



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

Public Accounts Committee

**Second Report on Examination of
Auditor-General's Reports**

May 2012

Report deemed as
a Tabled Paper in
the Legislative
Assembly,
May 2012

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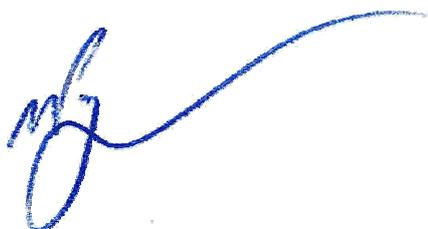
Chair's Preface

This report is to advise the Legislative Assembly of the committee's ongoing examination of the Auditor-General's reports.

The committee agreed that following the tabling of each Auditor-General report, the committee would meet with the Auditor-General to discuss any issues raised in the report and identify which issues require follow-up by inviting the Chief Executive of the relevant Agency to a hearing with the committee.

This approach to the examination of Auditor-General reports enhances the effectiveness of the committee's role in the scrutiny of the public accounts of the Northern Territory. Follow-up through hearings and subsequent reports to the Legislative Assembly improves public accountability for issues raised by the Auditor-General and Agencies subsequent responses.

I thank the agencies involved for the willing assistance they have provided to the Committee. I also thank the Auditor-General for the help he provides to the Committee and the clarity he brings to what are sometimes complex issues. My thanks also go to the Committee members for their cooperative and bi-partisanship approach to the Committee's work. I thank secretariat staff for their support. On behalf of the committee, I commend this report to the House.



Mr. Michael Gunner, MLA

Committee Members



Mr. Michael GUNNER, MLA

Member for Fannie Bay

Party: Australian Labor Party

Parliamentary Position: Government Whip; Deputy Chairman of Committees; Parliamentary Secretary for Business and Employment

Committee Membership:

Standing: Public Accounts; Estimates; Subordinate Legislation and Publications; Legal and Constitutional Affairs; Standing Orders; Members' Interests

Sessional & Select: Environment and Sustainable Development; Youth Suicides
Chair: Public Accounts; Estimates; Subordinate Legislation and Publications



Ms. Marion SCRYMGOUR, MLA

Member for Arafura

Party: Australian Labor Party

Parliamentary Position: Deputy Chairman of Committees; Parliamentary Secretary for Territory 2030

Committee Membership:

Standing: House; Public Accounts; Estimates; Subordinate Legislation and Publications; Legal and Constitutional Affairs;

Sessional & Select: Environment and Sustainable Development; Council of Territory Co-operation (CTC), CTC Animal Welfare Governance Sub-committee; CTC Innovation, Development and Trade Sub-committee; Youth Suicides

Chair: Environment and Sustainable Development, Youth Suicides



Ms. Lynne WALKER, MLA

Member for Nhulunbuy

Party: Australian Labor Party

Parliamentary Position: Deputy Speaker; Chairman of Committees; Parliamentary Secretary for Education

Committee Membership:

Standing: House; Public Accounts; Subordinate Legislation and Publications

Sessional & Select: Environment and Sustainable Development, Council of Territory Co-operation (CTC); CTC Innovation, Development and Trade sub-committee; CTC Animal Welfare Governance Sub-committee; Youth Suicides

Chair: CTC Animal Welfare Governance Sub-committee



Mr. John ELFERINK, MLA

Member for Port Darwin

Party: Country Liberals

Parliamentary Position: Opposition Whip; Shadow Treasurer; Minister for Justice and Attorney General

Committee Membership:

Standing: Privileges; Public Accounts; Estimates

Sessional: CTC Animal Welfare Governance Sub-committee



Mr. Willem WESTRA VAN HOLTJE, MLA

Member for Katherine

Party: Country Liberals

Parliamentary Position: Shadow Minister for Local Government; Tourism; Correctional Services; Essential Services

Committee Membership:

Standing: House; Public Accounts; Estimates



Mr. Gerry WOOD, MLA

Member for Nelson

Party: Independent

Committee Membership:

Standing: Standing Orders; Public Accounts; Estimates

Sessional: Environment and Sustainable Development, Council of Territory Co-operation; CTC Innovation, Development and Trade Sub-committee

Chair: Council of Territory Co-operation; CTC Innovation, Development and Trade Sub-committee

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Terms of Reference

Standing Order 21A

- (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 inquire 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*.
- (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, 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

This report sets out the Committee's examination of the Auditor General's October 2011 report.

In examining this report, the Committee held a briefing with the Auditor-General on 29 November 2011. After this briefing, the Committee invited Chief Executives of agencies to appear before it to discuss any issues raised in the audits that the Committee wished to follow up. Hearings were then held with those Chief Executives on 21 February and 27 March 2012.

