Canberra Evaluation Forum

‘thirtysomething’ -
developments in performance auditing

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The Lobby Restaurant
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Introduction

Performance auditing is now thirtysomething years on, having its genesis in the Coombs Royal Commission into Australian Government Administration (RCAGA) in 1976 which, in many ways, laid the foundations for the public service we know today.

Some here today may recall the television series ‘thirtysomething’ – a U.S. drama program about a group of baby boomers in their thirties, bonded by their involvement in the peace movement and the counter-culture of the 1960s – a past which was in marked contrast to their lives played out in their thirties.

There is also the more recent story from Italy about ‘bamboccioni’s’, the thirtysomethings who still live at home with their parents1. A particular case which received a fair bit of press coverage was the story of a divorced father of 32 year old university student, Marina, who found himself in strife with the courts for stopping his monthly support payments for Marina. Marina was still at home with her mother and still going to University, a full eight years after she was supposed to graduate with a degree in philosophy. Marina’s mum defended Marina, saying she expected her to graduate in March this year with a thesis on ‘the holy grail’!

Some have unkindly suggested Marina may have found the holy grail but, if there is a message here, it is that while thirtysomethings are well intentioned, they can be quite a handful, and not everything goes according to plan.

Performance audits can be like this sometimes in their quest to improve public administration.

When recommended by the RCAGA in 1976, performance auditing or program evaluation was not part of the then public sector landscape or culture. The then Auditor-General, Don Steele Craik, a former Treasury official who had long been dissatisfied with the lack of formal evaluation of government spending, argued that the Parliament should have available independent and expert advice on the degree of economy and efficiency achieved in Government financial administration2. Against concerns expressed by the then Treasury that

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1 Sydney Morning Herald, Jan 23 – 24, p.12
2 John Wanna, Christine Ryan, Chew Ng, ‘From Accounting to Accountability’ A Centenary History of the Australian National Audit Office, p.114
any such audit would almost necessarily enter the field of criticism of government policy, the Royal Commission accepted Craik’s view.³

The Australian National Audit Office (ANAO) was given authority to conduct efficiency (later performance) audits by the Parliament in 1979. The early start was rather tentative, as the office grappled with the reality of scoping and delivering this style of audit. In some cases, the reality was in marked contrast to the vision.

Some of the early audits were much like Marina’s thesis, taking much longer than anticipated. This was a function of a range of factors including the audit scope being too broad, the time taken to settle on appropriate performance audit methodologies, and the office coming to grips with project management for these more complex audits commonly involving multiple stakeholders.

Gradually, over time, the performance audit program became more focused as the theory and practice converged.

In my presentation today I will refer to some of the more significant developments in performance auditing, draw out some of the key messages for public administration from our work, touching on ‘risk aversion’ and ‘innovation’ in the public sector, and, finally, underline the benefits today of an effective performance audit program some 30 years on.

The ANAO views performance auditing today as a product line; other product lines include our financial statement audit program, and our information services, covering our Better Practice Guides and newsletters. Organisationally, we have a Performance Audit Services Group, which comprises some 148 staff (bolstered recently by the addition of the former Office of Evaluation and Audit from the Department of Finance and Deregulation), with a wide range of academic qualifications and backgrounds; only about 27% of performance auditors have qualifications in commerce or economics.

³ ibid, p. 115.
Performance Auditing

Performance audits tend to be higher profile than the other products of the ANAO because of the subject matter and because many of the problematic issues in financial reporting that existed in the past have been brought under control by agencies, with encouragement from the ANAO. Performance audits are able to shine the light on specific areas of public administration and place the matters arising in context, so a reader of a performance audit report is able to appreciate their significance. As such, performance audit reports are a very useful means of informing the Parliament, the Government and the general public about the state of public sector administration, and play an important part in the accountability of those responsible for the management of government programs.

