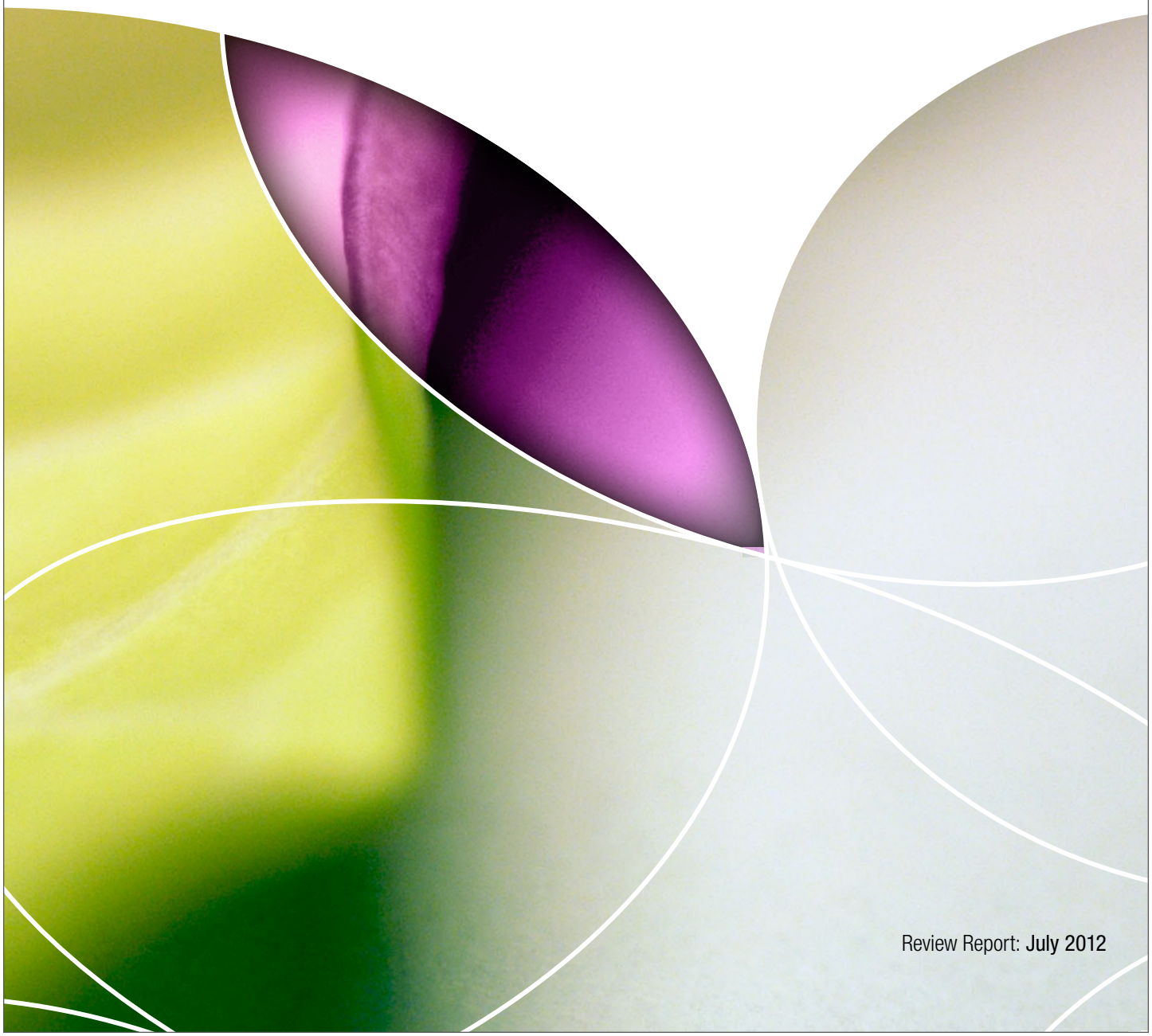
Australian Government

Australian Public Service Commission

CAPABILITY REVIEW

# Department of Immigration and Citizenship

*Effective leadership Diverse workforce* ***Capable organisations and workforce*** *Employee conditions APS Values*



Review Report: **July 2012**

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CAPABILITY REVIEW

# Department of Immigration and Citizenship

# Foreword

The 2010 report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* recommended that the Australian Public Service Commission (APSC) undertake regular and systemic reviews to promote improved capability in the key agencies and to assess the institutional capability of the service as a whole.

The methodology used by the APSC to conduct these reviews drew significantly on the United Kingdom Capability Review Programme. Through the knowledge gained from the first tranche of reviews (the three pilots), the United Kingdom methodology has been gradually refined to more closely reflect the Australian context. This is the second report of the second tranche of capability reviews.

I thank the department for its wholehearted participation in this review. All interview participants were generous with their time and displayed great passion in their work, in particular the Acting Secretary, Martin Bowles PSM, and the senior management team. We recognise the challenges the department faces on a daily basis successfully discharging a substantial volume of routine visa processing activity, for example, while also managing a significant and highly variable workload occasioned by irregular maritime arrivals, amongst other things. I believe that this report provides the basis on which the department can construct a practical and pragmatic approach to building departmental capabilities needed to meet its future challenges.

I would like to thank Ken Matthews AO, the chair of the review team, and the other senior members of the team, Akiko Jackson and Kerri Hartland. The depth and diversity of their experience has significantly added to the outcomes of this report.

Steve Sedgwick AO
Australian Public Service Commission

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# 1 About the review

A capability review is a forward-looking, whole-of-agency review that assesses an agency's ability to meet future objectives and challenges.

This review focuses on leadership, strategy and delivery capabilities in the Department of Immigration and Citizenship (DIAC). It highlights the department's internal management strengths and weaknesses using the model set out in Figure 1. A set of 39 questions is used to guide the assessment of each of the 10 elements of the model. Those assessments are included in Section 4 of this report.

Capability reviews are designed to be relatively short and sharp and to take a high-level view of the strategic operations of the agency. They draw on documentation provided by the department and on interviews with staff at National Office and in regional and international offices.

External stakeholders are also interviewed, including private sector companies, peak bodies, interest groups and central agencies.

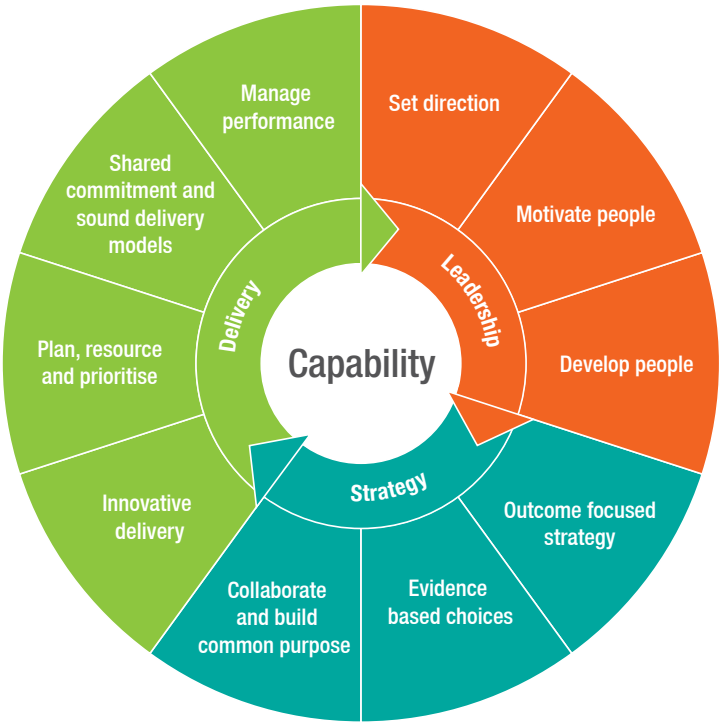


Figure 1: Model of capability

# 2 About the department

The Department of Immigration and Citizenship (DIAC) aspires to build Australia's future through the well-managed movement and settlement of people. The achievement of this vision supports the government to deliver social, economic, and national security priorities both now and in the future. The department strives to do this by fostering a culture whereby people, performance, and financial management support an open and accountable organisation, fair and reasonable dealings with clients, and well developed and supported staff.

The department came into existence on 13 July 1945 during the concluding months of World War II. Many immigration branch personnel were still on active service and the department began with just 24 staff. Today, more than 10,000 officers represent the department, comprising:

- approximately 8,576 ongoing and non-ongoing APS officers, 811 contractors, and 1,073 locally-engaged staff employed by the Department of Foreign Affairs and Trade (DFAT) or Austrade on the department's behalf at overseas posts
- a large, well-educated workforce—51 per cent of DIAC staff have completed either bachelor or master's degrees as their highest completed qualification, which is significantly greater than the APS average (35 per cent)
- high levels of internal promotion, with 16.7 per cent being promoted within the department (10.27 per cent industry median)
- a large and diverse group of 277 key stakeholders, identified by the department, contributing to the delivery of migration, refugee, and settlement programs (the department also collaborates with Australian states, territories, and other Federal Government agencies to develop and deliver a wide range of services)
- a wide geographic footprint, with offices in all Australian capital cities and regional offices in Cairns, Dandenong and Parramatta, as well as 21 detention facilities and 69 international offices (National Office has 39 per cent of total staff, with 59 per cent in the regional offices and 2 per cent based in overseas posts).

