

The Auditor-General
Auditor-General Report No.43 2018–19
Performance Audit

Design, Implementation and Monitoring of Reforms to Services on Norfolk Island

Department of Infrastructure, Regional Development and Cities

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ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-456-7 (Print)

ISBN 978-1-76033-457-4 (Online)

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Canberra ACT

31 May 2019

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Infrastructure, Regional Development and Cities. The report is titled *Design, Implementation and Monitoring of Reforms to Services on Norfolk Island*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Summary and recommendations

Background

1. Norfolk Island is an external territory of the Commonwealth of Australia located 1676 kilometres northeast of Sydney, and had a population of 1748 in 2016.¹ The Australian Government administers Norfolk Island through the Department of Infrastructure, Regional Development and Cities (department).²
2. Norfolk Island's main industry is tourism, with 58 per cent of economic activity relating to the tourism trade.³ A key tourist attraction is the Kingston and Arthur's Vale Historic Area (KAVHA), which was the site of two separate British convict settlements between 1788 and 1855. KAVHA is a UNESCO world heritage site.
3. The *Norfolk Island Act 1979* (Cth) established a level of self-government on Norfolk Island, providing for a Legislative Assembly, Executive Council, and the Administration of Norfolk Island. Until 2016, the Norfolk Island Government had responsibility for delivering services across the local, state and federal tiers of government. The Norfolk Island Act provided for an Administrator appointed by the Governor-General and reporting to the responsible Australian Government Minister.⁴ While Norfolk Island legislation required the Administrator's assent, the Australian Government's direct influence over the Norfolk Island Government was limited during the self-government period.⁵
4. In March 2015, the Australian Government announced comprehensive reforms⁶ to governance and service delivery on Norfolk Island.⁷ The reforms included the:
 - abolition of the Norfolk Island Legislative Assembly and Executive Council and the creation of a Norfolk Island Regional Council, which would be responsible for local and municipal matters;

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- 1 Australian Bureau of Statistics, 2016 Census QuickStats [Internet], ABS, available from http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90004?open=document [accessed 22 November 2018].
 - 2 The department also administers the internal non self-governing Jervis Bay Territory in addition to the external territories of Ashmore and Cartier Islands, Christmas Island, Cocos (Keeling) Islands and the Coral Sea Islands. Other external territories, which includes the Australian Antarctic Territory and Heard and McDonald Islands, are administered by the Department of the Environment and Energy.
 - 3 Centre for International Economics, *KAVHA Economic Feasibility Study*, 2017.
 - 4 The first Administrator was sworn in on Norfolk Island in 1896. The Administrator's legislative powers were removed on 1 July 2015.
 - 5 Prior to 2010, the responsible Australian Government Minister could only provide instructions to the Administrator in relation to a small range of matters listed in schedule 3 of the Norfolk Island Act. The Administrator had to act in accordance with advice from the Norfolk Island Executive Council in relation to most other matters. Changes introduced under the *Territories Law Reform Act 2010* increased the level of Australian Government oversight of the Norfolk Island Government, particularly in relation to financial management and also extended the jurisdiction of the Commonwealth Auditor-General, Ombudsman and Administrative Appeals Tribunal to include Norfolk Island.
 - 6 The reforms were codified in the *Norfolk Island Legislative Amendment Act 2015*, which received royal assent on 26 May 2015.
 - 7 Australian Government response to the Joint Standing Committee on the National Capital and External Territories report *Same country: different world - The future of Norfolk Island*, 2015.

- creation of an interim Advisory Council to offer advice to the Administrator in the period between the abolition of the Legislative Assembly and the creation of the Regional Council;
- application of New South Wales state law to Norfolk Island as Commonwealth law and the extension of Commonwealth laws to Norfolk Island, including laws relating to immigration, biosecurity, the superannuation guarantee and employment; and
- integration of Norfolk Island into the Australian taxation system and the extension of the mainland social security system and health arrangements.

Rationale for undertaking the audit

5. There were significant risks involved with the Australian Government taking on additional responsibilities in a remote location where, similar to the Indian Ocean Territories, service delivery is complex and expensive. ANAO reporting for the 2015–16 financial statements audit reported two significant audit findings in relation the Administration of Norfolk Island, indicating that ‘At the conclusion of the 2015–16 audit, the finalisation of key governance processes and policies by the Administration remained outstanding.’ As Norfolk Island’s new governance and service delivery arrangements began on 1 July 2016, it was timely to undertake an audit focusing on the design, implementation and monitoring of reforms to services on Norfolk Island.

