
12 INFORMATION REPORTS**12.2 EXTERNAL AUDIT FINDINGS IMPLEMENTATION PROGRAM - PRELIMINARY INTERIM EVALUATION REPORT**

Reporting Officer: Andrew Roach, General Manager
Department: GM Office
File No: N/A
Presented For: Information

PURPOSE

To provide Council with the Preliminary Review Findings from Grassroots Connections Australia regarding the External Audit Findings Implementation Program – Interim Impact Evaluation.

OFFICER RECOMMENDATION:

That the report be received and noted.

BACKGROUND

In November 2020, an Independent Governance and Financial Audit of Norfolk Island Regional Council was completed by Grassroots Connections Australia Pty Ltd for the then Commonwealth Department of Infrastructure, Transport, Regional Development and Communications (DITRDC).

A comprehensive analysis of the issues was undertaken at the macro level against the McKinsey's model of Seven Ss (Strategy, Shared Values, Systems, Style, Structure, Skills, Staff) and at the micro level against the themes of:

1. Governance
2. Strategic Planning and Regulatory Frameworks
3. Financial Sustainability
4. Systems Capability

Grassroots Connections Australia have recently conducted an Interim Impact Evaluation on the progress that Council has made in implementation of the total 113 External Audit Findings (EAF) which were adopted by Council on 24 February 2021 (Resolution No: 2021/3), and the 7 broad findings of the Public Inquiry that were noted by Council at the Extraordinary Council Meeting on 21 December 2021.

The preliminary report covers the implementation of recommendations contained in the –

- 2020 Independent Governance and Financial Audit Report (Grassroots Connections Australia);
- 2020 Nexia Financial Position Report;
- NIRC Strategic Corporate Plan, and
- NIRC 9 Point Plan.

DISCUSSION/CURRENT ISSUE

The review was conducted with reference to the following objectives:

- Evaluate the progress to date of Council's External Audit Findings Implementation Program; and
- Report on whether the actions undertaken as part of this Program are resulting in improvements to the key challenges as outlined in both the External Audit Report and Public Inquiry recommendations, and further, will contribute over the longer term to achieving Council's vision: Norfolk Island – the Best Small Island in the World.

A preliminary evaluation report has been provided to Council following the review and is attached to this report at Attachment 1. It is noted that this preliminary report forms an initial assessment with a more comprehensive report to be provided at the end of August 2023.

The preliminary report provides very positive and encouraging feedback to Council on the progress made to date in implementing the EAF recommendations. It notes that Council has engaged in a comprehensive and consolidated approach to public accountability and transparency and commends Council for the rigorous approach to internal accountability and performance management. The report goes on to state that Council is on a solid pathway to addressing a number of significant legacy issues and lifting performance. The progress made to date on the priority issues of improved working relations with the Commonwealth Government, financial sustainability, infrastructure upgrades and environmental management were also commended.

RELEVANCE TO THE STRATEGIC PLAN AND RESOURCING STRATEGY

Strategic Direction 05: An informed and accountable community

Objective 9 – An informed community

Objective 10 – Transparency in decision making

RELEVANCE TO THE EXTERNAL AUDIT FINDINGS (EAFs)

External Audit Findings (EAFs) were adopted by Council on 24 February 2021 (Resolution No. 2021/3); and conclusions that resulted from the 2021 Public Inquiry were received by Council on 21 December 2021 (Resolution 2021/172).

Nil

LEGISLATIVE/POLICY IMPLICATIONS

Nil

LEGAL/RISK IMPLICATIONS

Nil

SUSTAINABILITY IMPLICATIONS

Nil

BUDGET/FINANCIAL/RESOURCING IMPLICATIONS

Nil

COMMUNICATION/CONSULTATION

Nil

ATTACHMENTS

1. NIRC - Audit Report - Implementation Program Evaluation - Preliminary Report



13 August 2023

Mr Andrew Roach
General Manager
Norfolk Island Regional Council
PO Box 95
NORFOLK ISLAND 2899

Dear Mr Roach

External Audit Implementation Program – Interim Impact Evaluation (Preliminary Review Findings)

Thank you for the opportunity to conduct an interim impact evaluation of the Norfolk Island Regional Council's (NIRC) implementation of the recommendations contained in our 2020 Independent Governance and Financial Audit Report (IGFAR). We have watched with much interest your progress on the actions necessary to address the major challenges faced by the community and welcome the chance to conduct this evaluation of what has been achieved, its impact as well as identifying matters still to be addressed.

