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Evaluation in Defence **Models, Frameworks and Opportunities**

Abstract

The Australian Defence Organisation has a dedicated strategic evaluation capacity that conducts independent evaluations of key Defence functions and activities. The outcomes of these evaluations provide opportunities for senior leaders in Defence to improve decision making, policy development, planning and use of resources to fulfil their responsibilities in accordance with Financial Management and Accountability Act 1997.

Defence has developed a systematic approach to conducting its portfolio level evaluations. The evaluation model that supports this approach comprises five phases and has been used with all strategic level evaluations conducted in Defence since 1999. Over 20 such evaluations have been undertaken since 1999. Topics covered include, the Defence Customer-Supplier Model, Preparation of ADF Officers for Joint Appointment, Corporate Governance of the Defence Information Environment, Defence Leave Policy and Administration, Doctrine Development Responsibilities in Defence, the Impact of Accrual Accounting on Management Practices, and Equity and Diversity in Defence.

This session will present the Defence approach to conducting strategic level evaluations and draw on recent evaluations to illustrate the opportunities they provide to the organisation's senior managers.

Evaluation in Defence

Models, Frameworks and Opportunities

About the Defence Organisation

The Defence Mission is *to defend Australia and its National Interests*

To help achieve this Mission Defence has over 90,000 personnel comprising about 70,000 in the Australian Defence Force (ADF) and about 20,000 civilians. The ADF comprises about 50,000 full-time military personnel in the Navy, Army and Air Force, and 20,000 part-time military members.¹

Defence manages some \$54 billion worth of assets. \$31 billion of this is military equipment, such as planes, ships and tanks and \$11 billion is land and buildings, which adds up to some 27,000 separate assets. The remaining \$12 billion is plant and equipment, inventory, and heritage and cultural items.² These assets are located on some hundreds of Defence bases and establishments all around Australia. In the 2004-2005 financial year there were about 4000 military personnel³ on around 20 different overseas operations.⁴

Defence receives a budget of around \$20 billion a year to conduct its business of defending Australia and its national interests. In response to those who question the need to spend so many billions of dollars on Defence, the Minister for Defence, the Hon Dr Brendan Nelson, recently expressed it this way: *'the uncomfortable reality is that we live in an uncertain world. We also face a future shaped largely not by what we know, but by that which we don't. There are many threats we can't anticipate - whether they may come from a nation state, terrorist network, cross-border crime, border incursions, or natural disaster. Our Defence Force needs to be ready to meet any threat to our security.'*⁵

Needless to say this \$20 billion spent on Defence each year, like most funding for government activities, comes from the Australian taxpayers, who rightly expect that their taxes will be spent properly. The Financial Management and Accountability (FMA) Act 1997 provides the framework for the proper management of public money and public property and requires Chief Executives of Commonwealth agencies, such as the Department of Defence, to promote the proper use of Commonwealth resources. The FMA defines proper use as efficient, effective and ethical use.

Defence's Chief Executives are the Secretary of Defence and the Chief of the Defence Force. Together, they are accountable for ensuring that Defence is managed well. But considering the size and complexity of Defence how can they be assured with any level of certainty that Defence is managing its affairs in a way that promotes the

¹ DAR 2004-2005, pages 90-91

² DAR 2004-2005, page 38.

³ Defence public website.

⁴ DAR 2004-2005, page 2

⁵ Minister's Foreword to Budget 2006-07, *To Defence Australia - A Long Term Plan to Protect Our People, Interests and Values.*

proper use of Commonwealth resources? There are several ways of providing such assurance including internal and external audit and special reviews, but the method covered in this paper is strategic or portfolio-level evaluations.

What is the purpose of portfolio-level evaluation in Defence?

The Secretary and the Chief of the Defence Force have tasked the Inspector General with conducting independent and objective portfolio-level evaluations of key Defence functions and activities. The Defence Inspector General is effectively Defence's Chief Auditor and Chief Evaluator. The audit role is mainly concerned with accountability and compliance, while the Inspector General's evaluation role primarily focuses on appropriateness and effectiveness in relation to Defence's organisational goals and with identifying opportunities for improvement for Defence.