Audit objective and criteria

6. The audit assessed whether the department had designed and implemented appropriate governance and administration arrangements for the transition and delivery of sustainable reforms to services on Norfolk Island.

7. To form a conclusion against the objective, the audit examined whether:

- sound evidence informed the design of reforms for the delivery of services on Norfolk Island;
- appropriate arrangements were implemented to support the transition and delivery of reforms to services on Norfolk Island; and
- the arrangements in place for the delivery of services on Norfolk Island were subject to appropriate ongoing performance monitoring processes.

Conclusion

8. While the department’s design of governance and administration arrangements for the reforms to services on Norfolk Island was largely appropriate, its implementation of those arrangements was partly effective.

9. The department’s advice to the Australian Government presented a range of reform options, which was based on an assessment of Norfolk Island’s self-governance arrangements and input from a community consultation process. Elements of the reform design relating to state and local government services could have benefited from more detailed analysis.

10. The department’s governance framework and arrangements for the transition and implementation of reforms to services on Norfolk Island were partly effective. Roles and responsibilities for the implementation of the reforms were clearly outlined, but the

department's prioritisation plans lacked appropriate detail. Governance arrangements to coordinate the implementation of Australian Government and state services were appropriate, but arrangements established for the oversight of the Norfolk Island Health Residential Aged Care Service (NIHRACS) were inappropriate and the department's approach to secure a partner to deliver all state-type services was not fully effective. The arrangements established for the delivery of local government services were largely effective. Risk management arrangements for the reforms were not developed until September 2017 and were not fully articulated or reviewed in the subsequent period.

11. The department monitored the progress of the implementation of Australian Government services, although there were weaknesses in the department's monitoring of the performance of state services and an evaluation of the impact of reforms has not been undertaken. The department regularly reported on the progress of the reforms to the responsible Minister although it did not report in a timely manner on options for a state service provider.

Supporting findings

Reform design

12. The department's advice to the Australian Government on the need for comprehensive reform was informed by a body of evidence showing the existing arrangements on Norfolk Island were not sustainable. There was an appropriate community consultation process. Advice on the extension of Australian Government arrangements to Norfolk Island was informed by economic analysis and input from relevant Australian Government entities. Advice relating to the delivery of state-type services was not informed by appropriate engagement with the State Government of NSW (NSW Government) on the development, implementation and monitoring of service delivery. Advice relating to local government services was appropriate but could have benefited from more detailed analysis in relation to the estimated cost of service delivery.

Governance framework and arrangements

13. The department established a governance framework for the overall management of the reform program which was largely effective. The department clearly articulated roles and responsibilities in its reform plan but business plans for the management of the reforms lacked appropriate detail on milestones and timelines, particularly on the identified priority to secure an alternative jurisdiction for the delivery of state-type services. The department implemented a number of approaches for communicating with stakeholders although did not have an overarching communications strategy in place until January 2018.

14. The department's governance arrangements for the implementation of Australian Government and state-type services on Norfolk Island were partly effective. Governance groups were established to provide oversight and coordination for the Australian Government service reforms, although the department did not continue regular interdepartmental committee meetings after the end of the 2015–16 transition year despite ongoing legislative reform requirements. There were adequate governance arrangements in place with the NSW Government for the continuation of core state-type services, but the department was not able to obtain a fully engaged state partner to deliver all state-type services. The NIHRACS was inappropriately established outside of the Australian Government accountability framework.

15. The arrangements put in place for the delivery of local government services and the establishment of the Norfolk Island Regional Council (NIRC) were largely effective. The department facilitated and managed the Administration of Norfolk Island over the transition period and established arrangements for the election of local government representatives. The department undertook to identify a more efficient structure for the future delivery of services by the NIRC, and there is ongoing work to reform the number of NIRC operated business enterprises. The baseline used for the calculation of Financial Assistance Grants to support the NIRC's delivery of local government services was not adequate, but was revised to a more appropriate level in 2018–19. There was no formal channel established by the department for the NIRC to apply for additional grant funding normally provided by states and territories.