The department works closely with the Migration Review Tribunal and Refugee Review Tribunal (MRT–RRT). The tribunals provide an independent and final merit-based review of visa and visa-related decisions made within the department's portfolio.

The department's core business is to contribute to Australia's future through managed migration, border protection, and traveller facilitation. Further, the department seeks to ensure the protection of refugees and promote a multicultural Australia. The department is divided into four functional groups:

- Policy and Program Management Group brings together the policy areas of the department to deliver policy advice and manage programs in support of the department achieving desired government outcomes.
- Client Services Group delivers the department's immigration and citizenship programs through a network of offices across Australia and overseas.
- Immigration Status Resolution Group manages immigration detention services supporting the department's overall management of persons entering and staying in Australia.

- Business Services Group draws together a range of internal service areas that provide professional services in support of the department's business and operations.

In 2011–12, the department's total operating expense budget was $3.385 billion, of which $1.326 billion was for departmental expenses and $1.279 billion was administered expenses for the delivery of specific programs. In addition, the department receives quarantined funding for unforeseeable Irregular Maritime arrivals (IMAs). This funding operates on a 'no win no loss' understanding with the Department of Finance and Deregulation, whereby any money that is spent by the department on IMAs is reimbursed through the Budget. In 2011–12, the department's quarantined funding for departmental expenses was $180 million, with a further $601 million in quarantined funding for administered expenses.

The department aspires to deliver improved and responsive client service across a global network in order to address future challenges, including:

- helping to meet skill demands, especially those in the resources sector
- responding to IMAs and administering immigration detention
- delivering a strong offshore humanitarian program to assist some of the world's many people in need and supporting their settlement in Australia
- strengthening border security through risk strategies and working with stakeholders
- ensuring that the migration program and broader immigration policy settings respond to Australia's future demographic challenges and maximise economic opportunities.

# 3 Summary Assessment

DIAC operates in a complex, high-profile and highly contentious environment. Compared to most departments, it carries an unusually wide set of responsibilities across all areas of public service capability, including research, policy development, program management, service delivery, industry regulation and corporate services. It works under intense public scrutiny, maintaining high-volume business-as-usual activities such as visa processing and migrant settlement services, while responding to urgent and high-profile events such as IMAs and crises such as the South-East Asian and Japanese tsunamis.

Staff members of DIAC are highly motivated and engaged by the department's mission and the contribution the department makes to Australian society. They have a strong client-oriented culture, seeking to interact with citizens and non-citizens in a professional and empathetic manner. DIAC staff members are acutely aware that decisions they make directly impact individuals' lives, sometimes profoundly. They have proved to be highly resilient in the wake of a sustained period of public and parliamentary criticism and a series of external reviews and inquiries.

The department has a strong and widespread network across Australia and internationally. It has made some significant improvements in recent years in managing stakeholder relationships in operational areas and is well regarded by international counterparts in the Five Country Conference (FCC).

The Secretary and the Acting Secretary are widely respected by both staff and stakeholders. The Secretary demonstrated deep personal knowledge of all areas of the department's operations. He is respected for his ability to lead and manage through years of crises, criticism and successive 'transformations' of the department. The recently arrived Acting Secretary is recognised and welcomed for his leadership experience in other areas of the APS, his personal interest in good management, and the fresh perspective and opportunity for renewal that he brings to the department.

While dealing with external pressures, events and crises, DIAC's internal focus in recent years has been on making the necessary changes in response to the findings in the 2005 Palmer report *Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau* and the 2005 Comrie report *Inquiry into the Circumstances of the Vivian Alvarez Matter* about failures of process. This has involved repeated structural changes, changes to process, changes to senior personnel, changes to ICT and other systems, and a sustained effort to change culture. However, in the review team's view, the department has been only partially successful in developing control mechanisms to reduce the risk of future failures of process.

The department will therefore need to continue to improve its management processes to deal with this continuing risk while seeking also to lead and manage, in a less reactive way, as new post-Palmer – Comrie crises and external pressures, such as IMAs and detention issues, continue to challenge it.

This will inevitably involve yet further changes to DIAC internal management processes. However, the last thing the department needs or wants at this time is a further root and branch restructure or open-ended and diffuse 'transformation' campaign. Rather this review has diagnosed six specific areas for management attention.

Based on the management reforms, changes and improvements since Palmer/Comrie, the review team recommends these six specific, practical areas now be adopted as the forward management reform agenda for the department. The six areas are:

1. Risk and crisis management: develop a more systematic approach to risk and crisis management.
2. Higher whole-of-department planning and decision making processes: improve the impact, relevance and durability of higher departmental corporate planning and decision-making processes to put a stronger stamp on and drive whole-of-department priority setting, resource management and workforce planning, and accountability.
3. Support for operational managers: provide the necessary authority and support for the Executive Level (EL) and Senior Executive Service (SES) Band 1 managers to perform effectively.
4. Corporate buy-in by SES officers: develop SES understanding of and commitment to the full range of their SES corporate responsibilities beyond their immediate line responsibilities.
5. Strengthen the department's Functional capabilities in six specific areas: namely contract management, program management, ICT systems and services, financial literacy and management, evaluation and knowledge sharing, and stakeholder management.
6. Innovation: reinvigorate a proactive innovation capability.

Each of these areas is addressed in more detail below.

## Risk and crisis management

DIAC staff are proud of their ability to manage through a crisis and mobilise resources quickly to respond. However, some stakeholders perceive that the Department is prone to regular crises that could have been recognised as risks and pre-empted or scaled-down before they occurred. Internally, it is widely recognised that crises distract the department from delivering core business, consume staff time and resources, interrupt processes of change and improvement, and crowd-out 'space' for horizon scanning and longer term planning. Perceptions that DIAC is crisis prone have an effect on the department's public and parliamentary reputation and are a legitimate concern for the Minister and the Government.

Scanning and planning for risks require more than simply being alert. Good management practice is needed in terms of systematic and proactive identification and management of risks, learning from previous experiences, utilising the experience and external perspectives of partners, and risk can be better managed by building incentives and staff capacity for better risk management. Much can be done to reclaim the agenda by proactively improving risk management rather than reacting to events.

Similarly, the management of crises need not always be ad hoc. Good management practice is needed to design structures and processes that are sufficiently flexible to make exceptional crises unexceptional.

DIAC's culture is heavily risk averse. Post the Palmer – Comrie reports, many routine decisions have been routinely escalated because there has been an excessive reliance on the risk-scanning intuition of a small number of senior people. The review team encourages the department to embed a more analytical and sophisticated approach. In particular the team suggests mobilising the intelligence of all 8,576 staff members in the risk scanning process, and providing more clarity throughout the department about when to inform, alert or, when appropriate, escalate risk-related decisions.

The review team encourages the department to focus on the following areas as part of its ongoing improvement initiatives:

- maturing its approach to risk and crisis management to improve scanning of impacts to stakeholders, clarity in escalation and notification protocols, and capturing and sharing of lessons learned
- maturing the department's capability in scenario and contingency planning, drawing on lessons learned and expertise from the broader APS network.

## Higher whole-of-department planning and decision-making processes

DIAC has most of the corporate policies and procedures that would be expected of a large, mature and professional department. However, they are not well integrated or consistently driven by senior governance committees and the SES. Many staff members and some external stakeholders say that DIAC has a 'culture of plans, not planning' and that measuring and reporting on organisational performance are viewed as 'getting in the way of real work'. The impact has been that valuable processes and tools have been turned into compliance exercises that add little to the effectiveness or efficiency of teams at the coalface. Good corporate management processes should help, not hinder, line areas to do their job and they need to be taken seriously by operational areas and followed through consistently by the Executive and senior governance committees.

There is a lack of clarity regarding accountabilities and responsibilities in many areas of the department. In both internal and external interviews, people said that they were not always sure who to go to and that 'there are so many fingers in the pie that no-one owns the problem'. Even the most capable general staff member cannot resolve such issues which ultimately are the responsibility of any department's higher decision-making processes.

Departmental staff are also seeking greater clarity about priorities and budgets, particularly to support effective and systematic resource management and workforce planning. Whole-of-department work planning, tasking, prioritisation and budgeting, need to be more rigorous and transparent. The recently issued draft *Strategic Intent 2012–15* provides a vision and mission and has been well received by most staff. Building on the Strategic Intent document, it is now time to renew and embed a whole-of-department corporate planning process to provide the necessary clarity of priorities within and across groups, enabling the proper cascading of work planning from whole-of-department, to group, division, branch, team and individual levels.