The ANAO undertakes its performance audit role with solid legislative support from the Auditor-General Act, allowing the office to obtain information from officials and others, and to access such Commonwealth records and premises as are required for the purpose of our audits.

We have an open approach to the planning of our performance audit program, consulting with public sector agencies, the committees of the Parliament (through the JCPAA), and have responded positively to many requests from Ministers, and other Senators and Members, to undertake audits. However, the Auditor-General cannot be directed concerning his/her audit coverage, and is able to table reports in the Parliament through the President of the Senate and the Speaker of the House of Representatives. These arrangements have worked well and have been respected by all parties in the Parliament since the authority to undertake performance audits was given to the Auditor-General.

The approach to performance auditing has much in common with evaluation, which many in this audience will be familiar with. Performance audits in the public sector commonly consider issues of efficiency, administrative effectiveness and program compliance, as do program evaluations. The various perspectives that may be considered are reflected in the following diagram developed by Martin and Kettner, but modified to reflect the considerations of legislative compliance:

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Where the focus of performance audits and evaluation may differ, is in respect of commenting on the merits of government policy. Performance audits do not canvass the merits of government policy, but may consider advice given to government by departments in the development of a policy measure and comment on the impact of a policy measure. Evaluations, on the other hand, may be framed to consider whether policies should be modified to achieve better outcomes or different outcomes, and thus may comment on the merits of particular policy stances. Indeed, there has been a suggestion made in Canada that there should be an Evaluator General to complement the role of the Auditor General, and fill a critical gap in federal government accountability because no-one is providing Canadians with an objective assessment of government programs – no systematic, non-partisan evaluation of program outcomes and results⁶.

Here in Australia we have had a range of approaches to the evaluation of government programs over the years. Currently, though, the profile of evaluation is more subdued than in some earlier periods. Nevertheless, there is a range of strategic reviews underway to

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inform government as to the scope for program rationalisation, particularly given the stronger focus today on whole-of-government solutions.

Evaluation has a critical role to play in informing government of the policy options available to reduce public spending as a means of tackling the budget deficit and coping with the rising demand for government services and regulation. The Economist observed recently that big government is back with a vengeance and pruning will be more difficult than before after two decades of public sector reform, and because today, across the OECD, more than 40% of public goods are now provided by the private sector (as a result of privatisation and contracting out)\(^6\). The renewed focus on innovative policy solutions and evidenced-based policy can only be aided by evaluations of current approaches to inform the way forward.

Over the years performance audits have also provided a stimulus for revised policy positions in areas concerned with public administration, for example, relating to IT outsourcing, grants administration, and the system of Parliamentary entitlements. In such cases, audit reports have highlighted significant issues or deficiencies in the design and administration of programs which have resulted in governments reviewing, then revising, earlier approaches. In a similar vein, due to issues raised by audit reports over many years concerning Defence major acquisitions, the JCPAA recommended the Defence Material Organisation (DMO) prepare an annual report on the status of the top 30 major projects and the ANAO review this report. Both agencies agreed with the Committee’s recommendation.

While there is a current focus on the policy skills of the Australian Public Service, we should not take our eyes off the importance of policy implementation. Recent issues raised in the Parliament and community only underline this. As you may know, the ANAO developed a Better Practice Guide (BPG) on ‘Implementation of Programme and Policy Initiatives,’\(^7\) with the Department of Prime Minister and Cabinet. This BPG continues to be one of our most popular publications. And performance audits continue to highlight the demands and challenges of policy implementation in the public sector.

As you would expect, the methodology for conducting performance audits has been refined in the light of developments in professional standards and practice over the years.

The issue of the Australian Standard on Assurance Engagements ASAE 3500 “Performance Engagements” by the Auditing and Assurance Standards Board (AuASB) in October 2008\(^8\) was a significant milestone in the evolution of performance auditing. While, at one level, ASAE 3500 was a standard that replaced earlier standards on performance auditing (AUS806 Performance Auditing and AUS 808 Planning Performance Audits), its significance was that it was developed by the AuASB from the new international (and Australian) framework for assurance engagements, providing ASAE 3500 with the rigour of contemporary developments in auditing and the provision of other assurance services. I should add this was a case of the Australian auditing profession taking a leadership role internationally with the development of this standard, which has predominant application in the public sector.