This correspondence forms our initial assessment, noting a more comprehensive report will be delivered by the end of August 2023.

Introduction

In November 2020, an Independent Governance and Financial Audit of Norfolk Island Regional Council was completed by Grassroots Connections Australia Pty Ltd for the then Commonwealth Department of Infrastructure, Transport, Regional Development and Communications (DITRDC).

A comprehensive analysis of the issues was undertaken at the macro level against the McKinsey's model of Seven Ss (Strategy, Shared Values, Systems, Style, Structure, Skills, Staff) and at the micro level against the themes of:

1. Governance
2. Strategic Planning and Regulatory Frameworks
3. Financial Sustainability
4. Systems Capability

Within these themes, a total of 84 recommendations were made, prioritised and assigned a timeline for action.

Evaluation Objectives and Methodology

We have conducted this review with the following objectives in mind:

- Evaluate the progress to date of Council’s External Audit Findings Implementation Program; and
- Report on whether the actions undertaken as part of this Program are resulting in improvements to the key challenges as outlined in both the External Audit Report and Public Inquiry recommendations, and further, will contribute over the longer term to achieving Council’s vision: *Norfolk Island – the Best Small Island in the World*.

The ‘evaluation’ is based on the ‘Better Evaluation Framework’ under the Global Evaluation Initiative (GEI) – which is a world-wide network of organisations and experts supporting governments with strengthening monitoring, evaluation, and the use of evidence in their countries to ensure programs are aligned with local needs, goals and perspectives. As an example, the NSW Department of Premier and Cabinet use this model as a basis to monitor and evaluate the outcomes and success of programs across various NSW Government Departments.

Evaluation - Preliminary Review Findings

a. Improving Transparency and Accountability to the Community

It is clear that the Council Administrator and General Manager are committed to comprehensively tracking, reporting and disclosing progress on the External Audit Findings Implementation Program (EAFIP), not just internally, but also publicly.

We commenced the evaluation by obtaining a full appreciation of the EAFIP reporting system established on the widely used Envisio strategy and performance management platform. The key points we note in relation to the use of this tool are:

- It reports on the implementation of recommendations contained in the –
 - 2020 Independent Governance and Financial Audit Report (Grassroots Connections Australia)
 - 2020 Nexia Financial Position Report
 - NIRC Strategic Corporate Plan, and
 - NIRC 9 Point Plan.
- It allocates responsibility to the NIRC General Manager and Managers for the implementation of the recommendations and operational responsibilities providing clarity as to their reporting obligations.
- It is updated on a quarterly basis providing the history of progress from the commencement of the system.
- It includes links to reports and other evidence supporting claims of progress or completion.
- The EAFIP reports are available to the public on the NIRC website.
- The reports provide the basis for external reporting to the Minister for Regional Development, Local Government and Territories and the Department of Infrastructure, Transport, Regional Development, Communication and the Arts (DITRDCA).

The council is to be commended for this comprehensive and consolidated approach to public accountability and transparency and for the rigorous approach to internal accountability and performance management. It clearly allocates to the General Manager and each Manager the

recommendations and actions for which they are directly responsible. The public availability of the EAFIP reports adds an additional layer of disclosure, accountability and transparency and the Council Administrator has also required the General Manager and Managers to attend an open public hearing to report on progress on their allocated responsibilities. As a general observation this is well above the level of public reporting undertaken by most councils.

b. Lifting Performance from Poor to Fair to Good

As part of the evaluation, we undertook in-depth interviews with the General Manager and Managers of – Corporate and Finance, Planning and Environment, Economic Development, and Infrastructure Services.