The review team encourages the department to consider building on the Strategic Intent 2012-15 to reinvigorate the department's corporate planning process to provide real rigour to decisions about work planning, tasking, prioritisation, budgeting, and assignment of accountabilities.

## Support for operational managers

Significant gaps exist in the support that the department provides for EL and SES Band 1 managers. In a demanding operating environment, the EL and SES Band 1 managers are being asked to play the major role in delivering the department's work program. It is not unreasonable that in return the department provides the necessary authority and support for them to function at a level that will meet expectations. Operational support includes the necessary training, more supportive corporate services, fit-for-purpose ICT systems, and clear guidance on when to escalate issues.

The ELs and SES Band 1s are not always clear about priorities within and between line areas and are looking to the Secretary and Executive to more clearly articulate the department's priorities. Departmental priorities need to be agreed and communicated to provide consistent guidance to staff for business planning processes, individual performance plans, and accountabilities. Decisions made about changes in priorities also need to be communicated at all levels and plans adjusted to reflect such changes. This will become increasingly important as resources are likely to be more constrained in the future. If priority setting continues not to be integrated or transparent, there is an increased risk to the department's ability to deliver and, consequently, its reputation could be at risk.

DIAC's ELs and SES Band 1s are proficient technical managers; however, their core management skills – HR management, financial literacy and management, and performance management (both individual and operational), are patchy partly because newly promoted staff or staff recruited at level have minimal guidance or induction. This poses a significant risk for the department, particularly in the areas of financial management, contract management, and individual performance management. Such a risk could be improved by setting expectations through a structured induction process, on-the-job and tailored training and mentoring, and more consistent professional assistance from corporate services areas.

DIAC is an information-driven organisation and operational staff members are highly dependent on its operational and corporate ICT systems. The functionality and usability of corporate systems such as the HR and financial systems are sources of frustration. However, there is even stronger disappointment and frustration with the widely perceived shortcomings and delays in the 'Systems for People' ICT development program's delivery of its promised integrated, functional support for the daily business of the department.

It is concerning to the review team that, after years of disappointment in systems delivery, staff expectations of ICT systems are uniformly low. EL and SES Band 1 managers have every right to expect adequate ICT support for their work. ICT planning processes are a vital area for management attention.

EL and SES Band 1 managers also emphasised the lack of consistent guidance on when to escalate risks. Common opinion was that the department has become highly risk averse, which impacts on the levels of responsibility and accountability at these levels, unnecessarily elevating decision-making and detracting from officers' sense of professional empowerment.

The review team encourages the department to consider improving the support provided to the EL and SES Band 1 levels as part of its ongoing management improvement agenda through improved clarity of priorities, accountabilities and decision-making responsibilities, and improving the supporting services provided by the corporate functions, particularly in ICT systems. The department is encouraged to monitor improvements with the ELs and SES Band 1s through regular feedback sessions and/or surveys.

## Corporate buy-in by SES officers

DIAC's SES is highly committed to and focused on individual line responsibilities. However, significant work needs to be done to improve the SES's commitment to broader corporate responsibilities. The overall health of the department is not 'someone else's or the Secretary's business'. More committed and sustained participation in corporate processes across the department are required at all levels of the SES.

Recent changes to the top governance structures in the department will help facilitate a more corporate approach by the SES, ensuring its focus is applied to the three core management skills within the department – performance management, people management, and financial management – and significantly improve the operating standard of the department.

The well-rounded SES officer has a responsibility to represent the department and build constructive relationships with central agencies and other departments. External feedback about performance in this area indicates that DIAC SES are not always present 'in the forums that matter', are slow to acknowledge risks and impacts on other portfolios, are not always open to ideas when consulting, and do not always represent the department as a whole.

Professional SES officers must seek to be supportive and responsive to colleagues outside their line areas and groups and in other departments. Similar to the 'One APS' concept, there needs to be an integrated 'One DIAC' approach for its SES group – across organisational boundaries – as well as recognition of its responsibility to contribute to the overall whole-of-government APS SES network.

The review team encourages the department to consider the following as part of its ongoing improvement initiatives:

- the Acting Secretary should set expectations regarding SES corporate responsibilities and behaviours
- networks across groups and divisions should be improved
- an approach to interactions with central agencies and other departments should be developed
  to improve DIAC representation and projection into the wider APS.

## Strengthen the department's Functional capabilities in six specific areas

There are six critical capabilities in DIAC that are either below the necessary standard today, or seem likely to be required in larger measure in the future.

- Contract management capabilities need improvement, but are maturing in some areas such as detention and some settlement services. Increased rigour in the management of contracts and related financial arrangements is required to ensure that associated risks are adequately managed.
- The department lacks a common definition and understanding of program management, which leads to confusion about accountability and responsibility for programs as opposed to structural lines of business. A whole-of-department effort to clarify accountabilities, including for the department's formal portfolio budget statements programs and for contributory programs of service delivery, will improve the department's ability to manage its performance in meeting program objectives and outcomes.
- The review team believes that the department's ICT systems and services need to be better aligned with business priorities and specific business needs. Building on past investment, the department now needs a clear view on how it will deliver to the needs and expectations of staff and stakeholders by delivering integrated systems that provide accurate and timely information. Accordingly, the department urgently needs to improve its capacity to plan and prioritise with business areas, and roll-out ICT.

- Financial literacy and management is an area of weakness. Over time, financial management within the department has become so centralised to a point where business lines often have poor visibility and understanding of their budgets. Managers, particularly SES managers, do not always understand their financial management responsibilities, which poses serious risks for the department. Those risks now need to be addressed.
- Evaluation and knowledge sharing was commonly observed, both internally and externally, to be an area requiring significant improvement. No structured process exists for sharing knowledge and the department is highly reliant on informal networks rather than more systematic approaches to evaluation and knowledge discovery and sharing. Of particular concern is the inconsistent approach to capturing, sharing, and incorporating lessons learned from crises or even ongoing business activities.
- Stakeholder engagement has improved in the past 12–18 months. However, improvements are mainly due to the efforts of individuals rather than a whole-of-department strategy. The department lacks a planned approach to stakeholder relationship management. In particular, SES level relationships with central agencies and other departments need attention.

The review team suggests that the department include the development of the six capabilities as a departmental priority, assigning responsibility and accountability for their implementation to appropriate SES officers.

## Reinvigorate Innovation

DIAC has a demonstrated capability to develop innovative solutions to complex challenges in policy and service delivery. Many of DIAC's international counterparts have adopted some of its more innovative policy and service delivery solutions such as the Electronic Travel Authority.

However, in recent years despite the existence of a small fund for the purpose, innovation has tailed off. The review team believes this is due to the following factors:

- the department is too occupied by crises to give attention to innovation
- the department lacks an innovation strategy, with streamlined processes, that is championed by the SES
- the department has a high level of risk aversion.

The department's staff would benefit from a clear signal from the top that innovation is welcomed and greater resources and a systematic framework to support the development and implementation of new ideas and initiatives.

## The way forward

A lot has been achieved by DIAC as a result of the succession of management reforms since 2005. However, significant risks and challenges remain in each of the areas of the Capability Model: leadership, strategy and delivery. The appointment of the Acting Secretary is an opportunity for the department to take stock of progress and identify next steps. The six specific areas for future management attention identified in this report provide a roadmap for the department's leaders and staff to further improve the department's performance well into the future.

# 4 More detailed assessment of departmental capability

This section provides an assessment framed by the leadership–strategy–delivery structure of the capability review model.

Assessments were made according to the assessment criteria set out in Figure 2.

| | | |
|---|---|---|
| | **Strong** | • Outstanding capability for future delivery in line with the model of capability.<br>• Clear approach to monitoring and sustaining future capability with supporting evidence and metrics.<br>• Evidence of learning and benchmarking against peers and other comparators. |
| | **Well placed** | • Capability gaps are identified and defined.<br>• Is already making improvements in capability for current and future delivery, and is well placed to do so.<br>• Is expected to improve further in the short term through practical actions that are planned or already underway. |
| | **Development area** | • Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so.<br>• More action is required to close current capability gaps and deliver improvement over the medium term. |
| | **Serious concerns** | • Significant weaknesses in capability for current and future delivery that require urgent action.<br>• Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery. |

Figure 2 – Rating descriptions

The review team's assessment of the Department of Immigration and Citizenship capability is outlined in the tables below.

