
A brief on governance and accountability within the Australian Defence Organisation (ADO)

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Background

1. **Aim.** The brief aims to provide an overview of the current governance and accountability mechanisms of the ADO and how these structures and mechanisms operate to support the Australian Defence Force (ADF).
2. **Scope of brief.** This brief:
 - a. explains governance and accountability;
 - b. describes the ADO structure and diarchy;
 - c. explains the current governance and accountability mechanisms of the ADO;
 - d. describes the committee structure; and
 - e. evaluates how the structures and mechanisms work to support the ADF, highlighting strengths and weaknesses.

Governance and accountability

3. Governance as defined by the Australian National Audit Office (ANAO) for the purpose of Commonwealth organisations, refers to the processes by which organisations are directed, controlled and held to account. It broadly covers corporate and other structures, culture, policies, strategy and ways of dealing with various stakeholders. It also encompasses the manner in which organisations acquit their responsibilities of stewardship by being open, accountable and prudent in decision making.
4. Accountability is defined by the ANAO as the process whereby organisations and the individuals within them are responsible for their decisions and actions within a framework of appropriate scrutiny. It is achieved by having clearly defined roles through a robust structure.

ADO structure

5. The ADO comprises the ADF and Department of Defence, and is staffed by ADF and Australian Public Service (APS) personnel. The ADO is one of Australia's largest and most complex organisations. The Minister for Defence (MINDEF) is responsible to Government and Parliament for all matters covered by the Defence portfolio and meeting the priorities established in the Prime Minister's charter letter. MINDEF is supported by the Minister Assisting and the Parliamentary Secretary.
6. **Diarchy.** The accountability chain further flows down to the Diarchy which comprises the Chief of the Defence Force (CDF) and the Secretary for Defence (SECDEF). The Diarchy is the term used to describe the joint leadership construct for the administration of Defence. It also encompasses

the individual and joint responsibilities and accountabilities of CDF and SECDEF to MINDEF for delivery of capability to the Government. CDF, as the principal military adviser, commands the ADF and provides advice on matters relating to military operations in accordance with the *Defence Act 1903*. SECDEF, as the principal civilian adviser, provides advice on policy, departmental issues and stewardship of Defence resources in accordance with the *Public Service Act 1999*.

7. Further to the Diarchy are Services and Groups headed by Service Chiefs or Group Heads. The accountability structure of the ADO reflects three different sets of executive roles and responsibilities needed for the delivery of outputs to Government and support to the outputs. These three executives establish a clear line of organisational accountability. Inspector-General (IGADF) is a stand-alone group responsible to CDF directly for advice on matters of military justice. The three executives and their roles are:

- a. **The Output Executives.** These executives are responsible for delivering six core outcomes to the Government. This group delivers Outcome One (Defence Operations), Outcome Two (Navy), Outcome Three (Army), Outcome Four (Air Force), Outcome Five (Strategy) and Outcome Six (Intelligence and Security).
- b. **The Enabling Executives.** These executives are responsible for provision of services that enable the output executives to achieve their objectives in delivering Outcomes. They provide a range of services like equipment and infrastructure through Customer–Supplier Agreements (CSA).
- c. **The Owner Support Executives.** These executives are responsible for specialist advice to the government in its role as the owner of Defence and to the Output Executives for support in a governance (organisational performance) role and sustainability issues over the longer term.

Current governance and accountability mechanisms

8. The ADO Governance framework encompasses the mechanisms by which the ADO is directed, controlled and held to account at various levels. This framework consists of Defence Committees and several accountability measures such as the Ministerial Directive, Charters, Balanced Scorecard (BSC), Organisational Performance Agreements (OPA) and individual accountability.

9. **Ministerial Directive.** The accountability and governance framework flows from MINDEF to the Diarchy as a joint ministerial directive. This directive outlines the responsibility of the Diarchy in delivering Defence Outcomes to the government. It establishes MINDEF as the customer for, and owner of, the outputs delivered by the Diarchy.

10. **Charter.** The accountability is further cascaded to Service Chiefs and Group Heads in the form of Charters from the Diarchy. This establishes the chain of accountability from MINDEF through the Diarchy to the Executives. The Charter specifies broad accountability, expected results and the responsibility—in other words what is to be done, but not how to encourage innovative approach. This also reflects the underlying philosophy of the governance framework, which is to increase the capacity to pursue innovation within clear accountability arrangements.

11. **‘Defence Matters’ Balanced Scorecard (BSC).** ADO has developed its version of the Kaplan and Norton Balanced Scorecard called ‘Defence Matters’ to drive its business strategy. It indicates the level of output delivered with a focus on leading, as well as, lagging indicators. The

balance scorecard supplements the traditional financial measures with additional perspective of organisational performance. It provides the framework for aligning the work effort at every level of the ADO to focus on the core mission.

12. **Strategy Maps.** Strategy maps provide the framework for linking the BSC to strategy by depicting assumed cause-and-effect relationships. Strategy maps assist in identification and management of important intangible assets like personnel morale and knowledge management which are difficult to measure but can make or break the organisational strategy.

13. **Organisational Performance Agreements (OPA).** These agreements between the Diarchy and the Executives set out the performance to be provided from the allocated resources, in support of the delivery of outputs to the government. OPAs focus on the level of preparedness, training and mission capability to be achieved, and provide a forecast of expected performance, strategic limitations and risks to performance.