2. Tourism NT Territory Discoveries Calypso System

Audit Findings

The Auditor-General reported to the Legislative Assembly in October 2011 that the Territory Discoveries Calypso information systems and procedures were not considered to be satisfactory. The following concerns and recommendations were noted:

1. User access and management practices did not sufficiently restrict access to the system and it was recommended that user access controls be reviewed;
2. Governance of the Calypso system was open to improvement with possible improvements including:
 - Monitoring over vendor activities;
 - Review of service level and performance given the impending expiry of the service agreement between Territory Discoveries and the system vendor;
 - Documenting Calypso change management procedures; and
 - Identifying and documenting security risks associated with the Calypso IT environment.
3. One person having a significant role in the overall operation of the system. It was recommended that the system's vendor be used to provide information about the system based approaches to risk mitigation and systems training, where applicable, to reduce the risk arising from the lack of a clear segregation. It was further recommended that succession planning or cross-skilling be considered, bearing in mind the need to maintain adequate segregation of duties between system administration and the business and transaction processing roles.

Agency Response

The agency advised that it agreed with the audit findings and noted that remedial action had been taken to address some of the issues raised by the Auditor-General. The Committee heard that Calypso is an IT system owned by Tourism Technologies and is used by Territory Discoveries to facilitate multi-product travel bookings. Tourism NT's contract with Calypso was for a three year period (1 July 2008 to 20 June 2011) with an opportunity to extend on a six monthly basis. Tourism NT advised it was currently exercising the second option on that extension of the contract.

With regards to user access and management practices, the Committee heard that Territory Discoveries initially identified access control short-falls and Tourism NT subsequently brought this to the attention of the auditors. The Committee was advised that controls have since been strengthened and quarterly reviews have been

incorporated into the administrator's process to ensure that these measures are reviewed on a regular basis.

In terms of the governance area, the Committee was advised that formal procedures have been put in place for approving and documenting vendor requests. An agreed procedure has been put in place with the vendor for identifying and documenting those procedures and, whether it be a request from Tourism NT or the vendor, they all go via the administrator and are documented and monitored through that process of change.

To address concerns relating to one person having a significant role in the overall operation of the system, two information technology specialists have been trained to manage the Calypso IT environment. There is now a clear segregation between the system administration and business and transaction processing roles.

Auditor-General Response

The Auditor-General advised the Committee that he was satisfied that the agency had addressed the audit findings reported in October 2011 and that the issues will be the subject of another visit to determine the effectiveness of the strategies that have been implemented.

Committee's Conclusion

The Committee was satisfied with the agency's response and looks forward to the Auditor-General's update on the effectiveness of the new system of controls have been put in place.

3. Department of Housing, Local Government and Regional Services Performance Management System for the Provision of Public Housing

Audit Findings

The Auditor-General reported to the Legislative Assembly in October 2011 that, whilst the Department had invested significant time and effort in developing a standard performance management system capable of being implemented for each of its output areas in respect of the Territory Housing Service and had implemented the system for the output areas of Urban Public Housing and Remote Indigenous Housing, at the time of the audit performance management of Government employee Housing was still to be implemented.

Agency Response

The Committee heard that following a review process a new Government Employee Housing Strategy has been developed and a cross agency Housing Management Coordination Committee has been established. The Department noted that government employee housing is not restricted to housing in remote communities but incorporates substantial head-lease obligations in Darwin, Tennant Creek, Katherine, Nhulunbuy and Alice Springs which the Department also needs to ensure are managed appropriately.

The Department advised that work is currently underway to bring all performance reporting and monitoring statistics for each housing program managed and delivered by Territory Housing into a standard framework. In terms of data reporting for Government Employee Housing, it was further noted that this is currently 'in progress' and was expected to be fully implemented from 1 July 2012. A performance reporting mechanism has been developed to provide the Department with data on the number of Government Employee Housing properties they are managing directly and the number of head-lease properties they are also responsible for. This is required in order for the Department to contain costs and ensure that there is good efficiency given that these properties are for all public servants who have an entitlement to housing.

To date this exercise has provided the Department with data on the number of Government owned dwellings, private head lease dwellings, the number of dwellings by region, the number of tenancies by agency, turn-around times, and inspection times. The Department noted that this data will assist both in responding to queries from Cabinet and in terms of the decisions it takes about future Government Employee Housing stock, housing standards, and how efficiently it is being used. With regard to future planning it was further noted that the Housing Management

Coordination Committee takes a whole of Government approach when it comes to assessing housing needs across agencies and the use of various strategies for utilising the accommodation more efficiently.

For example it was noted that a three-bedroom house may have been allocated to an agency and was initially occupied by a family but is now occupied by a single person. The Committee heard that over the past few months the Department had been moving towards the implementation of shared arrangements and has established a working group with Children and Families, Health, Education and Police to further this approach. Where shared arrangements are agreed to the Department is looking at making some modifications to existing stock to ensure employee privacy such as additional on-suites. The Committee heard that the Department has also undertaken some work in terms future designs for new Government Employee Housing that is designed and constructed flexibly so that they include additional bathrooms and private areas to accommodate shared living arrangements.

Auditor-General Response

The Auditor-General advised the Committee that he was confident that performance management in relation to Government Employee Housing would be addressed by the end of the 2011/12 financial year.