## Leadership

| | | |
|---|---|---|
| Set direction | | Development area |
| Motivate people | | Development area |
| Develop people | | Development area |

## Strategy

| | | |
|---|---|---|
| Outcome-focused strategy | | Development area |
| Evidence-based choices | | Development area |
| Collaborate and build common purpose | | Development area |

## Delivery

| | | |
|---|---|---|
| Innovative delivery | | Development area |
| Plan, resource and prioritise | | Development area |
| Shared commitment and sound delivery models | | Development area |
| Manage performance | | Development area |

## 4.1 Leadership summary

### Set direction

- The department's vision and purpose are articulated in the draft *Strategic Intent 2012-15*, allowing staff to identify with the department's broad objectives.
- There are perceptions that risks and issues are 'glossed over' to provide good news stories rather than delivering difficult messages.
- Similar to the 'One APS' concept, DIAC SES would benefit from an integrated 'One DIAC' approach to business and recognition of their leadership role in the wider APS senior executive network.
- Change needs to be better managed, with a focus on stronger design and planning, communicating reasons for change, and sustaining change until it has 'stuck'.

### Motivate people

- The department's values 'Fair and reasonable dealings with clients, well developed and supported staff, and an open and accountable organisation' are widely recognised by staff.
- Staff are observed to be intrinsically motivated by the national interest and humanitarian aspects of their work; however, initiatives driven by the leadership seem to have been less effective.
- SES performance management has not been rigorously applied since the elimination of performance-based pay three years ago; however, a 360 degree feedback process, nearing completion, will provide feedback to senior executives.
- The State of the Service 2010-11 results revealed that 33 per cent of DIAC staff do not think recruitment decisions are routinely based on merit (APS average 25 per cent).

### Develop people

- The department would benefit from encouraging SES officers to seek broader APS exposure as part of their development and at the same time seek to attract external applicants able to provide the department with fresh perspectives and broader management experience.
- The department has a broad agenda (social, economic, and national security) which provides opportunities for broad skill development and mobility; however, the department's workforce planning needs development.
- Strategic workforce planning is primarily managed using manual processes and is heavily reliant on individuals' knowledge rather than a more systematic process.
- Individual performance management is patchy at all levels and requires urgent action to gain the benefits good performance management processes can yield.

Comments and ratings against the components of the 'leadership' dimension follow.

## Set direction

| | | |
|---|---|---|
| Guidance Questions | | 1 Is there a clear, compelling and coherent vision for the future of the organisation? Is this communicated to the whole organisation on a regular basis?<br>2 Does the leadership work effectively in a culture of teamwork, including working across internal boundaries, seeking out internal expertise, skills and experience?<br>3 Does the leadership take tough decisions, see these through and show commitment to continuous improvement of delivery outcomes?<br>4 Does the leadership lead and manage change effectively, addressing and overcoming resistance when it occurs? |
| Rating | | Development area |

The department's vision and purpose are articulated in the draft *Strategic Intent 2012-15* allowing staff to identify with the department's broad objectives. The document provides a vehicle for the Executive to use in communicating the department's vision internally and externally. Clear and consistent messaging by the SES will ensure that the *Strategic Intent 2012-15* becomes 'part of the fabric' of the department as it improves its strategic planning processes.

The Secretary and the Acting Secretary are widely respected by staff and stakeholders. The Secretary has demonstrated deep personal knowledge of all areas of the department's operations and is respected for his ability to lead and manage through years of crises, criticism and successive 'transformations' of the department. The recently arrived Acting Secretary is recognised and welcomed for his leadership experience in other areas of the APS, his personal interest in good management, and the fresh perspective and opportunity for renewal that he brings to the department. Perceptions of the Executive Committee are not so positive. The review observed this is due to perceptions of a lack of focus on strategy, unnecessary delays in decision-making, and ineffective feedback to affected staff, including those preparing the committee's papers.

Many SES and the Acting Secretary believe transparency in internal communications is sometimes lacking and, with a sense that risks and issues are 'glossed over' to provide good news stories rather than delivering difficult messages. The department would benefit by focusing on better communicating risks and issues to provide context for more effective decision-making at all levels.

There are internal and external perceptions that members of the department's SES do not consistently collaborate across groups and divisions, appearing to be more focused on line responsibilities than whole-of-department priorities and corporate responsibilities. Ownership and responsibility for programs, projects and issues which require collaboration across boundaries are not always clear. Consequently, responsiveness and mutual support across business areas are uncertain and sometimes absent. Similar to the 'One APS' concept, there needs to be an integrated 'One DIAC' approach to SES corporate responsibilities and a greater recognition of the broader responsibility of the SES to contribute to the wider APS SES network.

The department has undergone a series of 'transformations' since 2006 with varying degrees of success in achieving sustained change. The majority of interviewees, including external stakeholders, observed that past change processes have often overlapped with new change initiatives – sometimes implemented before previous initiatives have been completed or evaluated. It is also noted that in response to several external reviews recommending changes to ICT capabilities, the department's change agenda has become increasingly ICT-led rather than driven by the business units. Staff have considered those ICT changes, and thus wider change processes, as slow and disappointing. The lack of success of previous change initiatives has led to mistrust and scepticism about the department's ability to manage change. This is supported in the results of the 2011 DIAC Staff Survey, where only 43 per cent of staff were confident that leadership would make transformation happen and 39 per cent believed clear and realistic plans were in place. There is little evidence that evaluations of change initiatives (including transformations) have been drawn on to improve subsequent change initiatives.

### Motivate people

| | | |
|---|---|---|
| Guidance Questions | | 1 Does the leadership create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?<br>2 Are the leadership visible, outward-looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?<br>3 Does the leadership display integrity, confidence and self-awareness in its engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?<br>4 Does the leadership display a desire for achieving ambitious results for customers, focusing on impact and outcomes, celebrating achievement and challenging the organisation to improve? |
| Rating | | Development area |

The strategic themes outlined in the *Strategic Intent 2012-15* depict the DIAC triangle of values that are widely recognised in the department: fair and reasonable dealings with clients, well developed and supported staff, and an open and accountable organisation.

Staff surveys show consistently high levels of employee commitment and staff members are observed to be intrinsically motivated by the national interest and humanitarian aspects of their work. Although the Executive relies on this commitment to achieve good outcomes, there is little evidence of systematic initiatives driven by leadership to maintain and further enhance staff motivation. There is significant risk to delivery if staff goodwill continues to be relied upon to perform in a high-pressure environment and more systematic approaches to maintain staff motivation are not developed.

The SES has a strong but internally focused culture, which reduces opportunities to draw on the insights and support that other agencies and stakeholders could provide, including the identification and management of risks. This culture has been reinforced by the high percentage of internal recruitment to key senior positions.

Senior executive performance management has not been applied rigorously since the elimination of SES performance-based remuneration. However, a number of initiatives have recently been implemented by the department, including the SES Remuneration and Performance Management Policy and a 360 degree feedback process. It is expected this will enable more robust performance management for members of the SES in all three bands, and provide an opportunity for them to become more self-aware by listening and acting on feedback. Depending on the success of the initiatives, a more stringent framework may be needed to guide the desired outcomes and behaviours. However, the implementation of such initiatives demonstrates the department's renewed commitment to developing quality leaders.

The State of the Service 2010-11 results revealed that 33 per cent of DIAC staff do not think recruitment decisions are routinely based on merit (APS average 25 per cent). This perception is discouraging and indicates mistrust among staff members. The department's Recruitment Policy (February 2012) outlines the requirements of merit-based recruitment, and remedial steps, introduced in 2009, included a requirement that an independent member be assigned to each selection process. If staff confidence is to be renewed, further scrutiny of decisions and support to staff and leaders are required to ensure that fair and equitable selection processes exist, and are seen to exist, throughout the department.

## Develop people

| | | |
|---|---|---|
| Guidance Questions | | 1 Are there people with the right skills and leadership across the organisation to deliver your vision and strategy? Does the organisation demonstrate commitment to diversity and equality?<br>2 Is individuals' performance managed transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with the strategic priorities of the organisation?<br>3 Does the organisation identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key positions?<br>4 How do you plan to fill key capability gaps in the organisation and in the delivery system? |
| Rating | | Development area |

In 2010-11, a three-year decrease in external recruitment levels ended when the external recruitment rate increased to 23.9 per cent of total recruitment. This increase has largely been attributed to the urgently growing workload associated with IMAs, which saw an increase of 50.8 per cent in full time equivalent staff in that work area during 2010-11. DIAC as a whole continues to have low staff turnover, with a total separation rate of 11.6 per cent and a voluntary separation rate of 8.6 per cent for 2010–11. Both those results place the department below the industry standard. In 2011-12, the internal recruitment of staff to SES Band 1 roles was 79 per cent and 100 per cent at the SES Band 2 level. While experience and corporate memory have many benefits, the department would benefit from encouraging SES officers to seek broader APS exposure as part of their development whilst at the same time seeking to attract external applicants with fresh perspectives and broader management experience.

The department has a broad agenda (social, economic, and national security), which is a significant attraction for potential employees. The variety of the department's work needs to be leveraged from a workforce planning perspective to deepen management skills and maximise staff performance. The department is also encouraged to address the size of its contractor workforce. The *Review of the Australian Government's Use of Information and Communication Technology* in 2008 (the Gershon report) recommended that ICT contractors be reduced from 450. The actual outcome has been an increase to 550 staff (although this is partly explained by new ICT workloads taken on since Gershon). The department agrees it could reduce its reliance on contractors and consultants to fill key capability gaps by more deliberately aiming to transfer skills and knowledge to permanent staff.

