



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Public Accounts Committee

Annual Report

2013-14

August 2014

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Chair's Preface

The main focus of the Public Accounts Committee's work over the last year has been its Inquiry into the Management of ICT Projects by Government Agencies. That inquiry arose out of the Committee's examination of the Auditor-General's reports, which included audits of three ICT projects that raised significant concerns for the Committee; the foremost of these being the failed Asset Management Project. The size of the losses incurred by the Territory from this project required close examination. The Committee made a range of recommendations on project governance, developing agencies' capacity, and the use of project management methodologies to help secure better outcomes from projects in the future.

The year also saw a significant change in the functions of the Committee, with the Assembly amending its Standing Orders so that the Committee can examine any matter within the executive authority of Ministers of the Territory. The Committee's first use of this new function was to examine the Bills before the Assembly for the structural separation of the Power and Water Corporation. This enabled the Committee to receive and publish submissions from interested persons and hold public hearings where proponents of the legislation were able to explain its operation and address Members' questions, and interested groups and experts could explain their views on the bills. This evidence was then able to inform the Assembly's debate of the Bills.

The Committee continued to examine the Auditor-General's reports and to discuss issues arising from these reports with the Auditor-General and, when necessary, the relevant agency Chief Executive. As the main issues arising from this process were included in the Committee's report on the Management of ICT Projects the Committee did not produce a separate report on the examination of Auditor-General's reports.

On behalf of the Committee I thank all those who have assisted the work of the Committee over the last 12 months, particularly agency Chief Executives who continue to be very responsive to the Committee's requests, and others who have made submissions to or appeared before the Committee. As noted in the report, the Committee is also indebted to Mr Frank McGuinness PSM, the Auditor-General, for his ongoing support. I would also like to thank the Members of the Committee for another year of working cooperatively towards improved financial accountability and management in the Territory's public sector.



Lia Finocchiaro MLA

Chair

Committee Members

| | | |
|---|---|--|
|  | Ms Lia Finocchiaro MLA: Member for Drysdale | |
| | Party: | Country Liberals |
| | Parliamentary Position: | Government Whip |
| | Committee Membership | |
| | Standing: | Public Accounts; Estimates & Government Owned Corporations; Legal and Constitutional Affairs; Subordinate Legislation & Publications; Privileges, House. |
| | Sessional: | Northern Territory's Energy Future. |
|  | Mr Nathan Barrett MLA: Member for Blain | |
| | Party: | Country Liberals |
| | Parliamentary Position | Deputy Chair of Committees |
| | Committee Membership | |
| | Standing: | Public Accounts; Estimates & Government Owned Corporations; Legal and Constitutional Affairs; Subordinate Legislation & Publications; House. |
| | Sessional: | Northern Territory's Energy Future. |
|  | Mr Gary Higgins MLA: Member for Daly | |
| | Party: | Country Liberals |
| | Parliamentary Position | Chairman of Committees |
| | Committee Membership | |
| | Standing: | Public Accounts; Estimates & Government Owned Corporations; Standing Orders. |
| | Sessional: | Northern Territory's Energy Future. |
|  | Ms Natasha FYLES MLA: Member for Nightcliff | |
| | Party: | Australian Labor Party |
| | Committee Membership | |
| | Standing: | Public Accounts; Estimates; Government Owned Corporations; Privileges; House. |
| | Select | Foetal Alcohol Spectrum Disorder. |
| | Chair | Northern Territory's Energy Future. |
|  | Ms Nicole Manison MLA: Member for Wanguri | |
| | Party: | Australian Labor Party |
| | Committee Membership | |
| | Standing: | Public Accounts; Estimates & Government Owned Corporations; Legal and Constitutional Affairs; Subordinate Legislation & Publications. |
| | Select | Foetal Alcohol Spectrum Disorder. |
| |  | Mr Gerry Wood MLA: Member for Nelson |
| Party: | | Independent |
| Parliamentary Position | | Deputy Chair of Committees |
| Committee Membership | | |
| Standing: | | Public Accounts; Estimates & Government Owned Corporations; Standing Orders. |
| Sessional: | | Northern Territory's Energy Future. |
| Select | Foetal Alcohol Spectrum Disorder. | |
| <p>On 20 August 2013 Mr Michael Gunner was discharged from the PAC and replaced by Ms Nicole Manison. On 18 September 2013 Ms Bess Price was discharged from the PAC and replaced by Mr Francis Kurrupuwu. On 3 April 2014 Ms Larisa Lee, and Mr Francis Kurrupuwu, were discharged from the PAC and replaced by Mr Gary Higgins on 3 April 2014 and Mr Nathan Barrett on 6 May 2014. On 19 April 2014 Ms Natasha Fyles was discharged from the PAC and replaced by Mr Kon Vatskalis. On 23 May 2014 Mr Vatskalis was discharged from the PAC and replaced by Ms Fyles.</p> | | |