16. The department identified risks to the achievement of the Norfolk Island reforms in its advice to the Australian Government in February 2015 but did not develop a risk management plan until September 2017. Risk owners or risk managers were not identified, and some controls to mitigate risks, particularly in regard to the risk of not securing a fully-engaged partner for the delivery of state-type services, were inadequate.

Performance monitoring, evaluation and reporting

17. The department had appropriate arrangements in place to monitor the progress of the reforms to Australian Government services on Norfolk Island, but there were weaknesses in the department's monitoring of the performance of state-type and local government services. State-type services delivered by the NSW Government were monitored through an oversight committee, and performance indicators for key services such as education were identified in a Service Delivery Schedule. There were no performance standards or key performance indicators (KPIs) identified for health services provided by the NSW Government although activities were regularly reported. There are opportunities to improve performance reporting by the NIRC under the Service Delivery Agreement.

18. The department established an evaluation framework for the reforms with broad timelines but there was no action taken to commence an evaluation process or gather baseline data.

19. The department regularly reported on the progress of the Norfolk Island reforms to the responsible Minister, although there were delays in the provision of advice on options for the delivery of state-type services.

Recommendations

Recommendation no. 1
Paragraph 3.20 The Department of Infrastructure, Regional Development and Cities establish suitable arrangements for the ongoing review and update of business plans and priorities, and establish milestones and timelines for the future delivery of reforms on Norfolk Island, including securing a state-type services provider.

Department of Infrastructure, Regional Development and Cities response:
Agreed.

Recommendation no. 2
Paragraph 3.61 The Department of Infrastructure, Regional Development and Cities undertake legislative reform to apply the *Public Governance, Performance and Accountability Act 2013* to the Norfolk Island Health and Residential Aged Care Service.

Department of Infrastructure, Regional Development and Cities response:
Noted.

Recommendation no. 3
Paragraph 3.96 The Department of Infrastructure, Regional Development and Cities establish a process to actively manage risks and integrate risk management into its ongoing reform activities.

Department of Infrastructure, Regional Development and Cities response:
Agreed.

Recommendation no.4
Paragraph 4.35 The Department of Infrastructure, Regional Development and Cities develop and implement robust performance measurement, monitoring and evaluation strategies to assess the progress and impact of the Norfolk Island reforms to service delivery.

Department of Infrastructure, Regional Development and Cities response:
Agreed.

Summary of entity response

20. The proposed audit report was provided to the Department of Infrastructure, Regional Development and Cities, which provided a summary response that is set out below. The Department's full response is reproduced at Appendix 1.

The Department of Infrastructure, Regional Development and Cities (the Department) notes the ANAO's findings and agrees with three of the recommendations. One recommendation has been noted as the Department considers the action recommended falls within the responsibilities of the Department of Finance.

ANAO notes on the Department's summary response

21. This audit identifies that the Norfolk Island Health and Residential Aged Care Service (NIHRACS), which is an entity controlled and funded by the Australian Government, has been established outside Commonwealth legislation and is not subject to requirements for the governance, reporting and accountability of Commonwealth entities as set out in the *Public*

Governance, Performance and Accountability Act 2013 (PGPA Act). It is inappropriate for the NIHRACS not to be subject to the coherent system of governance and accountability established by the PGPA Act, including mandatory financial statement audit by the Auditor-General.

22. The State Government of New South Wales Department of Premier and Cabinet and the Norfolk Island Regional Council were provided with extracts of the proposed audit report containing those respective sections where they were mentioned.

Key messages from this audit for all Australian Government entities

23. Below is a summary of key messages, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Australian Government entities.

Policy and program design

- When designing a major new program, key elements should include undertaking economic analysis, key cost drivers, consultation with affected stakeholders and establishing clear benchmarks for evaluating performance over time.

Governance and risk management

- For projects requiring cross-entity input, planning for the establishment of comprehensive governance arrangements is essential to facilitate whole-of-government strategic oversight, continuity of service delivery and effective risk management.

Performance and impact measurement

- When designing a performance measurement framework for a program or delivery of services, it is important to clearly define performance benchmarks and develop relevant, reliable and complete indicators and targets in order to facilitate a meaningful assessment of progress and achievement.