Committee's Conclusion

The Committee was pleased to see that the Department had made significant progress in the implementation of the performance management system for Government Employee Housing.

4. Department of Construction and Infrastructure Asset Information System Replacement Project

Audit Findings

The Auditor-General's report of February 2011 found that funding and project controls for the Asset Information System Replacement Project were unsatisfactory resulting in the project running 12 months behind schedule and over budget. On 9 August 2011 the Department briefed the Committee and advised that the go-live date was scheduled for 6 September 2011.

On 26 October 2011 the Committee wrote to the Department requesting an update on:

- the planned go-live date;
- reasons for the delay;
- action being taken to remedy the causes of the delays;
- current risk of further delays; and
- financial cost of the delays.

The Department responded noting that it was not practical to set a new go-live date due to problems with the GIS data. The Committee requested a further update on the Asset Information System Replacement Project by 6 February 2012 and, following the Department's response of 20 February 2012, requested the Department to formally brief the Committee on the status of the project.

Agency Response

The Committee heard that the Northern Territory Government and Fujitsu had been working together to resolve outstanding issues relating to the User Acceptance Testing and the Geographical Information System (GIS) and Performance Testing with alternative solutions being discussed and worked through for consideration by the Steering Committee.

The Department advised that the User Acceptance Testing had now been completed on all aspects of the solution, except for the GIS solution which is still causing issues. As such the contractual delivery of a single phase implementation is at risk. Due to this risk the project team has proposed a two phased implementation process of the Asset Management System. Phase one is to incorporate implementation of the SAP software to allow for the retirement of the six of the nine original legacy systems and provide the Northern Territory Government with access to asset information, project management, financial reporting along with live reporting and a full document repository. The Committee heard that training was 90% complete and the SAP aspect

of the project was scheduled to go live on 10 April 2012. The Department advised that a post project review will be conducted following implementation of Phase one.

The Asset Information System went live on 16 April 2012. Implementation of the GIS system is yet to be determined. The Department advised that further options were being considered in terms of implementing the GIS solution as parts of it are completed or whether it will be delivered in a single second phase. The Committee also heard that the Northern Territory Government and Fujitsu are also in discussions regarding contract variations to accommodate the two phased approach and documenting the impact of cost and risk to both parties.

Auditor-General Response

The Auditor-Agency noted that whilst it was unfortunate that the GIS component could not be implemented with the rest of the project this was a situation that now could not be avoided. He further noted that in his view it would be probably be preferable if the GIS component was implemented once all the problems had been resolved rather than rushing the project and potentially incurring additional costs to rectify any future problems that may arise. The Auditor-General further noted that he was keen to revisit the project once the system is in place and have a look at the post project review since there are clearly a number of lessons for other agencies given that legacy systems are in place elsewhere across Government which are also probably due for replacement within the next few years.

Committee's Conclusion

The Committee was pleased to see that the Asset Information System, apart from the Geographical Information System, has now gone live. The Committee is concerned that the Asset Information System has gone live two years after the original planned date and that it is still not clear when, or the extent to which, the GIS will be provided. The Committee is also concerned that these delays have caused significant financial and opportunity costs for the Government. The Committee has not sought to determine the extent to which the delays and additional costs are the responsibility of the Department or those contracted to deliver the systems.

The successful delivery of major projects such as the Asset Information System is important to ensure the effective and efficient delivery of services by the Government. It is therefore vital that the Department learns from the successes and failures of this project and makes those lessons available to all Government agencies for future projects.

The Committee will continue to monitor the outcome of the Asset Information System Replacement Project. The Committee recommends that:

- The Department of Construction and Infrastructure rigorously enforce its contracts for the project and recovers from its contractors the cost of any delays for which the contractors are responsible;

- The Department of Construction and Infrastructure conduct a comprehensive post implementation review to determine how such projects can be better conducted in the future;
- The Auditor-General review the completed project; and
- That the lessons learnt from this project be circulated throughout the Government through a better practice guide.

Appendix: Schedule of Hearings

Tourism NT, Territory discoveries Calypso System, 21 February 2012

Witnesses: Mr John Fitzgerald, Chief Executive Officer
Ms Noelene Biddell, Chief Financial Officer
Ms Valerie Smith, Director, Strategy and Planning
Mr Frank McGuinness, Auditor-General for the Northern Territory

Department of Housing, Local Government and Regional Services, Performance Management System for the Provision of Public Housing, 27 March 2012

Witnesses: Mr Ken Davies, Chief Executive Officer
Ms Michelle Curran, Deputy Chief Executive Officer Territory Housing
Programs and Defence
Mr Frank McGuinness, Auditor-General for the Northern Territory

Department of Construction and Infrastructure, Asset Information System Replacement Project, 27 March 2012

Witnesses: Mr Alan Wagner, Chief Executive Officer
Ms Cate Lawrence, Executive Director Infrastructure Services
Mr Frank McGuinness, Auditor-General for the Northern Territory