Committee Secretariat

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Committee Secretary: Ms Julia Knight

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Terms of Reference

- (1) A Standing Committee of Public Accounts to consist of five members shall be appointed at the commencement of each Assembly.
- (2) The duties of the Committee shall be –
 - (a) to examine the accounts of the receipts and expenditure of the Northern Territory and each statement and report tabled in the Legislative Assembly, pursuant to the *Financial Management Act* and the *Audit Act*,
 - (b) to report to the Legislative Assembly with such comments as it thinks fit, any items or matters in or arising in connection with those accounts, statements or reports, or in connection with the receipt or disbursement of the moneys to which they relate, to which the Committee is of the opinion that the attention of Parliament should be drawn;
 - (c) to report to the Legislative Assembly any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them or in the method of receipt, control, issue or payment of public moneys;
 - (d) to look into and report to the Legislative Assembly on any question in connection with the public accounts of the Northern Territory –
 - (i) which is referred to it by a resolution of the Assembly; or
 - (ii) which is referred to it by the Administrator or a Minister; and
 - (e) to examine the reports of the Auditor-General tabled in the Legislative Assembly with the accounts of an Agency of the Northern Territory, including any documents annexed or appended to those reports, pursuant to the *Audit Act*.
 - (f) to inquire into and report to the Legislative Assembly on any matters within the executive authority of ministers of the Territory to which the committee is of the opinion that the attention of the Assembly should be drawn.¹
- (3) The Committee shall examine only those accounts of receipts and expenditure of the Northern Territory and reports of the Auditor-General for financial years commencing after 30 June 1986 provided that this shall not prevent the consideration by the Committee of matters included in reports of the Auditor-General for the year ending 30 June 1986 which have or may have a continuing effect on the form of the public accounts, the method of receipt, control issue or payment of public moneys.
- (4) Prior to determining whether to undertake an inquiry into any matter which may have arisen in connection with the public accounts of the Northern Territory, pursuant to paragraphs (2)(a) and (e), with the concurrence of the Committee,

¹ Paragraph (2)(f) added 19 March 2014

the Chairman is empowered to write to the Chief Executive Officer of the relevant agency for a report on the matter.

- (5) The Committee shall take care not to inquire into any matters which are being examined by a Select Committee of the Assembly especially appointed to inquire into such matters and any question arising in connection therewith may be referred to the Assembly for determination.
- (6) The Committee shall elect a Government Member as Chairman.
- (7) The Chairman of the Committee may, from time to time, appoint a member of the Committee to be the Deputy Chairman of the Committee and the Member so appointed shall act as Chairman of the Committee at any time when there is no Chairman or when the Chairman is not present at a meeting of the Committee.
- (8) In the event of an equality of voting, the Chairman, or the Deputy Chairman when acting as Chairman, shall have a casting vote.
- (9) The Committee shall have power to appoint sub-committees and to refer to any such sub-committee any matter which the Committee is empowered to examine.
- (10) Three Members of the Committee shall constitute a quorum of the Committee and two Members of a sub-committee shall constitute a quorum of the sub-committee.
- (11) The Committee or any sub-committee shall have power to send for persons, papers and records, to adjourn from place to place, to meet and transact business in public or private session and to sit during any adjournment of the Assembly.
- (12) The Committee shall be empowered to print from day to day such papers and evidence as may be ordered by it and, unless otherwise ordered by the Committee, a daily *Hansard* shall be published of such proceedings of the Committee as take place in public.
- (13) The Committee may proceed to the dispatch of business notwithstanding that all Members have not been appointed and notwithstanding any vacancy.
- (14) The Committee shall report annually and shall have leave to report from time to time and to report its proceedings and evidence taken; and any Member of the Committee shall have power to add a protest or dissent to any Report.
- (15) Unless otherwise ordered by the Committee, all documents received by the Committee during its inquiry shall remain in the custody of the Assembly provided that, on the application of a department or person, any document, if not likely to be further required, may, in the Speaker's discretion, be returned to the department or person from whom it was obtained.
- (16) The Committee shall be provided with all necessary staff, facilities and resources and shall be empowered, with the approval of the Speaker, to appoint persons with specialist knowledge for the purposes of the Committee.