The essential elements for a performance audit set out in the standard required that there be:

- A three party relationship involving an assurance practitioner, a responsible party or a number of responsible parties, and intended users, where either the responsible party or the intended user may also be the engaging party;
- An appropriate activity;
- Suitable criteria;
- Sufficient appropriate evidence; and
- A written assurance report in a form appropriate to a performance audit engagement or a performance review engagement or a report addressing both levels of assurance.

This standard introduced greater discipline to performance auditing, requiring the thirtysomething year old audit approach to adhere to contemporary norms determined by the auditing profession. While many practitioners would probably suggest ASAE 3500 would benefit from some refinement to allow the requirements to be more effectively communicated, I doubt they would quibble with the structural strength of the standard.

At a practical level, the benefits of this standard is that it has reinforced for those undertaking performance audits the importance of a number of critical considerations that had applied in the context of financial statement audit. These included:

- understanding the activity subject to audit to:

\(^8\) Operative from 1 January 2009.
o identify the risks of the activity not being economic, efficient or effective; and
o sufficient to design and perform (further) evidence-gathering procedures;

- considering materiality or significance of audit findings in the express of audit conclusions; and
- having quality control systems in place to give confidence in the audit outcome.

The reason this reinforcement was beneficial was that it is not that common today for professionals undertaking performance audits to have a background in financial statement auditing, due to the need for increasing specialisation and the different skill sets that the audit of financial reports and organisational performance require.

Performance auditing also draws from the literature on evaluation, as you would expect given earlier comments on the common ground across the two disciplines. Just as there are debates about how evaluations should be conducted\(^9\), there are judgements to be made in the performance audit context about the most appropriate methodology to apply. We have an internal process in the ANAO as part of our planning phase for each performance audit to settle the audit objectives, audit scope audit approach to be employed. Of course, the approach agreed as part of the audit plan is able to be modified (subject to suitable approval) should circumstances require a different approach.

I should also mention, for completeness, the importance of project management in auditing. Undertaking audits requires effective program management skills to gain the necessary understanding of the topic, consult stakeholders, build the audit team, undertake the analysis, and deliver the audit report to the quality expected in an average period of 11 months (ANAO benchmark). This is a demanding benchmark which requires the application of project management disciplines to the audit approach to ensure the timely delivery of the audit conclusions and recommendations. It is by applying both the audit methodology (implicit in ASAE 3500) and sound project management, we are well positioned to deliver on quality audits, which is part of our vision.

\(^9\) *Evidence A Practical Guide for policy and decision making*, edited by George Argyrous, p37
Key messages for public administration

In delivering a program of some 50 performance audit reports a year, there are many issues which are raised deserving the attention of program management. These matters are sometimes matters of emphasis, at other times suggest that program management has been found to be below acceptable standards. At the highest level though, performance audits reinforce the ongoing importance of:

- organisational and program governance, including effective risk management and scorekeeping systems;
- having the right people on board with the right skills;
- stakeholder engagement;
- clear program objectives, adopting a modular approach to implementation where possible, and having measurable performance indicators;
- effective monitoring arrangements and responses; and
- a regime where continuous improvement is valued.

Experience shows that failure to give appropriate attention to any of these elements can result in serious performance deficiencies. This, in turn, reinforces the importance of management skills and training in the public sector to deliver the outcomes expected by government and Parliament. In a world that is constantly changing and that is subject to ongoing demands, it is by equipping officials with appropriate development opportunities and management training, and leveraging off the APS values, that the public sector will be equipped to deal effectively with issues that come their way.