Audit findings

1. Background

Introduction

1.1 Norfolk Island is an external territory of the Commonwealth of Australia located 1676 kilometres northeast of Sydney. In 2016, Norfolk Island had a population of 1748⁸, and is one of three Australian external territories with a permanent population.⁹ The Australian Government administers Norfolk Island through the Department of Infrastructure, Regional Development and Cities (department).¹⁰

1.2 Norfolk Island was established as a penal colony in 1788, shortly after the First Fleet arrived in Botany Bay. The penal colony was closed in 1855.¹¹ The Pitcairn Islanders, descendants of the Bounty mutineers, were resettled on Norfolk Island in 1856 with assistance from the British Government. In July 1914, Norfolk Island became an Australian territory under the *Norfolk Island Act 1913* (Cth).

1.3 Norfolk Island's main industry is tourism, which generates 58 per cent of Gross Territory Product for the island.¹² A key tourist attraction is the Kingston and Arthur's Vale Historic Area (KAVHA), which is the site of two separate British convict settlements between 1788 and 1855. KAVHA is a UNESCO world heritage site.

1.4 A map showing Norfolk Island and approximate distances from nearby cities is at Figure 1.1.

8 Australian Bureau of Statistics, 2016 Census QuickStats [Internet], ABS, available from http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/SSC90004?open=document [accessed 22 November 2018].

9 Other external territories with a permanent population are Christmas Island (2016 population — 1843) and Cocos (Keeling) Islands (2016 population — 544), collectively referred to as the Indian Ocean Territories, located 2300 and 2770 kilometres northwest of Perth respectively.

10 The department also administers the internal non self-governing Jervis Bay Territory in addition to the external territories of Ashmore and Cartier Islands, Christmas Island, Cocos (Keeling) Islands and the Coral Sea Islands. Other external territories, including the Australian Antarctic Territory and Heard and McDonald Islands, are administered by the Department of the Environment and Energy.

11 The first penal colony was disbanded by early 1814. In 1825, the penal settlement reopened with 57 convicts and this second settlement was closed in 1855.

12 Gross Territory Product (GTP) is a measure of the value of all of the goods and services produced in the economy and is analogous to the commonly used measures of economic activity of Gross State Product (GSP) for states and Gross Domestic Product (GDP) for the nation in aggregate. Centre for International Economics, *KAVHA Economic Feasibility Study*, 2017, page 1.

Figure 1.1: Norfolk Island and approximate distances from nearby cities

Note: Lord Howe Island has been part of New South Wales since 1855.

Source: Department of Infrastructure, Regional Development and Cities.

1.5 The *Norfolk Island Act 1979* (Cth) established self-government on Norfolk Island, providing for a Legislative Assembly, Executive Council, and the Administration of Norfolk Island. The Norfolk Island Government had responsibility for delivering services across the local, state and federal tiers of government. The changes followed the 1976 Nimmo Royal Commission, which proposed the option of Norfolk Island being granted a degree of self-governance ‘over a trial period of at least five years before reviewing the situation’.¹³ The Norfolk Island Act provided for an Administrator appointed by the Governor-General and reporting to the responsible Australian Government Minister.¹⁴ While Norfolk Island legislation required the Administrator’s assent, the Australian Government’s direct influence over the Norfolk Island Government was limited during the self-government period.¹⁵

1.6 Under section 18 of the Act, Commonwealth Acts were not in force in Norfolk Island unless expressly extended. Norfolk Island was outside of mainland taxation, social security, immigration and biosecurity arrangements. The Norfolk Island Government did not receive regular funding from

13 J Nimmo, *Report of the Royal Commission into Matters Relating to Norfolk Island*, Canberra: AGPS, 1976, p. 203.

14 The first Administrator was sworn in on Norfolk Island in 1896. The Administrator’s legislative powers were removed on 1 July 2015.

15 Prior to 2010, the Australian Government Minister could only provide instructions to the Administrator in relation to a small range of matters listed in schedule 3 of the Norfolk Island Act. The Administrator had to act in accordance with advice from the Norfolk Island Executive Council in relation to most other matters. Changes introduced under the *Territories Law Reform Act 2010* increased the level of Australian Government oversight of the Norfolk Island Government, particularly in relation to financial management and also extended the jurisdiction of the Commonwealth Auditor-General, Ombudsman and Administrative Appeals Tribunal to include Norfolk Island.

the Australian Government, although it was provided with grants, gifts and loans from time to time. The proposed review of self-government after five years did not occur.