Unlike some of the early evaluations that were done in Defence and probably in most other Commonwealth organisations, portfolio level evaluations now cut across Defence's functional and organisational boundaries and delve into areas which go beyond the responsibilities of any single Group Manager or Service Chief within Defence. This change of emphasis from what is traditionally referred to as program evaluation to what is now referred to as issues-based or concept evaluation was the result of a meta-evaluation conducted in Defence in the late 1990s. Nevertheless, some program evaluations are still conducted, most recently being the evaluation of the Defence Injury Prevention Program during 2005.

Within the Inspector General Division is the Directorate of Portfolio Evaluation and Review. This Directorate is headed up by a military officer at the rank equivalent to Colonel and reports directly to the Inspector General. As noted earlier, the Inspector General reports directly to the Secretary and CDF so this means a short reporting chain between the evaluators and Defence's two Chief Executives. The six staff in the evaluation directorate are a mix of military and civilian personnel who are equivalent in rank/level. Usually an evaluation is undertaken by a team, which comprises a military and civilian member.

This paper only covers the evaluation model used to undertake evaluation by Evaluation Directorate staff and these are referred to as strategic level and portfolio-level evaluations. A lot of other evaluation activity goes on in Defence but much of this is specific to particular Groups and Services for which the responsibility lies with the particular Group Heads.

So what is innovative about Defence's evaluation model? What is its strength? While not all would agree, the Evaluation Directorate considers that one of the main strengths of this evaluation model is that it is clearly defined and closely adhered to. The model is not made up as the evaluation progresses and the characteristics of Defence's model apply to both the evaluation policy framework and the mechanical processes used to construct and conduct our evaluations.

It does not matter what the evaluation topic is, the approach to conducting the evaluation is much the same, and an evaluation can be constructed and conducted

around any topic. Sometimes this aspect is taken for granted and it is only when someone asks ‘*oh, so you are doing an evaluation of contracting in Defence – what do you know about contracting*’? that you realise how robust our evaluation model is. The credibility of Defence’s portfolio-level evaluations rests mainly on the well-defined evaluation model and processes and not the subject matter expertise of the evaluation team.

Defence’s portfolio-level evaluations are done in-house. Contractors are only used for support or possibly to undertake some specific research. Defence does not turn evaluations off and on and has a rolling two year schedule of evaluations which is reported to Parliament both in terms of what evaluations will be done and the outcomes of evaluations that have been done.

The Defence approach to conducting portfolio level evaluations involves five main phases: selecting and scheduling the topics for evaluation, designing the evaluation, data collection, analysis and reporting and monitoring. The design, data collection and analysis phases are probably conducted in a similar manner to how most organisations conduct their evaluations, hence this paper only focuses on how Defence undertakes the selecting and scheduling and the reporting and monitoring phases of its portfolio level evaluations. Following this, some examples of the impacts of some recent evaluations are included.

Defence Evaluation Scheduling and Selection of Topics

The Secretary and Chief of the Defence Force use a structured consultative strategy to determine which functions and activity will be evaluated. In July each year the Inspector General formally invites Group Heads to propose topics for inclusion in the portfolio evaluation schedule. This process is assisted by a parallel series of one on one interviews between the Inspector General and individual Group Heads to inform them about evaluation and elicit the significant Defence issues that are concerning Defence’s senior leaders and which might be suitable for evaluation.

The proposed topics are assessed and prioritised by the Evaluation Directorate against three broad criteria:

- implications for strategic decision making and planning,
- major resource and policy implications, and
- strategic risks and opportunities.

The topics are then presented to the Defence Audit Committee to consider and agree the next two years evaluation schedule, for subsequent approval by the Defence Committee. It is not unusual for either of these senior internal governance committees to change the priority of topics or to amend the topics. There has been some vigorous discussion at these meetings as members debate the priority of topics for evaluation. Some suggest this robust discussion is a good indicator of Defence’s senior leaders’ interest in evaluation and of the Inspector General’s capacity to conduct credible and useful evaluations.