Further, it is only by having effective governance arrangements and program management in place that public sector organisations are able to deliver to expectations in terms of services, advise on how programs may be better targeted, and how to derive the efficiencies and productivity improvements that are expected. Effective governance arrangements and program management are pre-conditions to achieving the more highly performing public sector that the government expects and public sector organisations aspire to.

As recognised earlier, central to any management approach is the importance of risk management. This is not only to allow for a disciplined understanding of the significance and consequences of risks to performance, but importantly, to inform risk mitigation strategies and the level of resources devoted to program management.
The adoption of structured approaches to risk management in the public sector has been a positive development. However, it is still common for the public sector to be referred to as being ‘risk averse’. Now, as we know, we do need to overcome undue risk aversion through the application of a disciplined approach to risk management, but before the tag becomes shorthand for criticism of the public sector, it deserves some analysis.

In the first place, governments raise and spend public monies. Most revenue of the Australian Government is raised under taxing powers, and when spent it is governed by legislation designed to ensure the equitable treatment of beneficiaries and suppliers, and value-for-money for the Australian Government is achieved. By its very nature this level of formality requires appropriate care in decision-making. It is also relevant that governments deal with citizens who do not have a choice of provider, unlike customers in the private sector. And governments deal with issues that can have severe consequences if not well managed; and may act as a backstop for the private sector in severe cases of market failure (such as the global financial crisis).

Mark Matthews of the Australian National University has written one of the better articles I have seen on managing uncertainty and risk in the public sector. While his comments are focussed on managing innovation, they have general application to policy development and implementation. Mark has observed that:

- the management of uncertainty is what governments spend more of their time grappling with; and
- public sector decision making can appear cumbersome, risk averse and time consuming because the unintended consequences of getting things wrong are far too severe.

Context is actually important. To illustrate, at a time when citizens expect effective service delivery and the political environment is not altogether forgiving, departments will understandably seek to manage risks in the development of policy measures and in service delivery. We would not expect too much risk tolerance to be displayed here, given stakeholder expectations. In other circumstances though, particularly in respect of less critical aspects of public administration, we expect more risk acceptance, and we commonly see this in operation. Even in these environments, there is a need for a sound control

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Matthews, M. ‘Fostering creativity and innovation in cooperative federalism – the uncertainty and risk dimension’ in Critical Reflections on Australian Public Policy, Selected Essays, The Australian National University, Canberra, 2009
environment; in other words, it is not open slather, rather it is about organisations having appropriate governance arrangements in place, making decisions about the level of risk they will accept, and being willing to explain and be accountable for those decisions in a public sector environment (the ‘Bronwyn Bishop’ test)\(^\text{11}\).

Having understood the context and set the baseline, public sector agencies should be given every encouragement to improve program outcomes. Getting the incentives right in the public sector is equivalent to the search for the holy grail (and perhaps Marina’s thesis, due out shortly, will be able to help us here); Every good idea has its day, and it is important that departmental processes encourage good ideas to be brought to the surface, trialled and implemented to improve outcomes. Innovation is critical to agencies delivering both productivity improvements and better services. The Prime Minister has emphasised the need to ‘develop a culture of policy innovation and enhance the strategic policy capability of the APS. This means becoming more creative, and not just reactive. It means the APS being bolder in its thinking, and doing more to consider the big picture – transformational policy change, not just piecemeal reform. It means strengthening the APS’s ability to deliver high-quality services and linking policy creation more closely to program implementation so that lessons learnt on the front line of service delivery feed back into the agencies that formulate policy’.\(^\text{12}\)

One of the challenges we have in the public sector, pointed out by the Australian Institute of Company Directors is that “Innovation is largely ‘invisible’ – rarely measured or resourced; and it is easily derailed because public bodies face intense political and media scrutiny before ideas are fully developed.”\(^\text{13}\)

To provide agencies with a structured approach to innovation, the ANAO has produced a Better Practice Guide “Innovation in the Public Sector: Enabling Better Performance, Driving New Directions”. The Guide recognises that innovation has been central to many initiatives undertaken by Australian Government entities and makes reference to a range of case studies to illustrate this. It encourages agencies to build on this experience and drive new directions if the changing needs and expectations of government and the community are to be met.