Norfolk Island Road Map

1.7 In October 2010, the Norfolk Island Government sought ‘urgent financial assistance’ from the Australian Government for the ‘continued operation of the Norfolk Island Government and continued delivery of essential services’. The Norfolk Island Government also sought to explore the option of a phased extension of the Australian taxation system in exchange for Australian Government funding.¹⁶

1.8 In December 2010, the Norfolk Island Government and the Australian Government agreed to the first of a series of funding arrangements. In March 2011, the Australian Government Minister for Regional Australia, Regional Development and Local Government (hereafter referred to as the Minister) and the Norfolk Island Chief Minister agreed to the Norfolk Island Road Map. The Road Map set out a program of reform aimed at improving governance and economic and social conditions on Norfolk Island, including the introduction of the Australian taxation system and social security arrangements.

1.9 Annual funding agreements under the Road Map were signed each year until 2015–16, with funding tied to the Norfolk Island Government reaching reform milestones, some of which were not met (refer to paragraph 1.11). In total, the Australian Government provided \$44.99 million in financial assistance to the Norfolk Island Government between 2010–11 and 2015–16.

Norfolk Island reforms

1.10 Prior to the 2013 federal election, the Coalition pledged to ‘conclude ... negotiations on all outstanding issues arising from the roadmap process with the Norfolk Island Government’ and ensure that the integration of Norfolk Island with the mainland social welfare and taxation systems occurred ‘to the extent that this is agreed with the Norfolk Island Government’.¹⁷ On 25 March 2014, the Minister referred the inquiry into economic development on Norfolk Island to the Joint Standing Committee on the National Capital and External Territories (Joint Standing Committee), asking it to focus on positive action to encourage diversification and broaden the island’s economic base.

1.11 In October 2014, the Joint Standing Committee reported to Parliament on the findings of its inquiry into prospects for economic development on Norfolk Island.¹⁸ The report found that limited progress was being made on achieving the milestones laid out in the Norfolk Island Road Map and that economic and social conditions were worsening. It recommended that the Australian Government abolish self-government on Norfolk Island and transition to a local government-type

16 Letter to the Australian Government Minister for Regional Australia, Regional Development and Local Government from the Norfolk Island Government Chief Minister, 6 October 2010.

17 M Keenan, (Coalition spokesman on Norfolk Island), ‘A better way for Norfolk Island’, media release, Tuart Hill, Western Australia, 11 September 2013.

18 The Norfolk Island Administration’s financial position was such that, in the Committee’s view, ‘Norfolk Island is now dependent on the Commonwealth for its survival.’

body.¹⁹ The Australian Government released its response to the findings in February 2015 and in March 2015 announced comprehensive reforms²⁰ to governance and service delivery on Norfolk Island.²¹

1.12 The reforms included the:

- abolition of the Norfolk Island Legislative Assembly and Executive Council;
- the continuation of the Administration of Norfolk Island (ANI) to manage services for the 2015–16 transition year until local government services and Norfolk Island government business enterprises were transferred to a regional council;
- creation of a Norfolk Island Regional Council (NIRC), which would be responsible for local and municipal matters;
- application of New South Wales state law to Norfolk Island as Commonwealth law;
- creation of an interim Advisory Council to offer advice to the Administrator in the period between the abolition of the Legislative Assembly and the creation of the NIRC;
- integration of Norfolk Island into the mainland taxation system, with the exception that Norfolk Island would remain exempt from indirect taxes including the goods and services tax, excise duties and customs duties, in line with arrangements for Christmas Island and Cocos (Keeling) Islands²²;
- extension of the mainland social security system, including the Age Pension, Newstart Allowance, Disability Support Pension and Youth Allowance;
- extension of mainland health arrangements, including the Medicare Benefits Schedule, the Pharmaceutical Benefits Scheme and the Private Health Insurance Rebate; and
- extension of Commonwealth laws to Norfolk Island, including laws relating to immigration, biosecurity, the superannuation guarantee and employment.