In these and other ways, the department would benefit from strengthening strategic workforce planning processes. The aim would be to identify and plan for capability and capacity gaps (see also the review team's suggestions in Section 1: Summary Assessment, finding *5* - Strengthen the department's Functional capabilities in six specific areas). There is no central skills register within the department to support staff development and staff deployment in response to emerging situations. In the past the department has tended to rely on the knowledge of particular staff members who have been used repeatedly to deal with priority matters or crisis management. While this may serve the immediate needs of the department, it does not support the development of staff and may be detrimental to individuals who frequently find themselves in high-pressure, high-intensity roles. The workforce planning program is being expanded in the coming financial year and a succession planning program has recently been established for high-performing, high-potential EL2 staff. This initiative has been received well, although it should be expanded further to provide better career planning, particularly for people in regional and international roles. A Workforce Management Group has also been established with a view to implementing better governance arrangements for the mobility of the EL2 cohort, including placement, term transfer and reintegration.

The department accepts that its processes for individual performance management are currently viewed more as a compliance exercise than a serious management tool. There is patchy application across the organisation and high dependence on individual managers' willingness to set expectations, provide constructive feedback, have difficult conversations, and recognise high performance. Approximately 90 per cent of employees have a performance agreement in place; however, at section level the utilisation rate of those performance agreements can be as low as 25 per cent. Staff reported that on many occasions underperforming individuals were moved into other areas rather than their underlying performance issues being addressed. The department has advised that it intends to improve the quality of performance management once compliance has been bedded down. This risks discrediting performance management processes by maintaining the focus on compliance and the review team suggests urgent action be taken to give meaningful purpose to the performance management. Another barrier to effective performance management is the shortcomings in the department's corporate HR system, which does not support a qualitative assessment of performance agreements nor provide easily accessible compliance data.

DIAC's ELs and SES Band 1s are professional technical managers; however, their core management skills such as HR management, financial literacy and management, and performance management (both individual and operational) are patchy. There is minimal guidance or induction for newly promoted or lateral hires regarding expectations. This poses risks for the department, particularly in the areas of financial management, contract

management, and individual performance management. This could be improved by expectation-setting through a structured induction to the role, on-the-job and tailored training and mentoring, and more consistent professional assistance from corporate services areas.

The review team observed that existing training courses could more comprehensively reflect the dynamic environment that DIAC works in and encourage a shared understanding among staff members of the department's strategic plans and critical risks. The department would benefit from developing or sourcing practical APS training on risk management (beyond policy and framework), stakeholder management and communications, contract management, and comprehensive leadership.

## 4.2 Strategy summary

### Outcome-focused strategy

- The recent development of the *Strategic Intent 2012-15* document is a positive step in setting out principles of operation for the department.
- There is considerable scope to improve whole-of-department strategic planning processes with clear priorities and links to resource and budget planning and individual accountabilities.
- People's understanding of 'what success looks like' and 'how business should be conducted' varies across the department and staff at all levels are seeking greater clarity.
- The department has made a good start in documenting its high-level risk framework; however, scenario-based risk identification, systematic risk scanning at the local level, and escalation guidelines are lacking.

### Evidence-based choices

- The department recognises the importance of research and evaluation in supporting decision-making; however, the availability and reliability of information/data on which to base decisions is a key concern across the department.
- A small emerging capability exists in the department to conduct research and evaluation; however, utilisation of the capability to identify future trends in support of policy and program development has been confined to particular areas and is not a department-wide practice.
- In furthering the stronger client focus built up in recent years, more can be done to create feedback loops between policy and program development and client services for example, drawing on information held by the network to better understand the views of clients can be taken account of in policy and program development.
- An effective knowledge management approach, including the ability to evaluate, transfer and adopt lessons learnt into policy and programs, needs to be further developed.

### Collaborate and build common purpose

- Close collaboration with external partner agencies and stakeholders is increasingly critical to the department's success in contributing to its social, economic and national security objectives, and building joint capabilities with ever decreasing resources.
- Staff and stakeholders report that lines of responsibility and accountability are unclear, which makes collaboration more difficult.
- In recent years the department has been working hard to improve its engagement with stakeholders; however, internal and external views regarding the timeliness and quality of engagements are mixed. In particular, some external stakeholders see a closed attitude to new ideas. SES engagement with central agencies requires closer attention.
- The development of a whole-of-department strategy for the management of stakeholders could improve collaboration and enhance the department's position and reputation.

Comments and ratings against the components of the 'strategy' dimension follow.

## Outcome-focused strategy

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| Guidance Questions | | 1 Does the organisation have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and measures of success?<br>2 Is the strategy clear about what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?<br>3 Is the strategy kept up to date, seizing opportunities when circumstances change?<br>4 Does the organisation work with political leadership to develop strategy and ensure appropriate trade-offs between priority outcomes? |
| Rating | | Development area |

The recent draft *Strategic Intent 2012-15* document is a positive step towards more outcome-oriented strategic planning because it sets out in a brief and easy to follow way the department's principles of operation (what the department does, and why). The document focuses on the intent to build Australia's future through the well-managed movement and settlement of people, through a number of social, economic and national security priorities. However, while the broad strategic intent is now clear, the document provides less guidance on what success will look like in terms of outcomes rather than outputs and the initiatives the department will implement to achieve this success. The next step will be to incorporate these outcomes in the group, divisional, branch and sectional business plans.

While the department is strong in reactive mode, responding to frequent crises, many staff members and some stakeholders lamented a lack of whole-of-department strategic planning and longer term thinking. At present, many divisions and branches tend to narrowly define their success by their ability to meet numerical targets and respond to issues, but give less thought to how those responses contribute to successfully achieving the target outcomes of the department as a whole. As discussed previously, planning activities in the department also suffer from a compliance mentality: a sense that time spent on planning activities is time not spent on 'real work'.

The department would therefore benefit from a renewed focus on business planning. A more comprehensive whole-of-department business planning approach would define the outcomes the department seeks in each area of its work, identify interdependencies between different parts of the organisation, describe the initiatives the department will undertake to achieve its priorities, facilitate assignment of responsibilities and accountabilities between organisational units, and provide a tool to determine where trade-offs are necessary. With an overarching set of target outcomes, clear priorities and measurements of success that cascade through all business plans, the department would be better positioned to deliver the outcomes the government seeks. These plans would, of course, be carried forward into individuals' work plans and performance targets. A more professional approach to business planning along these lines would require sustained attention and commitment by all members of the SES.

The review team acknowledges that within the department there is a growing acceptance of the need to move from a reactive, crisis-driven mode to a more proactive and strategic approach. Recent initiatives, such as the involvement of representative EL2 staff in the senior executive conference, are encouraging and should be continued. Additionally, the 2010 business case for transformation, *Strengthening Australia's Border*, demonstrated that the department has an impressive capability to develop a strategic view of how it will operate looking forward five years, as well as the necessary organisational changes required to achieve the vision. Although the business case was ultimately not funded, the department has progressed aspects of the transformation vision through the planned implementation of the Visa Pricing Transformation initiative. However, while those initiatives are encouraging, such approaches tend to be isolated, and not sustained due to the distractions of the next crisis. Building innovation opportunities into strategic planning processes will therefore be important.

As changes occur to the strategic planning process and accountabilities and responsibilities become clearer across the department as a result of improved governance, staff will feel more empowered to make effective choices on how best to spend their time and what they should delegate to others. In developing policy and strategy, the department should look for better ways to engage front line staff to inform the process as these staff have a unique view of risks and opportunities from a client and implementation perspective.

The department has made a good start in documenting its high-level risk framework; however, there is a lack of scenario-based risk identification and systematic risk scanning from the local level upwards. Clear escalation guidelines, where lower level risks, either individually or collectively, may have higher level impacts on the whole of the department, the Minister or the Government at large, would also be of benefit. In particular, the department would benefit from designing and communicating more systematic and timely processes to provide notifications, alerts, warnings and background to the Secretary/Executive, the Minister and central agencies about emerging issues and trends—before they become matters of public scrutiny. The current detailed scrutiny of the department's operations, particularly in respect of Irregular Maritime Arrivals, Immigration Detention Centres, and visa decisions, seems certain to continue. Accordingly, processes for identifying risk and escalating issues will need to be designed to function smoothly at all levels of the department.