1 Introduction

Establishment of Committee

- 1.1 The Northern Territory Standing Committee on Public Accounts was established by the Assembly on 9 September 2008 under Standing Order 21A of the Legislative Assembly of the Northern Territory.

Functions of the Committee

- 1.2 The duties of the Public Accounts Committee include to inquire into and report to the Legislative Assembly on any question in connection with the public accounts of the NT as it deems necessary as well as any matter referred to it by the Assembly, Administrator or any Minister. The Committee also examines the reports of the Auditor-General.
- 1.3 On 19 March 2014, the Legislative Assembly amended its Standing Orders so that the functions of the Committee also included:
 - to inquire into and report to the Legislative Assembly on any matters within the executive authority of ministers of the Territory to which the committee is of the opinion that the attention of the Assembly should be drawn.

Powers of the Committee

- 1.4 The Public Accounts Committee derives its authority from the *Northern Territory (Self-Government) Act* (Cth), the *Legislative Assembly (Powers and Privileges) Act* (NT), and Standing Orders of the Northern Territory Legislative Assembly.

2 Committee Program

Meetings

2.1 The Public Accounts Committee met 14 times during the reporting period. The details of these meetings are set out below.

| MEETING NO. AND DATE | KEY AGENDA ITEMS AND RESOLUTIONS PASSED |
|----------------------------------|--|
| Meeting No. 14 20 August 2013 | <ul style="list-style-type: none"> • The Committee welcomed Ms Nicole Manison, Member for Wanguri to the Committee • The Auditor-General briefed the Committee on his March 2013 Report to the Legislative Assembly. • The Committee: <ul style="list-style-type: none"> ○ Resolved to allow the webcasting of public hearings ○ Approved the annual report of the Public Accounts Committee |
| Meeting No. 15 27 August 2013 | <ul style="list-style-type: none"> • The Committee held a public hearing on the NT Government's Asset Management System and heard from the following witnesses: <ul style="list-style-type: none"> ○ Mr Alan Wagner, Chief Executive, Ms Anne Bradford, Deputy Chief Executive and Custodian of the Asset Management System, Department of Infrastructure; and ○ Mr Frank McGuiness, Auditor-General for the Northern Territory. |
| Meeting No. 16 28 August 2013 | <ul style="list-style-type: none"> • The Auditor-General commented on the Hearing with the Department of Infrastructure on the Asset Management System and noted that it would be useful for the Committee to invite the Department of Corporate and Information Services to a Hearing to provide their views about IT strategy and policy and the management of IT projects. • The Committee resolved: <ul style="list-style-type: none"> ○ To hold an inquiry into major ICT projects and asked the Auditor-General to review and comment on the proposed terms of reference for the inquiry. ○ To invite submissions to the Inquiry with a due date of the first week in November 2013 |
| Meeting No. 17 8 October 2013 | <ul style="list-style-type: none"> • Following the appointment of Committee member Ms Bess Price, Member for Stuart, to the Ministry, the Chair welcomed the new Committee member, Mr Francis Kurrupuwu, Member for Arafura. • The Committee resolved: <ul style="list-style-type: none"> ○ To authorise the publication of transcripts of its past and future public hearings after Members and witnesses have been given five days from receipt of the corrected transcripts indicate their approval. ○ To authorise publication of Submission No 1 from David Chatterton; ○ To hold public hearings for the ICT Projects Inquiry all day on 9 December 2013. |