Timeline

1.13 A timeline of key events in the design, transition and implementation of the reforms to Norfolk Island is depicted in Figure 1.2.

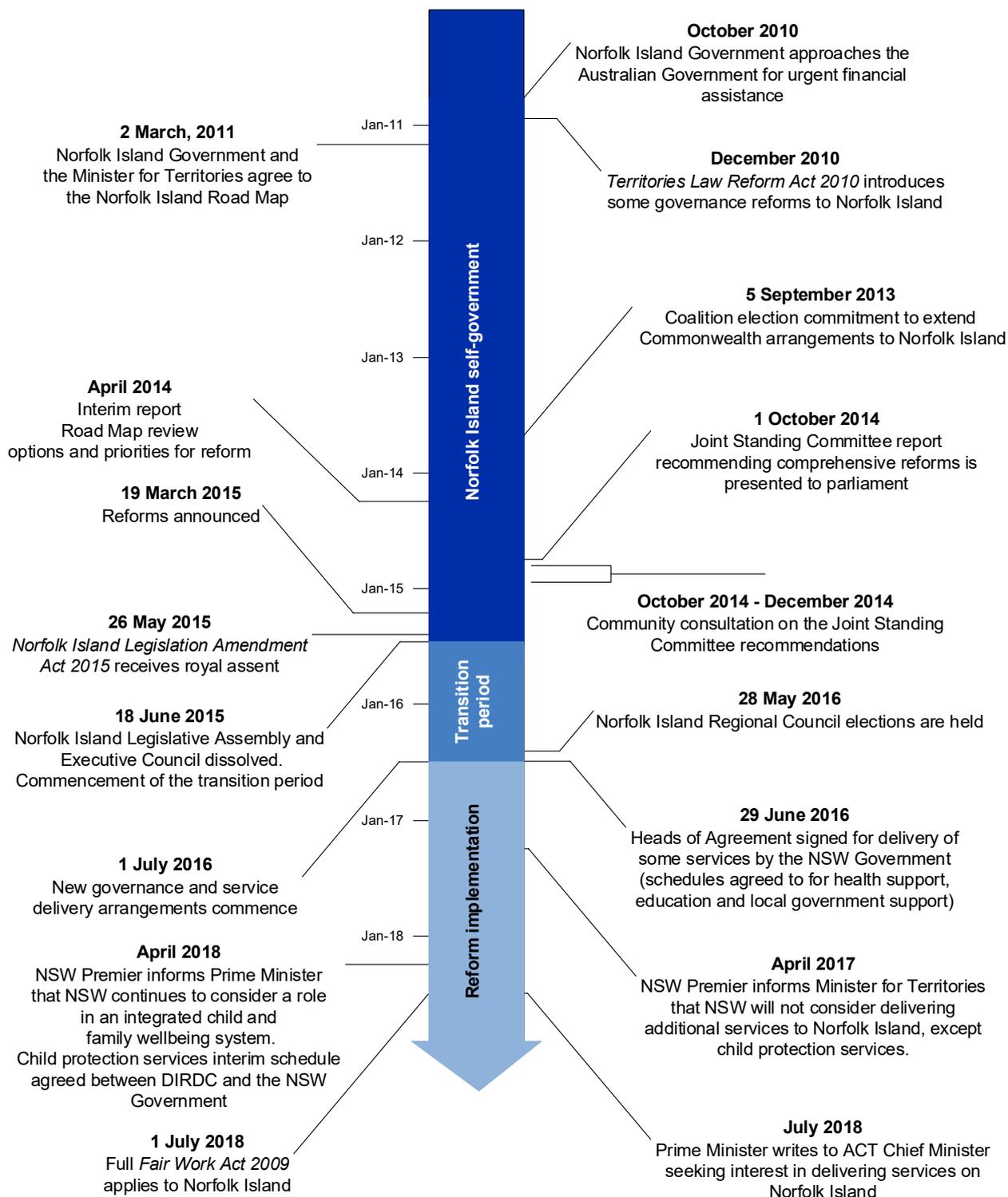
19 This involved creating a local government body similar to a mainland local council with responsibility for local and municipal services such as waste management, town planning and local infrastructure such as roads and community facilities.