## Evidence-based choices

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| Guidance Questions | | 1 Are policies and programs customer focused and developed with customer involvement and insight from the earliest stages? Does the organisation understand and respond to customers' needs and opinions?<br>2 Does the organisation ensure that vision and strategy are informed by sound use of timely evidence and analysis?<br>3 Does the organisation identify future trends, plan for them and choose among the range of options available?<br>4 Does the organisation evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process? |
| Rating | | Development area |

The department has built the small Policy, Innovation, Research and Evaluation Unit (PIREU) in recognition of the need for improved strategic insight. This unit has an evidence-based approach to policy advice and reportedly has a credible voice around the table with central agencies and partners. The department has also recently been engaging in war gaming with partner agencies to identify possible future scenarios to assist in planning relevant to Immigration Detention Centres. However, research of this nature and the use of evidence, analysis and evaluation in support of policy and program development are variable and localised to particular areas, as opposed to a department-wide practice for all policy and program development.

The department has built a strong customer focus in recent years around its core business of processing persons travelling to Australia for a broad range of reasons ranging from holidays, through study and working stays, to full migration, settlement and eventual citizenship. As it performs this work the department collects and stores considerable information within various department systems. However, DIAC currently has only limited capability to utilise this rich information resource for research, evaluation and longer term planning purposes. Enhancing this capability would not only provide strategic insight to assist policy development, but would also contribute to service delivery strategies, business process design, improved client management, and enhanced management of risks.

On a day-to-day basis, managers report that evidence-based business decision-making is impeded by a lack of timely and reliable data. In some cases data that is captured (for example, complaints and compliments data) is reported statistically but not evaluated to inform policy development. The outcomes of complaints are not centrally tracked to identify trends that might influence policy decisions and business strategies. Similarly, a range of finance data is available but not always provided to managers until specifically requested. Even then, some managers lack the financial literacy and related training to interpret financial reports. Managers also advise that HR-related reporting is neither integrated nor regular and that it has limited value for them in workforce planning and individual performance management. In short, decision-making across the department would benefit if decision-makers had access to more user-friendly and timely information from corporate and business systems.

While the department is recognised as being effective in reacting to crises as they arise, it tends not to evaluate the outcomes of its actions in order to capture lessons learned, instead relying on various reviews and audits to identify issues. There is currently some early planning in this respect to develop a ‘lessons learned’ framework, compiling recommendations from audits and reviews (including embracing uncomplimentary feedback). The review team would encourage a standard requirement that evaluation and documentation of lessons learned be applied across all programs, projects, and operational initiatives so that relevant lessons can be routinely incorporated into business as usual.

## Collaborate and build common purpose

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| Guidance Questions | | 1 Does the organisation work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?<br>2 Does the organisation involve partners and stakeholders from the earliest stages of policy development and learn from their experience?<br>3 Does the organisation ensure the agency's strategies and policies are consistent with those of other agencies?<br>4 Does the organisation develop and generate common ownership of the strategy with political leadership, delivery partners and citizens? |
| Rating | | Development area |

The department's many roles across policy, program and delivery impacting on social, economic and national security agendas necessitate frequent engagement with numerous partner agencies and stakeholders. The department's engagement with clients, partner agencies and stakeholders has reportedly improved in recent years, albeit from what has been described as a low base. Even so, DIAC is still seen by some government agencies as inward looking and not sufficiently engaged or open with partner agencies in learning from their experiences and taking into account their views.

The recent refresh of the senior leadership team has resulted in more successful engagement, with more productive relationships being reported by some key stakeholders. However, feedback is mixed. Working relationships with operational enforcement agencies are in the main viewed as positive. However, practical collaboration is limited by a lack of systems interoperability. Boundary issues and unclear or multiple accountabilities within DIAC are also problems for such agencies in their dealings with the department.

Relationships with central agencies also require more attention. Some central agencies continue to describe DIAC as 'insular'. Engagement currently relies heavily on individual personalities and relationships and would benefit from a more planned, and therefore consistent, whole-of-department engagement strategy.

Currently, the department's relationship with a number of Non-Government Organisations (NGOs) is seen as constructive, enabling frank and robust discussion on various issues. When contrasted with other international experiences, NGOs view the department as ahead in its current approach to engagement. However, the NGOs also note the fragility of the current approach, which is seen as more individually-driven than department driven. On occasions perceptions were that engagement was not so much to consult but to communicate a decision already made.

Many stakeholders have complex and multi-faceted relationships with the department and are therefore required to deal with different groups and divisions within it. Partner agencies advised that three or more separate DIAC areas sometimes need to be engaged in order to progress a matter. On occasions, the department had provided conflicting advice, causing

confusion and impacting on the department's reputation for professionalism. To address this issue, lead points of contact have been established in certain business areas but other areas reportedly continue to experience engagement difficulties.

Such issues are compounded by the fact that there is no corporate guidance on how to manage stakeholders, nor is it easy to identify current DIAC stakeholders, their interests, and lead points of contact within the department. Currently, stakeholder management is fragmented across business areas with varied approaches to relationship management. While it is unrealistic to think that dealings with stakeholders can ever be centralised, a more planned approach to the management and engagement of stakeholders would reduce reputational risk as well as strategic, tactical and operational risk by providing consistent and enduring engagement and ensuring that the department speaks as far as possible with a 'single voice'. Staff representing the department need to be empowered and enabled to represent the department as a whole when necessary. This will be particularly important when engaging with central agencies and key operational partners. The 'One DIAC' concept discussed elsewhere in this report would facilitate such an approach. Regular feedback from stakeholders, perhaps in the form of a stakeholder survey, could be sought to ensure that management continues to focus on this critical area of good management.

## 4.3 Delivery summary

### Innovative delivery

- Over the years, international counterparts have adopted some of DIAC's more innovative policy and service delivery models.
- Innovation has become a lesser priority in recent years, with staff distracted by crises and as pressures for delivery increase.
- Innovation tends not to be considered core business in DIAC. There is little encouragement for staff to be innovative. Risk aversion is partly responsible. The recently established Innovation Fund is a step in the right direction.

### Plan, resource and prioritise

- Deficiencies in whole-of-department business planning and the lack of a cross-departmental view of resources, interdependencies, and trade-offs creates difficulties in resourcing and prioritising.
- Business planning is too often seen as a compliance activity without quality assurance, resulting in business plans that do not really drive activities.
- The current emphasis on handling IMAs risks being at the expense of other core business.

### Shared commitment and sound delivery models

- The department has a robust service delivery network with a strong client service charter.
- Delivery models are unclear outside individual groups, and do not support a clear understanding of responsibilities and accountabilities.
- Elevated decision-making has resulted in bottlenecks and complex approval processes.
- The department lacks a clear and structured approach to information management and knowledge sharing.
- Employees have low expectations of what ICT delivers, with systems that are not perceived to support effective business operations and decision-making.

### Manage performance

- Departmental performance targets are too often focused on quantitative data rather than outcomes, inhibiting the ability to measure organisational health and success.
- Work units' performance evaluation and reporting are seen as compliance activities and not meaningful to staff, as information is collected but feedback is scant.
- The risk framework has been inconsistently implemented and is not widely used to prioritise or manage risk at the operational level.
- Failures to meet performance targets tend not to be followed through.

Comments and ratings against the components of the 'delivery' dimension follow.

## Innovative delivery

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| Guidance Questions | | 1 Does the organisation have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?<br>2 Does the leadership empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery?<br>3 Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?<br>4 Does the organisation evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation? |
| Rating | | Development area |

The department has a history of implementing several large-scale initiatives that have been adopted by other countries. These include the world's first electronic visa with the Electronic Travel Authority, and Advance Passenger Processing, which commenced in 2003, and which is still regarded as the world's most sophisticated real-time border management system. The department also has a record of implementing successful change in response to events and crises. There are instances where the department has adopted improvements at operational levels with the notion of doing 'more with less'. In some areas, the department also has demonstrated a cross-agency approach to innovation, which has received support from external stakeholders and central agencies. An example of this is the recent National Targeting Centre proposal, which aims to facilitate better informed and targeted risk assessments for border threats based on a whole-of-government collection of information and intelligence holdings.

However, while the department has successfully innovated in the past, innovation is currently a lower priority, which decreases staff motivation in this area. The lack of enthusiasm for innovation is arguably a consequence of the environment within which the department currently operates, where there are heavy pressures of crises and a demanding government agenda. The department's risk-averse nature, fragmented operating structure, and lack of an explicit and coherent innovation strategy also contribute to difficulties in gaining traction for innovative ideas.

A survey indicates that guidance about the importance of innovation from the DIAC leadership has been lacking, with only 33 per cent of staff stating that the SES encourage innovation (State of the Service Report Employee Survey, 2011). Similarly, the department's risk-averse nature has led to a low tolerance for error, with staff believing that their ideas will not be seriously considered by managers. As a result, staff feel that they are not given permission to innovate, which inhibits their motivation to generate new ideas without the freedom to fail. The department would benefit from a clear innovation directive and a systematic framework to support the development and implementation of new ideas and initiatives. The department has acknowledged this by introducing an Innovation Fund for the 2011–12 financial year. This is a step in the right direction in encouraging innovative ideas,

although it is focused on cost benefits with less consideration of qualitative outcomes, such as improving client satisfaction, departmental culture or stakeholder relations.