For the 2006 and 2007 calendar years schedule, 15 topics were submitted. Three were approved for 2006 and three were approved in principle for 2007. This rolling two year program becomes the evaluation schedule. Once approved by the Defence Committee, the evaluations are notified to Parliament via the portfolio budgets statements.

At this point two person evaluation teams are assigned to each evaluation and the evaluation follows the usual procedure though the phases of designing the evaluation, collecting and analysing the data, and the reporting the findings. At or near the end of each phase, a Steering Committee meeting is held. The purpose of these meetings is to report progress and receive input and direction from the members of the Steering Committee, who are senior representatives from stakeholder Groups within Defence.

Evaluations that are currently on the schedule are:

2005 – conducted evaluations on *the Defence Injury Prevention Program, Civilian Development, Education and Training* and *the ADF Technical Regulatory System*.

2006 – conducting evaluations on *ADF Safety Systems, the Effectiveness of Defence Record Keeping* and *Contract Management Outside the DMO*.

2007 – in-principle evaluations are *the Effectiveness of National Health Support, the Overall Effect of the Introduction of the Defence Travel Card* and *the Effectiveness of Defence's Approach to Occupational Health and Safety*.

Reporting and Monitoring and the Evaluation

The completed evaluation reports are sent from the Inspector General to Defence's two CEOs, the Secretary and CDF, for their endorsement or otherwise. Invariably the Secretary and CDF endorse most, if not all, the recommendations, often after taking advice or briefings from the Group Heads. The endorsed report is then distributed to Defence's Group Heads and Service Chiefs and to the Steering Committee Members. To encourage wide readership of the evaluation reports they are kept at a low level of classification and are also published in the Defence intranet. Most of our evaluations are widely available but they are copyrighted to the Commonwealth.

Our last step in the evaluation is to enter the evaluation recommendations on the Audit Recommendation Management System (ARMS), and to assign the agreed responsibilities and timeframes for implementing the recommendations. ARMS is an effective formal mechanism for monitoring actions taken against recommendations and ensures that evaluation reports do not just disappear, but are acted on.

Progress against the recommendations is regularly reported to the Defence Audit Committee. The Defence Audit Committee is a senior Defence Committee established under the (FMA) Act 1997. Its functions include reviewing progress against both evaluation and audit recommendations and providing advice to the Secretary about the action taken to implement these recommendations. Unlike audit recommendations,

some of the recommendations from the evaluations offer long-term opportunities for improvement and as such can take an extended period of time to implement. For example, recommendations from evaluations conducted in 2002 and 2003 have only recently been completed.

The results from completed portfolio evaluations are also reported in the Defence Annual Report and this sometimes generates questions in Parliament and at Senate Committees.

Some Impacts of Defence's portfolio level evaluations

The following examples of portfolio-level evaluation undertaken since 1999 reveal the breadth and complexity of topics that have been examined by Defence's Evaluation Directorate.

Strategic Workforce Management – 1999. The evaluation noted that the main failing with Defence's existing approach to strategic workforce management was that there was insufficient attention to the linkages from strategic guidance to capability proposals and to workforce planning. A number of proposals were made to improve the situation, including having the Head of the Defence Personnel on the Defence Committee. Since that time, Defence has undertaken a substantial body of work related to workforce requirements in conjunction with total capability requirements and has developed a comprehensive workforce management plan.

Enterprise Resource Planning in Defence – 2000. The Evaluation Team found that the identification of user requirements, mapping existing business processes to the ERP system processes, reviewing education and training, closing legacy systems and developing and implementing data quality assurance standards were often uncoordinated. Since this evaluation was commenced Defence has appointed a Chief Information Officer and considerable progress has been made in all deficient areas identified during the evaluation. The Evaluation Directorate did a follow-on evaluation in 2003, *Governance in the Defence Information Environment*, which facilitated further improvements.

Equity and Diversity in Defence – 2001. This evaluation recommended a number of strategies to improve awareness about equity and diversity in Defence. These included rationalising the numerous existing equity and diversity-related policies and publications, publication of a plain English guide on unacceptable behaviour, and better use of Australian Bureau of Statistics labour force data for comparative analysis of ADF workforce composition. This evaluation received a Commendation at the Australasian Evaluation Society Conference in 2002.