| MEETING NO. AND DATE | KEY AGENDA ITEMS AND RESOLUTIONS PASSED |
|------------------------------------|---|
| | <ul style="list-style-type: none"> ○ To write to the relevant Chief Executives to request copies of documents relevant to the Inquiry into the Management of ICT Projects in the Northern Territory Government. |
| Meeting No. 18 November 2013 | <ul style="list-style-type: none"> • The Committee resolved to authorise publication of ICT inquiry submissions 2 to 11, provided that authors of submissions have not indicated a need for confidentiality. • The Committee agreed to invite the Department of Corporate and Information Services, Department of Infrastructure, Department of Health, Power and Water Corporation, Department of Housing, and the Department of Treasury and Finance to the public hearing to be held on Monday 9 December 2013. |
| Meeting No. 19 3 December 2013 | <ul style="list-style-type: none"> • The Clerk, Michael Tatham, gave a presentation on the Assembly's twinning with Niue and the Committee resolved to: <ul style="list-style-type: none"> ○ Write to the Speaker of Niue inviting the development of the twinning arrangement through regular videoconferencing and the sharing of information as proposed in the draft letter circulated. • The Committee considered draft questions for the ICT Projects hearing. |
| Meeting No. 20 9 December 2014 | The Committee held a public hearing on its Inquiry into the Management of ICT Projects. |
| Meeting No. 21 11 February 2014 | <ul style="list-style-type: none"> • The Committee considered questions for the public hearing on 7 March 2014 on the Management of ICT Projects. |
| Meeting No. 22 7 March 2014 | <ul style="list-style-type: none"> • The Committee resolved to accept the submission from ICS Multimedia received 2 March 2014 and authorised the submission's publication. • The Committee held a public hearing on its Inquiry into the Management of ICT Projects • On conclusion of the public hearing the Committee continued in a deliberative meeting. • The Committee agreed to hear from Fujitsu at a public hearing on 1 May 2014 and to invite the Department of Corporate and Information Services to update the Committee on the implementation of the Asset Management System and the new ICT governance framework. |
| Meeting No. 23 18 March 2014 | <ul style="list-style-type: none"> • The Committee agreed to accept a late submission from Fujitsu by 17 April 2014. • The Committee discussed issues raised in evidence for its inquiry. • The Committee agreed to invite the Auditor-General to its next meeting on 25 March 2014 to discuss its concerns regarding the Community Service Obligations within the Power and Water Corporation. |

| MEETING NO. AND DATE | KEY AGENDA ITEMS AND RESOLUTIONS PASSED |
|---------------------------------|---|
| Meeting No.24 26 March 2014 | <ul style="list-style-type: none"> • The Auditor-General briefed the Committee on Community Service Obligations and issues with the split of the Power and water Corporation. • The Committee resolved that the Public Accounts Committee inquire into and report on the Government's proposals to split up the Power and Water Corporation into three separate entities, including: <ul style="list-style-type: none"> ○ The provisions of the Power and Water Corporation Legislation Amendment Bill 2014 serial 63, the Power Generation Corporation Bill 2014 serial 64, and the Power Retail Corporation Bill 2014 serial 65; ○ The fiscal and economic impact of the Power and Water Corporation being split into three separate entities; and ○ Any other matters in relation to the proposed split up of the Power and Water Corporation. • The Committee resolved that in conducting its inquiry into the split up of the Power and Water Corporation, the Committee will: <ul style="list-style-type: none"> ○ Call for submissions by 24 April by notice on the Assembly's website, media release, direct invitation and advertisement in the NT News, the terms of which and persons to be invited to be agreed by Committee Members by email; and ○ Hold public hearings on 1 May 2014, with the witnesses to be invited to be agreed by Committee Members by email; and ○ Report to the Assembly as early as practicable in the May sittings • The Committee resolved to investigate all aspects of the Tenancy Management and Repairs and Maintenance Contracts for remote housing and agreed to investigate this issue after its inquiry into splitting up Power and Water Corporation. |
| Meeting No. 25 28 April 2014 | <ul style="list-style-type: none"> • The Committee resolved that the submissions received for the inquiry into splitting the Power and water Corporation be authorised for publication and that the uncorrected transcript of the public hearing be authorised for publication. • The Committee held a public hearing on its inquiry into splitting the Power and Water Corporation and the Management of ICT Projects. • The Committee resolved that the answers to questions on notice be authorised for publication when received by the Committee unless the answerer requests that they be kept confidential. |
| Meeting No. 26 6 May 2014 | <ul style="list-style-type: none"> • The Committee resolved to adopt the draft report on the splitting of the Power and Water Corporation subject to amendments being made to paragraphs 5.3 and 5.4. • Ms Manison, Mr Vatskalis and Mr Wood indicated they wished to add dissenting reports and the Committee agreed to delay tabling to allow inclusion of any dissents to be provided to the committee secretary by 8.00 am Wednesday, 7 May 2014. |
| Meeting No. 27 | <ul style="list-style-type: none"> • Following the discharge of Deputy Chair Ms Larissa Lee from the Committee, Mr Gary Higgins, Member for Daly, was |

| MEETING NO. AND DATE | KEY AGENDA ITEMS AND RESOLUTIONS PASSED |
|-------------------------|---|
| 14 May 2014 | <p>appointed as Deputy Chair.</p> <ul style="list-style-type: none"> • The Committee resolved to adopt the draft report on the Inquiry into Management of ICT Projects subject to confirmation from the Power and Water Corporation that the inclusion of KPMG references did not raise confidentiality concerns. • The Committee agreed that the Opposition and Independent Members would provide a finalised proposed schedule of Minister's appearances for Estimates hearings by Friday, 23 May 2014. • The Committee resolved that Dr Jennifer Buckley, Senior Research Officer, would attend the ACPAC mid-term conference in Melbourne in June 2014 on behalf of the Committee. |