## Plan, resource and prioritise

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| Guidance Questions | | 1 Do business planning processes effectively prioritise and sequence deliverables to focus on delivery of strategic outcomes? Are tough decisions made on trade-offs between priority outcomes when appropriate?<br>2 Are delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of the strategic outcomes?<br>3 Is effective control of the organisation's resources maintained? Do delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?<br>4 Are delivery plans and programs effectively managed and regularly reviewed? |
| Rating | | Development area |

Planning, resourcing and prioritising were seen by the review team as one of the areas of management most in need of attention in DIAC.

DIAC is in the process of reviewing its governance arrangements in order to improve the effectiveness of its business planning and decision-making processes. The review team acknowledges that business plans are in place in most parts of the department and, in some cases, are detailed and comprehensive. However, current plans lack traction. While they are usually aligned to the department's broader strategic intent, they are not seen by staff, including SES, as driving operations and are internally perceived as 'tick and flick' compliance exercises. Cultural commitment to planning is not strong and members of the SES have not always shown the necessary leadership and sustained commitment to the task.

The business plans of work areas sometimes overlook interdependencies with other business areas. Consequently, the department seldom achieves a clear line-of-sight, both vertically and horizontally, with partnering business areas. Plans also tend to focus on objectives that are measured against deadlines for compliance and numerical targets rather than departmental outcomes. The quality of plans is not well monitored by local SES and the departmental Executive and the proper cascade of planning from corporate intent to group, divisional, branch, section and individual performance plans is not easy to see.

More effective planning processes are critical to the department in understanding its business, assessing its priorities, setting out clear accountabilities, and assigning its resources and efforts. However, there is anecdotal evidence of 'patch protecting' and silos affecting the agency's attitude towards planning. In a resource-constrained environment, the department can no longer continue to deliver everything to which it has previously committed. It needs rigorous and transparent processes in order to make choices. With changes in the operating environment, government policies and priorities, and requirements for increased efficiency,

the department needs to improve the full sequence of its planning, prioritising, budgeting, reporting and accountability processes.

A key driver for planning in DIAC should be to ensure that the department has the capacity to find the resources for unavoidable crises while continuing to maintain effective core business operations. The department is seen as well able to flexibly respond to ad hoc demands, such as dealing with IMAs. However, the current emphasis on resourcing and prioritising IMAs risks diverting resources and attention from core business, and an over-reliance on the current demand-driven quarantined funding is a key risk for the department at a time of fiscal constraint. Processes need to be designed to maintain the Executive's attention on mainstream departmental business during crisis periods, and to ensure that resources are not 'raided' from other areas of the department.

The department is beginning to recognise the importance of workforce planning, which is being driven by the People Strategy and Services Division in an attempt to facilitate a better alignment with business planning processes. This process begins with the budget, whereby indicative budgets are available at division level well in advance of the Commonwealth Budget. However, visibility of the budget has not always filtered down to staff in a timely manner, thus impacting on the effectiveness of their planning. Staff report that budgeting processes, and in particular budget cuts, are not clearly communicated across the wider department and, as a result, employees do not have a thorough understanding of what drives financial decision-making and resource allocation.

Some managers have indicated that while they have apparent accountability for a program outcome, they do not have sight or control of its full budget. In the review team's view, the latter (full control of the budget) is probably unrealistic, but the former (full visibility of the program budget and expenditure) is not an unreasonable expectation for designated program managers. Unclear financial management responsibilities and somewhat limited financial literacy among managers also contribute to difficulty in effective budgeting, program management and planning.

## Shared commitment and sound delivery models

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| Guidance Questions | | 1 Does the organisation have clear and well understood delivery models which will deliver the agency's strategic outcomes across boundaries?<br>2 Does the organisation identify and agree roles, responsibilities and accountabilities for delivery within those models including with third parties? Are they well understood and supported by appropriate rewards, incentives and governance arrangements?<br>3 Does the organisation engage, align and enthuse partners in other agencies and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?<br>4 Does the organisation ensure the effectiveness of delivery agents? |
| Rating | | Development area |

The department's service delivery component is large and disparate and includes detention services, settlement services, and client service centres that cover social, economic, and national security issues. It is responsive in managing a large and successful migration program that contributes to the country's economy, society and security. This is evident in the department's high-volume operations, administering 4.3 million visas in the 2010–11 financial year and catering for more than 30 million people crossing Australia's borders. The department's responsibilities are one of the most diverse among APS departments; it develops policy and provides full service delivery across a global network of 69 offices. This makes the department second only to the Department of Foreign Affairs and Trade in terms of its international presence. Despite the problems discussed below, the review team is impressed by the department's service delivery.

The increased volume of travellers, coupled with integrity and security concerns which are not diminishing, is placing a very challenging processing burden on the service delivery network. As a result, the department has made significant changes to critical business processes. These changes include initiatives to transform the four major client service channels, with an aim to drive the uptake of the online channel. An example of recent reforms is the Visa Pricing Transformation project, where the department is addressing visa pricing and transforming the visa product offering. Similarly, the Global Manager Transformation project has improved efficiency by centralising the management of the visa products portfolio across the service delivery network (although some unintended horizontal consequences at the regional level are currently being addressed). The department would benefit from an early evaluation of those initiatives and from feeding the lessons learned into future client delivery models as volumes rise and resources remain constrained.

The effectiveness of departmental delivery models is inhibited by the number of hand-off points and endemic confusion about accountabilities. This leads to overly complex process-driven systems, elevates decision-making authority, dilutes accountabilities among many, and adds to risk. It encourages issues to be escalated unnecessarily or 'socialised', and may cause risks to be missed by falling between organisational boundaries. The department's complicated accountability structure is further affected by the lack of a departmental functional directory and unclear reporting lines between key corporate managers and the Executive.

Unclear accountabilities also disempower individual officers especially at EL and SES Band 1 levels. It results in lengthy clearance processes, numerous committees, and excessive use of senior officers' time while withholding responsibility from junior officers.

The current complex committee structure in DIAC is seen as one consequence of the department's risk-averse culture, which has contributed to a diffusion of responsibilities across the department. The existing 79 internal committees are being reduced in an attempt to clarify the purpose of the committees, ensuring that they understand that theirs is a consultative role with ultimate decision-making being vested in the relevant senior executive staff. The Acting Secretary's proposed four-committee structure is expected to drive more effective decision-making and clarify accountabilities.

There is a perceived disconnect between business and ICT operations due to the significant investments in ICT systems that have not met the expectations of business areas. The misalignment between business and ICT is apparent in the Systems for People (SfP) initiative, which is widely viewed by staff as overpromising and underdelivering. The SfP transformation (2006–2010) was developed in response to recommendations of the Palmer and Comrie reports in 2005. The review team acknowledges that SfP has delivered a number of improvements to the department's ICT environment. These include the Case Management

Portal, the Client Data Hub, the Client Search Portal, the Border Security Portal and the Health Assessment Portal, as well as related improvements in e-correspondence and information records management. However, key outputs of SfP were to be a suite of portals for general use, but which are currently used primarily by the compliance and detention business areas with low and varied uptake across the remainder of the department.

A lack of visibility of the SfP portals outside of the compliance and detention areas, and the repeated delays and functionality shortcomings of the key Generic Visa Portal has been an important reason for employees' low expectations of ICT delivery and perception that systems in DIAC do not support effective business operations and decision-making.

Although, in a technology sense, the important goal of a single view of client data (for all post 2008 clients) has been delivered, the complexity of data and systems continues to prevent a holistic single view of all clients for all departmental staff. The varied uptake of the Client Search Portal across business areas, the number of hand-off points in business processes, and the sheer volume of daily decisions means that there continues to be at least some remaining risk of another high profile failure of DIAC process.

These findings emphasise the importance of understanding business requirements and ensuring that ICT development capability takes better account of business priorities and expectations. This is of particular importance with the anticipated move to online service delivery and future needs for ICT support for a mobile workforce.

The department administers a range of 'programs' and related projects to ensure that they meet the broad needs of government, partner agencies, and clients. However, the department lacks the structures, processes and accountabilities to support effective and efficient program management. This is furthered by having no shared DIAC-wide definition of 'program'. As a result, so-called programs have tended to be focused on ICT investments rather than being considered a broader business program of which ICT is only one supporting component.

The department's contract management capability has matured, although it still requires strengthening in the light of increasing service delivery partnerships. While DIAC is usually good at the initial development of contracts and procurement processes, the ongoing management, evaluation, and follow up are not as well managed. This is of particular concern due to the size and sensitivity of current and future service delivery partnerships, such as the SERCO contract for detention centre services, which merits continuing close contract management attention. However, the department would also benefit if it improved the contract management literacy right across the department. This would result in a more consistent and professional approach to contract management and the better management of potential high-consequence financial and reputational risks.

