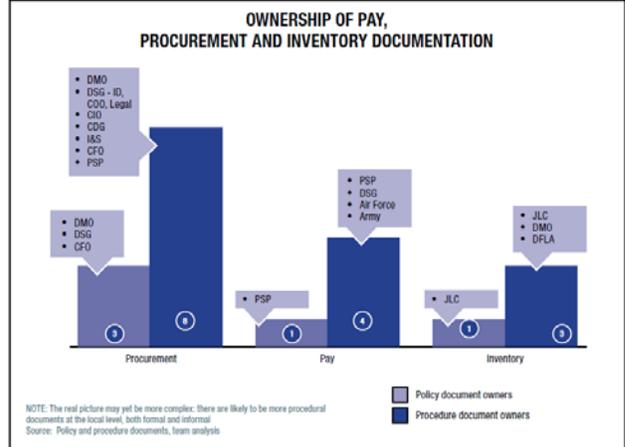
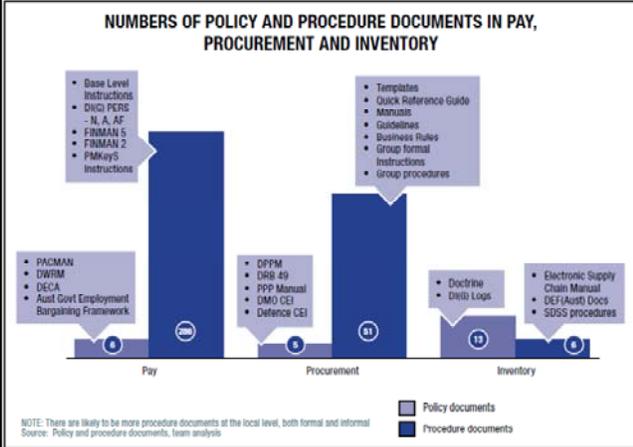
“...our policy is very much focussed on controlling inputs and mandated processes, rather than focussed on outputs and outcomes”,

DAFS respondent

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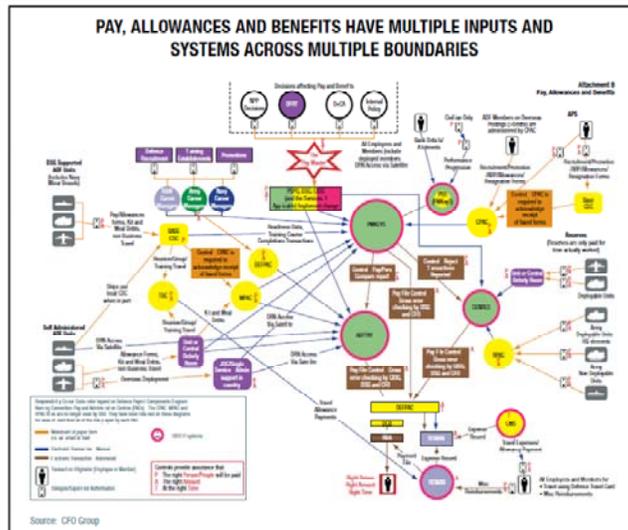
Focused on policy and procedures



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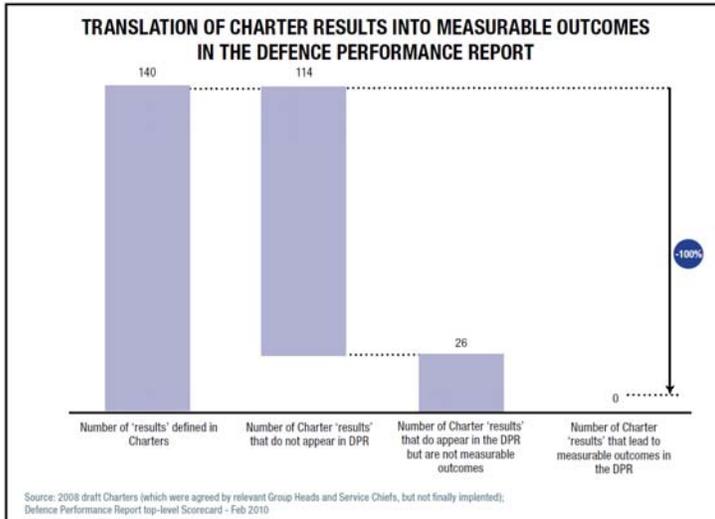
Too many involved



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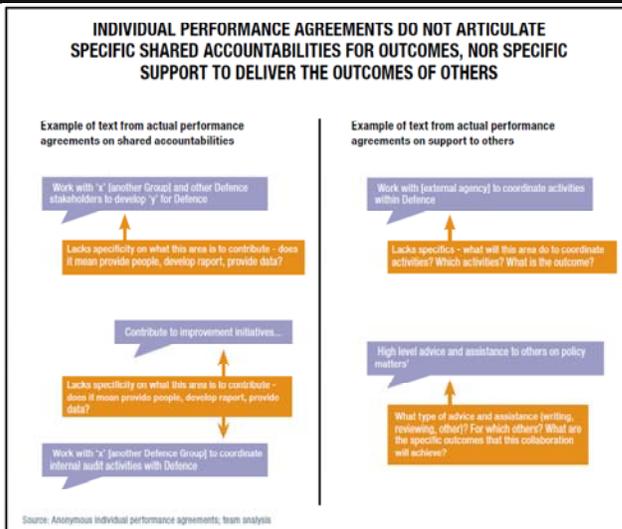
No measureable outcomes for Charters