20 The reforms were codified in the *Norfolk Island Legislative Amendment Act 2015*, which received royal assent on 26 May 2015.

21 The Australian Government response to the Joint Standing Committee on the National Capital and External Territories report *Same Country: different world - The Future of Norfolk Island*, 2015.

22 Capital gains tax does not apply for assets held by Norfolk Island residents prior to 24 October 2015. Fuel tax credits also do not apply on Norfolk Island.

Figure 1.2: Timeline of Norfolk Island reforms, 2010–2018



Source: ANAO analysis of departmental information.

Commonwealth funding for Norfolk Island reforms and services

1.14 In the 2015–16 budget, the Australian Government provided \$136.5 million for the reforms over the forward estimates.²³ This budget for Norfolk Island reforms included \$62.9 million for the department’s delivery of services to Norfolk Island from 2016–17 to 2018–19. This estimate has been revised through the annual budget and Mid-Year Economic and Fiscal Outlook (MYEFO) processes, rising to \$99.5 million after the 2018–19 budget (increasing total estimated funding over the period 2015–16 to 2018–19 to \$173.1 million).²⁴

Rationale for undertaking the audit

1.15 There were significant risks involved with the Australian Government taking on additional responsibilities in a remote location where, similar to the Indian Ocean Territories, service delivery is complex and expensive. ANAO reporting for the 2015–16 financial statements audit reported two significant audit findings in relation the Administration of Norfolk Island, indicating that ‘At the conclusion of the 2015–16 audit, the finalisation of key governance processes and policies by the Administration remained outstanding.’ As Norfolk Island’s new governance and service delivery arrangements began on 1 July 2016, it was timely to undertake an audit focusing on the design, implementation and monitoring of reforms to services on Norfolk Island.

Audit approach

Audit objective and criteria

1.16 The audit assessed whether the department had designed and implemented appropriate governance and administration arrangements for the transition and delivery of sustainable reforms to services on Norfolk Island.

1.17 To form a conclusion against the objective, the audit examined whether:

- sound evidence informed the design of reforms for the delivery of services on Norfolk Island;
- appropriate arrangements were implemented to support the transition and delivery of reforms to services on Norfolk Island; and
- the arrangements in place for the delivery of services on Norfolk Island were subject to appropriate ongoing performance monitoring processes.

Audit methodology

1.18 In undertaking the audit the ANAO:

- reviewed and analysed relevant documents;
- reviewed submissions and interviewed stakeholders and key officials from:
 - the department;

23 This figure included \$0.1 million in expenses for the then Australian Customs and Border Protection service in the 2014-15 financial year.

24 This figure includes final expenditure for 2016-17 and 2017-18 as well as budgeted expenditure for 2018-19 (prior to MYEFO).

- past and present Administrators of Norfolk Island and the Indian Ocean Territories (IOT);
 - government and non-government entities providing services on Norfolk Island and in the IOT;
 - the Norfolk Island Regional Council, Norfolk Island Health and Residential Aged Care Service, and the Shire of Christmas Island;
 - the Norfolk Island community; and
- reviewed the department’s monitoring of progress implementing the reforms.

1.19 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$606,764.

1.20 Team members for this audit were Sandra Dandie, Judy Jensen, James Sheeran and Paul Bryant.

2. Design of reforms

Areas examined

This chapter examines the design of the reforms to service delivery, including whether there was appropriate consideration of governance model options, economic analysis, advice and consultation in the advice to the Australian Government.

Conclusion

The department's advice to the Australian Government presented a range of reform options, which was based on an assessment of Norfolk Island's self-governance arrangements and input from a community consultation process. Elements of the reform design relating to state and local government services could have benefited from more detailed analysis.

Areas for improvement

The ANAO has made suggestions for improvement in relation to the detail of advice to the Australian Government on the robustness of costings for key state and local government services.

Was the department's advice to government on reform design supported by sound evidence?

The department's advice to the Australian Government on the need for comprehensive reform was informed by a body of evidence showing the existing arrangements on Norfolk Island were not sustainable. There was an appropriate community consultation process. Advice on the extension of Australian Government arrangements to Norfolk Island was informed by economic analysis and input from relevant Australian Government entities. Advice relating to the delivery of state-type services was not informed by appropriate engagement with the State Government of NSW (NSW Government) on the development, implementation and monitoring of service delivery. Advice relating to local government services was appropriate but could have benefited from more detailed analysis in relation to the estimated cost of service delivery.