Cross-departmental knowledge management is another departmental capability that requires attention. Much corporate knowledge is held by long-term staff within the department rather than being captured and shared through a structured system. This causes heavy dependence on personal networks with its associated risks. This is of particular concern as the department is faced with an ageing SES and EL cohorts but has few means of capturing their corporate knowledge when they leave. Further, effective data management is integral to policy development and operations. However, the current data management systems inhibit timely access to data, which restricts the ability to interrogate data. As one stakeholder commented, 'the department has fragmented client information, and even if the information is there, they can't find it and/or are under too much pressure to do anything with it'. The department would benefit from a more deliberate approach to data management and knowledge sharing.

Such an approach would enable staff to have timely access to accurate information and data in support of their decision-making and, as well, would streamline business processes.

## Manage performance

| | | |
|---|---|---|
| Guidance Questions | | 1 Is the organisation delivering against performance targets to ensure achievement of outcomes set out in the strategy and business plans?<br>2 Does the organisation drive performance and strive for excellence across the organisation and delivery system in pursuit of strategic outcomes?<br>3 Does the organisation have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system?<br>4 Does the organisation take action when not meeting (or not on target to meet) all of its key delivery objectives? |
| Rating | | Development area |

Managing the performance of both work units and individuals was seen by the review team as one of the areas of management most in need of attention in DIAC.

In reporting on work units' performance, the department utilises Key Performance Indicators (KPIs), outlined in the Portfolio Budget Statement (PBS) and provides measures pertaining to each outcome/program area. The KPIs have not been reviewed or updated for some time. The KPIs tend to be quantitatively focused and rely on widget measures, and while this addresses compliance requirements, it tells little about performance quality and outcomes. The department would benefit from revising its KPIs to provide a more accurate reflection of business objectives and to address the distinction between outputs and outcomes.

Although the department's visa operations areas have developed and report well against a good set of performance indicators, the department more generally has a compliance attitude to managing work units' performance. This can be attributed to unclear reporting measures and an overcomplicated reporting process, where information is collected but little is utilised to inform decision-making and drive continuous improvement. As a result, in much of the department, there are few consequences for not meeting performance targets, from both operational and financial perspectives. Linkages from work units' plans to performance targets in individual performance plans tend to be weak.

DIAC's risk-averse culture has also led to a fear or avoidance of evaluation, with the perception that evaluations only negatively scrutinise and expose business areas. The department is encouraged to develop and embed a performance management culture driven by the SES and cascading across all levels in the department to facilitate a more streamlined and effective approach to evaluation and performance reporting.

A high-performance culture will also contribute to an effective and proactive approach to managing risk. The department has taken the first steps in building capability in risk management with a risk framework that is used at department and group levels to identify

strategic and tactical risks. However, the process has not been embedded and risk scanning and management tend to be left to the intuition of a small number of senior people rather than utilising the intelligence of all staff. Additionally, the current risk approach does not adequately specify the type or consequence of risks (i.e. the likelihood and the degree of damage if the risk eventuates) in order to prioritise risks and the manner in which they are to be managed. It is critical that risks are identified, taking into account interdependencies across the department. There needs to be transparent alert escalation mechanisms to the Secretary/Executive, the Minister and central agencies. The department would also benefit from strengthening its underdeveloped risk analytic capability. This could include the development of practical contingency plans that may reduce the impact of crises on core business.

# 5 The department's response

The Department of Immigration and Citizenship (DIAC) has 67 years of history delivering migration and visa services to our many clients. The successful delivery of these services has been achieved amidst a difficult and challenging operating environment – one which is both highly scrutinised and contested as a key area of public policy.

The more recent history of the department is documented in many significant reviews, some that looked at specific incidents and issues, and others that looked more broadly at the department and its work. While in some cases these reviews have been critical of the department, they all acknowledge the difficult circumstances in which our dedicated and hardworking officers operate. The great things achieved by the department over many years have been the result of the collective efforts of the committed, motivated and driven staff who work here. In saying this, personal commitment and effort is not always enough. This Review looked at organisational capability and it is in this area where we need to shift our focus – in addition to our people, it is the strategy, systems and processes which we need to get right.

The Capability Review report ('the Report') acknowledges that the department has taken early steps to rectify some areas of concern, particularly around articulating the strategic direction of the organisation. This strategic direction is conveyed through the department's *Strategic Intent* and clearly articulates 'what we do' and 'how we do it'. The Report also refers to the department having 'an unusually wide set of responsibilities' including research, policy development, program management, service delivery, industry regulation and corporate services – the *Strategic Intent* draws these into a coherent articulation of our policy and program responsibilities as well as our corporate foundations; people, performance and financial management. Our attempts to balance these responsibilities in the broader context of the previously mentioned scrutiny and a need to deliver the core business of the organisation – the well managed movement and settlement of people – is a challenging but not insurmountable remit.

I would like to make the following preliminary comments against the six high level findings of the Report:

### Risk and crisis management

The department has in recent years made headway in developing a more robust approach to risk management. Having said this, it is acknowledged that a more proactive approach is needed including a greater use of environmental scanning to inform our planning processes. Further, I acknowledge the findings of the review with respect to the department having a risk-averse culture. While clearer guidance and escalation protocols are required for our decision-makers, we must also tackle the cultural issues that come from having operated in this manner for a number of years.

### Higher whole-of-department planning and decision making processes

The department's business planning framework is now under review. The fundamental aims of this review are to simplify the process and engender greater support for planning right across the department. This will be coupled with an education process that aims to demonstrate the value of planning such that its importance to the successful delivery of our programs cannot be underestimated.

### Support for operational managers

A significant amount of responsibility for the delivery of our many programs rests with this cohort of leaders and managers. As the Report points out, it is only reasonable that they have the systems, tools and processes in place to support them. While some work has already been undertaken in this area, particularly around individual performance management, a number of discrete projects will be put in place to address this issue. A focus on our ICT systems and programs will ensure that the requirements of our users are aligned with ICT governance, planning and prioritisation. This will be essential in making the most efficient and effective use of our ICT capability.

### Corporate buy-in by SES officers

Significant work is already underway in a number of areas affecting the SES cohort. This includes the recently finalised *SES Remuneration and Performance Management Policy* which clearly articulates the value I place on outcomes, leadership, and importantly, the corporate contribution of each and every SES officer. One key area I plan to focus on is the degree to which the SES are 'networked' externally; our interaction with central agencies is critical and the Report highlights that we have some work to do in this space.

Strengthen the department's functional capabilities in six specific areas: namely contract management, program management, ICT development, financial literacy and management, evaluation and knowledge sharing, and stakeholder management.

These six specific areas are as diverse as they are important. We will focus on them individually to ensure they no longer remain long-term areas of concern. This will also be managed through a number of targeted projects that focus on professionalisation and education in areas such as contract, financial, stakeholder and program management.

### Innovation

While we have made headway in this area through the establishment of the Policy Innovation, Research and Evaluation Unit (PIREU) in recent years, an under-investment has stifled our ability to develop strategic, innovative solutions to our many challenges. I am also conscious that, generally speaking, the department could place a higher degree of intrinsic value in innovation. I plan to address this quickly by investing in a stronger, overarching approach to strategy and innovation.

## Concluding comments

As discussed earlier in this response, the department is not unfamiliar with the process of independent, external review. The department has for some years now demonstrated its commitment to transparency. Further, I understand that the Capability Review program is not about penalising agencies or departments but about promoting excellence in public administration. In this vein, I acknowledge that there is significant room for improvement and for this reason I fully accept and embrace the findings of this Report. Our next challenge will be addressing each of the six key findings through detailed action planning and embedding this process in our business.

I would like to thank the Australian Public Service Commissioner, Mr Stephen Sedgwick AO, for his commitment to the department's review and for providing a very high calibre team of senior reviewers and support staff. I would also like to personally thank the senior reviewers: Mr Ken Matthews AO, Ms Kerri Hartland, and Ms Akiko Jackson for

the balanced, considered and thoughtful application of their considerable expertise and experience. Their independent and impartial approach contributed significantly to the credibility of this review and further enhances the reputation of the Capability Review program more broadly.

Finally, I am confident that DIAC will be a better agency for our staff, for our clients and for the Government as a result of this Capability Review. If all agencies have a similar experience over the next few years, then the program will have gone a long way towards achieving the reforms outlined in *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*.

Martin Bowles PSM

A/g Secretary
Department of Immigration and Citizenship

# 6 Abbreviations and acronyms

| Abbreviation or acronym | Description |
|---|---|
| APS | Australian Public Service |
| APSC | Australian Public Service Commission |
| DIAC | Department of Immigration and Citizenship |
| EL | Executive Level (1 and 2) |
| Executive | Secretary, associate secretaries and deputy secretaries |
| FCC | Five Country Conference |
| GVP | Generic Visa Portal |
| HR | Human resources |
| IDC | Immigration Detention Centre |
| ICT | Information and communications technology |
| IMA | Irregular Maritime Arrival |
| KPI | Key Performance Indicator |
| NGO | Non-Government Organisation |