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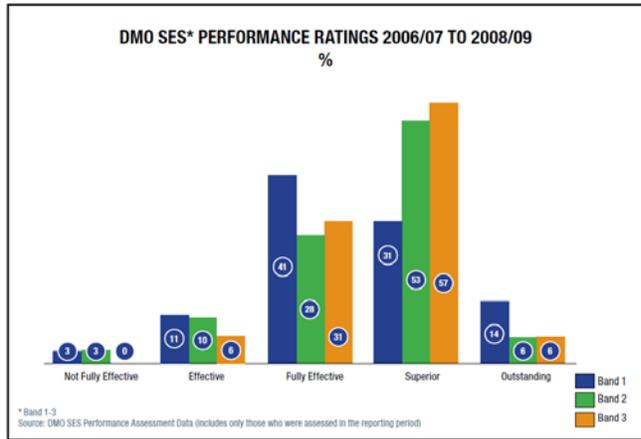
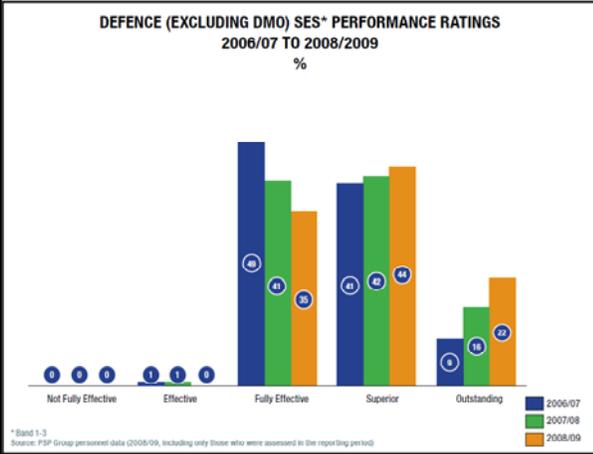
Nothing specific to achieve...



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...but fully effective and superior performance



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Horizontal accountability



Despite much work in recent years, the capability development process continues to suffer from delivery shortfalls related to poor accountability.

Service Level Agreements:

- +lack basis metrics
- +fail to give customers visibility of cost
- +focus on roles and responsibilities

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MSAs and CSAs



CHARACTERISTICS OF NINE MSAS AND CSAS EXAMINED

| | MSA 1 | MSA 2 | MSA 3 | MSA 4 | MSA 5 | MSA 6 | MSA 7 | CSA 1 | CSA 2 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Quantitative outcome measure aligned clearly to relevant directive, OPA or similar | Y* | | | | | | | Y | |
| Clear targets for each outcome measure/KPI | Y | | | | | | | N | |
| Clear linkage between outcomes and costs (unit costs if possible) | N | | | | | | | | |
| The use of leading indicators for at least 10% of measures | N | | | | | | | | |
| Robust mechanisms for reporting performance against targets that are: | | | | | | | | | |
| Appropriately frequent (e.g. at least quarterly) | Y | | | | | | | | |
| Make use of timely performance data which is based on measures and targets articulated in the OPA | N | | | | | | | ** | |
| Lead to action to address shortfalls with timelines and accountable people recorded and follow-up | N | | | | | | | ** | |

* Purportedly aligned to the 2009/10 Organisational Performance Agreements, which do not exist.
 ** Unable to confirm or no historical information available.
 Source: Selected MSAs and their associated product schedules (across all services and non-service), Selected CSAs (one service, one non-service)

“MSA’s should be written around the level of support required, rather than inputs. Ideally MSA’s would advise required schedule and a rate of effort required”

Review interviewee

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Delivery of capability



There are many problems with the capability process. Perhaps the most fundamental underlying issue is that it is a complicated process that spans multiple organisational entities and at the project level can span long periods of time. Yet current management practices do not fully address this reality.

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Key challenges for end-to-end capability



1. Inability to meet approvals process targets.
2. Considerable schedule slippage.
3. Poor cost forecasting – and intransparent use of contingency.
4. Technical risk issues.
5. Considerable overprogramming and overplanning.
6. Serious skills shortage.

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Aspects of culture that diminish accountability



1. “A traditional, excessively rules-based culture” and “an organisation that values process over outcomes”.
2. “A lack of agility, trust and empowerment”.
3. “A culture of diffusing accountabilities”.
4. “A culture lacking in fiscal discipline”.
5. “Little appetite to make reference to external practices [e.g., benchmarking]”.

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Developing outcome statements



Activity – page 17

A poorly written outcome statement

“Reduce the number of poisonous snakes in the environment”.

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Improving the outcome statement



Activity – page 19

Re-write the poor outcome statement using the key elements:

- ✓Stakeholder
- ✓Need
- ✓Impact

What are your new outputs?

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SMART KPIs



Underpinning Characteristics of KPIs

| | |
|-------------|--|
| Specific | Clear and concise to avoid misinterpretation of what is to be achieved. |
| Measureable | Can be quantified and results can be compared to other data and able to show trends if measured over time. |
| Achievable | Practical, reasonable and credible given available resources and expected conditions. |
| Relevant | Informative and useful to stakeholders having regard to the context in which the entity operates. |
| Timed | Specifies a timeframe for achievement and measurement. |

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Applying the approach to a project



Team activity – page 21 and 24

Select one of the projects listed on pages 22 – 24 and attempt to draft:

- + a project outcome statement (or statements), and
- + SMART KPIs for the project.

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Take away - references, examples and checklists



Do not forget to make use of the:

- + references that you may find useful – page 25
- + example - Project approval statement – page 27
- + checklists – Questions for executive review of project proposals – page 30

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Questions and follow-up



Thank you for supporting the CPA Conference.

I welcome your point of view, comments or any questions now or after today's session.

Feel free to contact me on 1800 254 006 or by e-mail at: kevin.riley@riley-riley.com.au

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