Each had been provided with several questions in line with the ‘Better Evaluation Framework’ organised along the themes of:

- Context
- Appropriateness
- Effectiveness
- Efficiency

Starting with the EAFIP reporting system which has been implemented among other things to help the Managers progress their assigned External Audit Findings (EAFs), the general observations noted are as follows:

- All Managers are new to NIRC since the 2020 External Audit Report, and upon arrival it provided them with a ready reference to their roles and responsibilities and progress to date on implementation of the recommendations and allocated actions.
- The EAFIP framework is seen as a practically focused “Blueprint” to address the significant challenges faced by Norfolk Island and the actions required to effect meaningful and sustainable change.
- The EAFIP provides focus towards the creation of an effective local government model i.e., firstly addressing the legacy of a backlog of financial, infrastructure and environmental issues to enable systems and processes to be established to operate a more effective model of council.
- The quarterly updating of the EAFIP reports presents time challenges but it is a worthwhile exercise and with continued improvements to the system is becoming easier to undertake.

At the time of the 2020 Independent Governance and Financial Audit, NIRC was in a precarious financial and operational position.

In addition to the immediate financial challenges facing NIRC, which, at the time were exacerbated by the impact of the COVID 19 global pandemic, the relationships amongst the councillors were noticeably strained as was Council’s working relationship with the then DITRDC, particularly with the on-island staff. This situation also impacted the Council’s relationship with sections of the wider community who continued their vocal criticism of the Council as they argued for the return of the Norfolk Island Legislative Assembly.

Within the four key Audit Themes of ‘Governance’, ‘Strategic Planning and Regulatory Frameworks’, ‘Financial Sustainability’, and ‘Systems Capability’, a number of sub elements were identified, evaluated and rated as either ‘Poor’, ‘Fair’, or ‘Good’.

As a result, and in summary, recommendations focussed on:

- rebuilding the relations between NIRC, the community and the relevant departmental and interagency bodies;
- developing a long-term financial plan to include all capital projects and changes in operational practices to address the planning, regulatory, services and systems failures;
- identifying increased revenue raising and funding options and cost saving opportunities; and
- addressing the environmental challenges involving water supply, wastewater treatment and solid waste disposal.

The Audit Report's 84 recommendations were then categorised and prioritised by timelines as follows:

- Very High – 0 to 3 months – 8
- High – 6 to 12 months – 40
- Medium – 12 to 18 months – 31, and
- Low – 18 to 24 months – 5.

Shortly after the Report was submitted in November 2021 the Commonwealth Government suspended the elected Council and an Administrator was appointed. This arrangement was subsequently confirmed and will remain in place until December 2024 subject to the findings of the Joint Standing Committee on the National Capital and External Territories' current *Inquiry into local government models and equitable revenue sources to support the Norfolk Island Regional Council*.

The evaluation notes the changed governance arrangements since the 2020 Audit i.e., the dismissal of the elected Council and appointment of the Administrator.

Our preliminary evaluation of progress in implementing the recommendations tagged as 'very high' and 'high' is as follows:

- The Council Advisory Committees have been reestablished and Managers report they are working effectively and providing valuable input to policy, project and program development.
- Working arrangements between NIRC and DITRDCA have improved with:
 - The Council Administrator and General Manager meeting monthly with the Island Administrator and the First Assistant Secretary; and
 - Service Delivery Arrangements (SDA) meetings are held fortnightly attended by the General Manager and Manager – Corporate and Finance and a departmental Director and Assistant Director.
- The financial position of NIRC has significantly improved with:
 - Increased assurance of departmental funding arising from a greater understanding of the NIRC's financial challenges following the IGFRA and 2020 Nexia Australia Financial Sustainability Report.
 - An increase in the annual Financial Assistance Grant.
 - An increase in annual rates and charges to generate additional own source revenues. (It is noted that DITRDCA is currently subsidising these increases enabling reduced increases to ratepayers. This is occurring whilst the Joint Standing Committee conducts its inquiry into governance models and revenue arrangements. However, generating appropriate levels of own source revenue is essential and if DITRDCA was to withdraw this subsidy, it should not oppose Council's level of rates and charges.)
 - Airport and Port financial management improvements resulting in a return to a positive financial position.
 - An increase in tourist numbers post pandemic resulting in increased landing fee revenues.

- Project Management arrangements are now in place to avoid the major cost overruns experienced in the 2016-2020 period, with the establishment of Capital Project Control Groups consisting of NIRC, DITRDCA and Project Manager representatives for the following projects:
 - Electricity Upgrade (meeting monthly)
 - Telecom Satellite Upgrade (meeting weekly)
 - Sewerage Treatment Plant Upgrade (meeting monthly)

Responsibility for these utilities is not normally undertaken by Local Government but in rural and remote communities councils are likely to be the “provider of last resort” in the absence of commercial operators.