14. **Individual accountability.** Individuals within the ADO are accountable for decisions and their output. They are accountable at the lowest level through 'plans on a page' which is a result focused endeavour to build performance through feedback and development by means of an annual performance appraisal process.

The committee structure

15. The senior Defence committees are one of the key elements of Defence's governance framework in supporting the Diarchy. The committees provide the expertise and information for decision making and advice. There are eight committees in the framework and have no authority other than that assigned by the chair and are advisory by nature. The key committees and their roles are:

- a. **Defence Committee (DC).** The DC is the highest contemplating body supporting the Diarchy in meeting their obligations under the Ministerial Directive. It is the forum for deliberation on strategic issues that require collective consideration and whole-of-Defence approach with a focus on long-term goals.
- b. **Chiefs of Service Committee (COSC).** The COSC provides military advice to CDF in discharging his responsibilities as Commander of the ADF and, as the principal military adviser to the government.
- c. **Defence Capability and Investment Committee (DCIC).** The DCIC focuses on overall capability with regard to the balance of current and future capability investment.
- d. **Defence Audit Committee (DAC).** The DAC identifies sound business practices to improve performance management with regard to audit, evaluations and risk management.

Evaluation of structure and mechanisms within the ADF

16. The current structure provides the framework for delivering Defence Outcomes One to Six for the 'defence of Australia and its interests'. The accountability structure and governance framework sets the direction, monitors the compliance, reinforces accountability and aids in achieving long-term goals. It makes accountability for performance more transparent and focuses on results, rather than

activity or process in the ADO, thereby achieving alignment at all levels with the results that must be delivered to the government. It helps the ADF to focus clearly on its core mission with improved efficiency in capability development, sustainment and effectiveness in personnel management within tight budgetary constraints.

17. **Cascading responsibility.** MINDEF has established a clear line of accountability through cascading responsibility within the ADO at higher levels. This is achieved through a framework of Directive, Diarchy, Charters, BSC, OPA, CSA and individual accountability. The flow of responsibility through the Diarchy to the Service Chiefs, Group Heads and to individuals synergises the effort in delivery of Defence Outcomes by the ADF and improves individual accountability for results.

Strengths

18. The Diarchy provides a unifying effect in generating a ‘whole-of-Defence’ approach to delivering capability. The Diarchy, which is best interpreted as a system or process and not a structure, supports the diarchical process existing at different levels of the strategic management process. In the demanding, uncertain and complex strategic security environment of the 21st century, it provides a homogeneous management team that has differing, but complementary, professional backgrounds and expertise. It provides the team to ‘row’ and ‘steer’ the ADO in accomplishing its mission in line with the vision.

19. The governance and accountability framework provides a clear hierarchy from MINDEF to the lowest level in the ADO through cascading responsibility. The current structure exemplifies the transformation of bureaucratic culture to performance based culture in the ADO. Management tools like BSC, OPA and strategy maps assist in strategy development and implementation by translating vision into a rational set of strategic initiative and performance measures. They help identify significant key issues relevant to the success of ADO by highlighting ‘accountability of service delivery’ at every level.

Weaknesses

20. The process of decision making in the ADO tends to be unwieldy, bureaucratically-driven and ponderous. It involves a number of structures (committees) tailored to be part of the process rather than the output. The distinctive cultures and sub-cultures of three Services and civilians further complicate the process. The existing committee structure increases paperwork and bureaucracy, encourages the sharing of responsibility and complicates the decision-making process leading to the simplistic notion of a one-size-fits-all, ‘lowest common denominator’ approach.

21. The governance and accountability framework appears heavily focused at the senior leaders of ADO and plans to harness junior and formation level leaders seem inadequate. The focus needs to be at all levels of ADO to achieve accountability. The BSC provides the whole-of-Defence framework for linking individual work performance to organisational strategy, necessitating participation from the entire workforce rather than a discrete element of the organisation. The current Canberra-centric approach contradicts the objective and dilutes the focus of strategy.

22. The Charters, while being extremely broad in terms of responsibility and reference, lack specific accountability. It would therefore be difficult to hold an individual to account for the consequences of failing to meet the desired outputs.

Conclusion

23. The ADO governance and accountability framework enhances the capability of the ADF to deliver the Defence Outcomes in an open, transparent process, which leads to greater confidence of the government, Parliament and the people of Australia. It also provides a high performance management vehicle and a 'result-focused, value-based' culture to lead Defence into the 21st century budgeting and management era, providing best value for money. The management tools and organisational alignment, with respect to responsibility and accountability, improves capability delivery. In essence, this framework provides comprehensive measurement and reporting tools in relation to the ADO's capability to achieve the five strategic objectives outlined in *D2000*.

Recommendations

24. The Committee structure needs to be simplified to reduce bureaucratic process, delineate clear responsibility and avoid delays in the decision-making process. The structure needs to take into account the existing diversity of culture and traditions, and avoid a 'one-size-fits-all' approach to retain the richness of 'group deliberation' versus the danger of 'group think'.

25. The governance and accountability framework needs to harness participation from every level especially the junior workforce at the formation level to achieve better alignment of accountability with strategy and in turn, improve performance.

26. The charters need to be more specific with measurable outputs so as to hold individuals accountable for achieving them.

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