Auditor-General

- 2.2 The Auditor-General, Mr Frank McGuinness PSM, briefed the Committee on six occasions regarding the findings of audits undertaken during the 2013-14 financial year, and in relation to the inquiries on the Management of ICT Projects in Government Agencies and the Structural Separation of the Power and Water Corporation.
- 2.3 In addition to briefing the Committee, the Auditor-General attended as a witness in two public hearings as part of following up on matters raised in the reports of the Auditor-General and in relation to the inquiry into the Management of ICT Projects in Government Agencies.
- 2.4 The Committee believes that its scrutiny of the public accounts is enhanced by the attendance of the Auditor-General at its hearings as it allows the Committee to obtain immediate advice from the Auditor-General in the presence of agency representatives and encourages good communication, further transparency and accountability.
- 2.5 Mr McGuinness' appointment was due to conclude soon after the end of the reporting period. The Committee thanked Mr McGuinness for the significant assistance he provided it and for the contribution he made to improving financial accountability in the Northern Territory.

Australasian Council of Public Accounts Committees Conference

- 2.6 Senior Researcher, Dr Jennifer Buckley, attended the Australasian Council of Public Accounts Committees mid-term meeting held in Melbourne on 20 June 2014.
- 2.7 The purpose of the mid-term meeting is to discuss and agree on an agenda for the biennial ACPAC conference which, next year, will be held in South Australia. In addition, the mid-term meeting provides a forum for each jurisdiction to present a report on work undertaken by their Public Accounts Committee over the last twelve months.

2.8 Agenda items addressed at the 2014 mid-term meeting included:

- Lessons learned from the 2013 ACPAC Biennial Conference and the presentation of a draft programme for the 2015 Biennial Conference.
- International Engagement Strategy. ACPAC endorsed and adopted the International Engagement Strategy subject to several amendments. Updates were provided on recent engagement with twinned jurisdictions. Several visits to twins had taken place (NSW; NT; QLD) and the ACT had finalised a PAC handbook which it would workshop in-country.
- A proposal from the House of Commons and the National Audit Office in the United Kingdom to establish a Commonwealth Association of Public Accounts Committees (CAPAC) was discussed and the Council resolved that their response include a request for clarification on the proposed timeframes, funding arrangement and benchmarking processes for any future Association.
- The rotation of future mid-term meetings and conferences for the years 2022 to 2024 inclusive.
- Consideration of proposed changes to the ACPAC Constitution including: the enablement of voting in absentia on agenda items by ACPAC members unable to attend meetings; and the insertion of an additional aim of ACPAC in relation to engagement with the international parliamentary community.
- Open discussion on strategies used by jurisdictions to follow up government agencies' implementation of Auditor-General recommendations.
- Jurisdictional reports on committee activities.

3 Inquiry Referrals

Inquiry into the Management of ICT Projects by Government Agencies

3.1 On the 28 August 2013, the Public Accounts Committee resolved to inquire into and report on issues regarding the management by government agencies of the implementation of information and communication technology (ICT) projects in the Northern Territory arising from the Auditor-General's reports on the Department of Infrastructure's Asset Management System, the Department of Health's Grants Management System and the Power and Water Corporation's Asset Management System, including:

- (1) The factors that are considered to have determined either success or failure in outcomes in regards to:
 - (a) Cost
 - (b) Time
 - (c) Meeting user needs
 - (d) Meeting project objectives
- (2) Lessons learned from the implementation of each of the projects mentioned above and how that experience might influence the management of future ICT projects.
- (3) Options for improving ICT procurement and management across government.

3.2 The Committee reported on this inquiry on 7 May 2014.

Inquiry into the Structural Separation of the Power and Water Corporation

3.3 On 26 March 2014, the Public Accounts Committee resolved to inquire into and report on the Government's proposals to split up the Power and Water Corporation into three separate entities, including:

- a) The provisions of the Power and Water Corporation Legislation Amendment Bill 2014 serial 63, the Power Generation Corporation Bill 2014 serial 64, and the Power Retail Corporation Bill 2014 serial 65;
- b) The fiscal and economic impact of the Power and Water Corporation being split into three separate entities; and
- c) Any other matters in relation to the proposed split up of the Power and Water Corporation.

3.4 The Committee reported on this inquiry on 15 May 2014.