\(^{12}\) The John Paterson Oration speech 2009, delivered by Prime Minister Kevin Rudd.

\(^{13}\) Insights Paper Issue #01 ‘Grasping the Nettle: How to encourage innovation in the public sector’, Australian Institute of Company Directors.
Recognising that public sector innovation will rarely be translated into on-the-ground outcomes without effective planning and implementation, the Guide provides a structured approach to examining, trialling, supporting and disseminating new ideas. The Guide also recognises that innovation inevitably involves a degree of risk because it changes the status quo or contributes towards an alternative future. Consequently an appetite for risk and risk management is essential; and risk avoidance is an impediment to innovation. In this context engaging with clients and key stakeholders is central to managing innovation risks. Collaborative relationships that provide a broad range of experience across portfolios and jurisdictions are especially valuable when dealing with the increasingly complex and interconnected issues that influence the well-being of Australian citizens in an unpredictable world.

The Guide is the latest in a long series published by the ANAO to encourage better public sector management. The Guides are also helpful to the ANAO in its auditing work as they provide a normative model of how agencies should be addressing critical aspects of public administration and can be used as a template for future audits. This latest Guide in particular, is helpful to signal the ANAO’s attitude to risk avoidance and risk management, and the way that innovation should be approached to manage the inevitable risks attaching. This, in itself, shows the development in the ANAO’s approach to considering risk and uncertainty.

The programming of the audits and BPGs by the ANAO has regard to a range of conditions, but, fundamentally, apart from meeting the statutory obligations of the Auditor-General, the office is actively contributing to improvements in public administration. It won’t surprise you that undertaking auditing work carries a few risks of its own – in fact in the profession there is a term called ‘audit risk’ which is basically defined as the risk of issuing an incorrect opinion. It is an ever-present risk in our line of work which, by adherence to professional standards, is a key risk mitigation. To make a difference, though, requires more than the development of an audit program and adherence to professional standards. It requires a willingness to tackle issues that may be controversial but where the improvement opportunities are significant. Our work in relation to grants administration and government advertising are examples of this, where audits have highlighted significant opportunities for governments to apply greater discipline to administrative processes to achieve more equitable and more cost-effective outcomes for the community. The administrative frameworks in place are in much better shape in these, and other areas, due to some positive stimulation from audit or review activity.
The Government, with the strong support of the Joint Committee of Public Accounts and Audit, agreed to supplement the funding for the performance auditing program in the 2009-10 Budget, to allow the ANAO to continue to produce some 50 performance audit reports a year. At a time when there were many demands on the Budget, this was a recognition of the program’s contribution to making public administration more transparent, and more robust.

Within the ANAO we accept the need to develop our approaches and products, and manage the relationships with our diverse stakeholders. Our approach to undertaking performance audits is subject to continuous review to ensure that these products evolve. For example, in recent years we have:

- used expert panels to inform our understanding of issues and approaches;
- placed more emphasis on analysis and substantive testing to gain greater assurance that program performance is properly understood and reported;
- reduced the number of recommendations to focus only on more significant matters (less significant matters are referred to in the body of the report);
- endeavoured to answer the ‘so what’ question: ‘So what do all these findings mean?’ This is to draw out, where significant, messages of importance for all agencies, even though our audit may be directed to a single program. Attachment A sets out some examples.

**Conclusion**

In many respects the development of performance auditing reflects the changing environment we have seen in the public sector over the last 30 or so years. The changes have been significant, but build incrementally on the practice and experience of past years. We have learnt as we go with key lessons being the importance of appropriately scoping the audits, applying sound project management to the delivery of the audits, and answering the ‘so what’ question.