Impact of Accrual Accounting on Management Practices - 2002. The evaluation concluded that because of the significant investment in assets that are controlled by Defence the Balance Sheet should be used as a key decision-making tool and noted that the Chief Finance Officer's existing responsibility for Balance Sheet management was inconsistent with promoting accountability at the level at which decisions that affect the balance sheet are made. Since this evaluation, Defence has introduced Group Balance Sheet management and several other initiatives to improve

management of Defence's resources.

Doctrine Development Responsibilities in Defence – 2002. The evaluation concluded that there was a lack of understanding across Defence about what constitutes doctrine and what constitutes procedures, and that this constrains progress with doctrine development. The evaluation recommended several initiatives to rectify shortcomings with doctrine development including developing enemy/threat doctrine against which friendly capacity doctrine can be benchmarked and tested. Since this evaluation, Defence has issued many new and updated doctrine publications.

Defence Leave Policy and Administration – 2003. The evaluation found that a well developed policy on Defence leave liability was not evident, and that a corporate approach to reducing leave liability was necessary to reduce both the financial and personnel impacts of Defence's high exposure to this liability. As a result Defence has introduced various strategies to reduce leave liability, including improving access to leave through Defence's enterprise agreement making processes.

Preparation of ADF Officers for Joint Appointments – 2004. Although the evaluation concluded that the ADF adequately prepares its officers for joint appointments, a number of opportunities for further improvement were identified. These included formally recognizing joint service and experience as a precursor to promotion to O6 level (e.g. Colonel Level) and above and establishing a single point of coordination for joint education and training. The recommendations have been accepted and judging by the number of requests for copies of this report it has generated considerable interest.

The Defence Injury Prevention Program – 2005. This evaluation found that the Defence Injury Prevention Program provides a sound structured approach to injury prevention and has demonstrated its capacity to deliver considerable benefits to Defence, in terms of significant cost savings and improved capability for a relatively modest investment. Nevertheless, the evaluation found that the overall effect of the Program has been restricted because of its limited roll-out across Defence caused by inter-related problems of insufficient resources, inadequate governance arrangements and ill-suited information technology support systems. The evaluation recommended a number of strategies to improve the implementation of the Program.

Conclusion

As well as conducting portfolio-level evaluations, the Evaluation Directorate also organises an annual evaluation training program to develop the evaluation skills of Defence personnel, many of whom are posted to evaluation and review positions outside the Inspector General Division and having had no previous evaluation experience.

The Evaluation Directorate has also produced a Defence evaluation manual to provide guidance about conducting an evaluation. It is a basic reference point about how to conduct portfolio level evaluations in Defence. Since publication, it has been requested often and used in a wide range of contexts including, training course

evaluations and reviews of Army regiments, and has been provided to other Government agencies on request.

In conclusion, while the Evaluation Directorate of Defence might not have developed any new theoretical models for evaluation, it has developed and practiced a model that has worked for Defence over the past 15 or so years. The model enables Defence to identify key organisational issues and concerns and to have these thoroughly examined in a structured and objective manner. Defence views evaluation as more than merely a means of demonstrating accountability to the Parliament. More importantly, evaluations are a key tool used by Defence's senior executives to measure whether Defence is meeting, and continues to meet, its objectives and responsibilities, and to help improve organisational performance.

Many of the evaluations conducted in recent years could be referred to as impact evaluations, but the question remains have the improvements been because of, in spite of or in conjunction with the evaluation. After several years of involvement with portfolio evaluation in Defence, it is interesting to reflect on how the very process of doing an evaluation seems to have immediate benefits for the program or activity being evaluated. Whether it is because the evaluation stimulates actions already underway, or whether the evaluation provides senior managers with a means to focus their attention on important issues relating to the topic being evaluated, is difficult to judge. Evaluation at its best can influence change and improve performance but it should not be used to determine or guarantee a particular outcome. Evaluation Reports are enduring in Defence but, given the diversity of the affected stakeholders with sometimes competing agendas, do not expect change to happen over night.