NIRC is to be commended for its actions to upgrade the ageing infrastructure it inherited when established in 2016 and the programs now underway. In particular, the introduction of renewable energy infrastructure i.e., solar and battery technology to limit and potentially replace Council’s on-grid demand and contribute to net zero emission outcomes.

Given past challenges it is also noteworthy that solid waste disposal has ceased at Headstone and that overall waste management practices involving compaction and baling of solid waste and recyclables have progressed but awaiting a resolution of the logistical and cost challenges of removing them off island. This will remain the case until improved freight, goods handling and related shipping arrangements are effectively and sustainably resolved.

In summary and noting this is a preliminary evaluation, the current council would appear to be on a solid pathway to addressing a number of significant legacy issues and lifting performance from a rating of ‘poor’ to ‘fair’ and in many instances ‘good’.

c. Outstanding Matters

It is noted that two key recommendations have yet to be addressed namely in relation to a comprehensive review, consolidation and update of the Norfolk Island planning framework and plans and the NIRC workforce plan.

- The Independent Audit Report recommended the collaborative development of an integrated planning framework to establish clear goals and directions for the future of Norfolk Island. This would involve a refreshed legislative framework, prioritised infrastructure programs and funding arrangements, and allocated roles and responsibilities between the three spheres - Commonwealth, State and Local Government. This would then be factored into the NIRC’s Community Strategic Plan.

Action on this has not progressed as envisaged with immediate priority given to securing NIRC’s financial position and addressing the major infrastructure challenges identified. External factors have also redirected focus on this issue with the change of Commonwealth Government in 2022 and subsequent Joint Standing Committee Inquiry into future governance and funding arrangements.

The announcement by the Hon Kristy McBain MP Minister for Regional Development, Local Government and Territories on 9th August 2023 about the establishment of a Norfolk Island Governance Committee is noted. As mentioned above, a not dissimilar collaborative process was recommended in the Audit Report (Recommendations 16, 17 and 18). It is to be hoped that NIRC is provided with the opportunity to input into this process given its current role and responsibilities and the significant infrastructure projects currently underway.

- The Independent Audit Report also recommended the updating of NIRC's Workforce Plan to include an analysis of current and future resourcing needs as well as an organisation wide skills inventory and training needs analysis. This was seen as informing a targeted investment in organisational development programs.

These recommendations were against the backdrop of the difficulties faced by all rural and remote councils in Australia of attracting and retaining staff. This is a challenge faced more broadly across both public and private sectors. Developing local expertise to the greatest extent possible in combination with external staff resourcing is necessary to secure the necessary professional and technical skills required to manage the complexity and diversity of the roles and responsibilities of local government today. This is particularly so for Norfolk Island given the State Delivery Arrangements (SDA) functions of NIRC.

We have been made aware of criticism of NIRC's off-island staffing and service support functions in Brisbane. This situation is not unique to NIRC. This is a practice adopted by many rural and remote councils in Queensland and across Australia that have staff working remotely from larger regional centres in shared offices. Indeed, the Torres Strait Island Regional Council serving 16 communities in Torres Strait between the Australian mainland and Papua New Guinea has its head office in Cairns.

In today's employment market it is not possible to attract, retain, adequately house and support all staff and families on location in rural, remote and isolated communities.

Conclusion

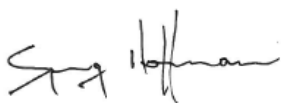
This correspondence represents our preliminary evaluation of NIRC's implementation of the recommendations contained in our 2020 Independent Governance and Financial Audit Report. A more comprehensive report will follow.

NIRC, under Council Administrator Michael Colreavy, General Manager Andrew Roach, Managers, and staff, are to be commended for the progress made to date on the priority issues of improved working relations with the Commonwealth Government, financial sustainability, infrastructure upgrades and environmental management.

Progress on the development of an integrated planning framework and community engagement have been impacted by the dismissal of the elected council and the current inquiry into future governance and financial arrangements.

Notwithstanding, significant progress and tangible impacts have been achieved in the development and operation of an effective council which continues to improve its capability and capacity to deliver essential services to the benefit of the Norfolk Island community.

Yours sincerely



GT Hoffman PSM
Managing Director