Performance audits have been a stimulus for better public administration, and have contributed to a more accountable public sector. Our Better Practice Guides have also been a constructive contribution to better public sector management.
While some of our performance audits have the potential to cause some short term discomfort, they offer returns in long term benefits; something ‘thirtysomething’s’ generally understand.
### Australian National Audit Office Performance Audit Report Conclusions

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<th>Year</th>
<th>No</th>
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| 2009-10| 01 | Representations to the Department of the Treasury in Relation to Motor Dealer Financing Assistance | 24. Against the above background, this audit reinforces the importance of effective implementation to achieving policy goals. Amongst other things, implementation requires effective governance, risk management, procurement and contract management, the right type and quantum of resources, and oversight and review.  
25. The audit has not made any recommendations to Treasury as ANAO did not examine, in the time available, whether the policy implementation shortcomings identified are isolated or more widespread. However, Treasury is encouraged to review its practices more broadly in the light of the matters raised in this report so that the culture of the department, which is committed to providing quality advice to government, absorbs the experience in a positive manner. |
| 2009-10| 05 | Protection of Residential Aged Care Accommodation Bonds              | 22. Since the inception of prudential arrangements in 1997, there has been rapid growth in the number of bonds, the total value of bond holdings and the proportion and diversity of aged care providers relying on bonds to fund the delivery of aged care services. The scale of bond holdings (now totalling some $8 billion), the self-managed model of stewardship, the ability of a large and diverse range of providers to make unfettered investment decisions relating to residents’ funds, and ongoing structural changes in the aged care sector including the emergence of larger and more complex providers and the entry of major publicly listed corporations, present new challenges for the Department of Health and Ageing (DoHA). These challenges and successive government reforms of regulatory arrangements for accommodation bonds have expanded the scale of DoHA’s responsibilities.  
23. In the context of these challenges, the administrative framework established by DoHA to manage prudential arrangements for the protection of residential aged care accommodation bonds does not sufficiently support effective regulatory oversight. The department has established some of the elements necessary to underpin a sound administrative framework, such as a dedicated prudential regulation capability, a separate database to hold prudential data, and an annual audited provider compliance statement process. Notwithstanding, the following three key areas require attention in order to strengthen regulatory oversight: the systematic assessment and treatment of prudential risks that have resulted from new and evolving threats; the expansion of DoHA’s regulatory activities to include whether bonds and bond income are being used for the purpose of providing aged care as established under the Aged Care Act 1997 (the Act); and the development of robust approaches to effectively identify and act upon instances of provider non-compliance with prudential regulations. |
| 2009-10| 08 | The Australian Taxation Office’s Implementation of the Change Program: a strategic overview | 48. Notwithstanding the experience to date, the scale and complexity of the tasks yet to be completed means that the Tax Office still faces significant challenges in finalising the project to a satisfactory standard required for the systems |

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14 Extract from Overall Conclusions of each Report.
which automate most of Australia’s tax administration. There is a significant risk that the deadlines for the completion of further releases may be put under pressure or that functionality in the original scope of the Change Program will be reduced so as to meet current budget and timetable expectations.

49. The experience of the Release 3 FBT implementation has highlighted the importance of end-to-end testing, business pilot with actual production data and full involvement of Tax Office business lines. In addition, there was a need to validate the compliance of the new systems against agreed standards and requirements, including legislative requirements. This will be particularly important for the income tax phase of Release 3 which delivers systems that will automatically finalise tax liabilities and credits for almost all of Australia’s approximately 14.5 million tax returns. There is also the potential for further changes to the systems in light of new policy measures arising out of the Henry review. Such developments could necessitate a review of work priorities and a further reconsideration of the current implementation schedule.

50. The Tax Office’s experience to date underlines the importance during the remainder of the Change Program of:
• closer monitoring of significant risks and corresponding mitigation strategies, and setting higher, more verifiable standards for ‘fitness for purpose’ over the quality of work completed by the contractor;
• following sound project management practices during the design, development and assurance stages for future ICP releases; and
• requiring that prior to the release of ICP software into production, end-to-end testing, business pilot with actual production data and assurance processes are completed with the full involvement of Tax Office business areas.

2009-10 20 The National Broadband Network Request for Proposal Process

29. The RFP process has come at a significant cost to the Government and proponents, with costs incurred being in excess of $30 million. DBCDE’s costs were some $17 million and the proponent’s costs (where advised) ranged between $1 million and $8 million. In reviewing the process employed and in light of the outcome, there are a number of observations that can be made:
• early in the process, most NBN stakeholders considered that a two-stage process to select proponent(s) for the NBN would have improved the prospects of a successful outcome and may have reduced proponents’ costs;
• requesting proponents to outline their preferred regulatory environment for their NBN was unusual for an RFP process and made a complex commercial transaction considerably more complicated;
• a non-Telstra proposal was unlikely to build and operate a commercially-viable NBN in circumstances where the proponent was responsible for the risk of paying compensation to Telstra;
• the global financial crisis significantly reduced the prospects of a successful outcome by affecting the viability of the proposed NBNs; and
• using FTTN technology for the network limited its potential scalability.

32. The audit has not made any recommendations to the

16 On 13 May 2008 the Australian Government announced a review of Australia’s taxation system. This review, chaired by Dr Ken Henry, Secretary of the Treasury, will look at the current tax system and make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. The final report is due to be presented to the Treasurer in December 2009. See http://www.taxreview.treasury.gov.au

17 As defined in the Glossary “end-to-end testing” requires assessment of systems on a fully integrated basis.
department as the RFP process has been finalised. Nevertheless, the audit emphasises the importance of departments gaining, as early as possible, a sound understanding of the implications of those risks that are critical to the success of major tender processes, amongst the many risks that required to be managed. This is particularly challenging in a one-stage process that is seeking binding offers.

### Green Office Procurement and Sustainable Office Management

11. Ideally, agencies should develop an integrated sustainability framework that identifies improvement opportunities and investment priorities tailored to their business requirements. Where agencies have limited capacity or resource constraints, there are still many opportunities to achieve ‘quick wins’ and implement cost effective measures to improve sustainability. The automated shut down of monitors and computers when not in use will provide immediate energy and cost reductions. Setting printers to print double sided as a default and reducing the weight of paper used for external publications will also offer immediate savings. While the implementation of energy efficiency initiatives will involve some capital cost, the resultant savings from such measures would be ongoing and further increase over time as energy costs increase.

12. Agencies will obviously need to prioritise their sustainability actions with an initial focus on meeting government requirements and achieving cost effective outcomes. For larger agencies, a focus on primary sites or administrative areas with the most significant environmental impacts would be expected to yield the best environmental returns. It is appreciated that the actions put in place will, to a large extent, depend upon the particular circumstances facing each agency. Full implementation will take time to complete.

### Planning and Approval of Defence Major Capital Equipment Projects

20. A central theme of the Kinnaird and Mortimer Reviews has been the importance of Defence minimising, to the extent possible, the risks attached to major capital equipment acquisition projects by adopting a strengthened two-pass approach to government approval of the capability solution to address an identified capability gap and adopting more rigorous procedures to give greater confidence in budget and delivery estimates for major capability development proposals. Defence put in place a sound administrative framework following the 2003 Kinnaird Review but has not applied sufficient discipline through its governance arrangements to give assurance that the key elements of the framework are consistently applied in the development of capability development proposals. This increases the risk that the benefits, particularly in terms of reduced risks, sought through the reforms flowing from the Kinnaird and Mortimer reviews may not be realised to the extent expected.

21. Given the importance of effective planning and scoping to the successful delivery of capability, further attention to a range of issues is required to provide government with assurance that the body of information provided to inform its decisions on major defence acquisitions meets the standards previously set, and expected, by government. These issues include . . .