Assessment of Norfolk Island's self-government arrangements

2.1 In October 2013, the Prime Minister requested a review of progress against the Norfolk Island Road Map (Road Map — refer to paragraphs 1.7–1.9) and options and priorities for the implementation of the Australian Government's policy commitments. As the responsible Australian Government portfolio entity for the Road Map, the Department of Infrastructure, Regional Development and Cities (department) submitted an 'interim report' in response to this request in April 2014.

2.2 In the April 2014 interim report, the department assessed progress against the Road Map and also detailed:

- ongoing governance and financial problems in the Administration of Norfolk Island (ANI) and related entities;

- the poor state of critical infrastructure;²⁵ and
- gaps in the legal protections and services received by the Norfolk Island community compared to Australians living on the mainland.²⁶

2.3 In the interim report, the department advised that there was a need for comprehensive reforms on Norfolk Island. This advice was drawn from the department's recent assessment of reform progress and the existing body of evidence on the effectiveness and sustainability of self-government arrangements on Norfolk Island.²⁷ Since Norfolk Island was granted limited self-government in 1979 there had been 12 parliamentary inquiries into various aspects of governance on Norfolk Island and more than 20 other reviews and reports (refer to Appendix 2 for an overview of key inquiries and reports). In response to the interim report, the Prime Minister agreed that comprehensive reforms should be further pursued.

Design of the overarching governance model

2.4 In designing the reforms to services on Norfolk Island, the department considered three governance models and presented these to the Australian Government in November 2014:

- Maintaining the 'status quo' arrangement of providing ongoing financial assistance to the Norfolk Island Government without changing governance arrangements.
- 'Modified self-government', where federal-level functions would be transitioned to the Australian Government and the Norfolk Island Government would maintain state- and local-type responsibilities.
- 'Local government model', whereby the Norfolk Island Government would be replaced with a local government authority and the Australian Government would be responsible for the delivery of all services either directly or through State and private partners, similar to the governance model in the Indian Ocean Territories (IOT).²⁸

25 Adequate provision for infrastructure maintenance and investment was highlighted in department-commissioned reports from as early as 1997. In particular, at the time of the removal of self-government Norfolk Island's telecommunications network was found to be at risk of critical failure and much of the road network was found to be in need of urgent repair. A 2014 accreditation audit found that there were a large number of risks to patients and staff at the Norfolk Island Hospital that were attributable to the hospital infrastructure, which it found to be in need of major upgrades.

26 For example, compared to mainland Australia Norfolk Island only had a limited social security safety net and residents incurred significant costs for obtaining medical treatment and pharmaceuticals. Many Norfolk Island laws lagged behind changes seen in mainland jurisdictions.

27 Governance issues were discussed in a number of the reports listed in Appendix 2. As mentioned in Chapter 1, the ANI had a series of funding agreements with the Australian Government from 2010-11 onwards. The ANAO audited the financial statements of the ANI, Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau (NIGTB) from 2011-12 until 2015-16 (the NIGTB was dissolved in 2015-16). The ANAO auditor's reports for 2011-12 to 2013-14 contained a disclaimer of opinion relating to the assessment that the ANI was not a going concern. The ANAO also raised significant findings in relation corporate governance and financial controls. See ANAO Report No. 33 2016-17 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016*, pp.229-232.

28 The Indian Ocean Territories are Christmas Island and Cocos (Keeling) Islands. While they are legally separate territories, they have the same Administrator (appointed separately as Administrator of Christmas Island and Administrator of Cocos (Keeling) Islands), a dedicated Indian Ocean Territories Administration within the department and arrangements with the Western Australian Government that cover both territories.

2.5 Further detail on these models is provided in Table 2.1.

Table 2.1: Governance options proposed for Norfolk Island

Level / element of Australian system of government	Impact of each proposed reform on the relevant level / element of the Australian system of government		
	Maintaining the status quo	Modified self-government model	Local government model
Local government responsibility	Norfolk Island Government	Norfolk Island Government	Replacement of Norfolk Island Government with a new Norfolk Island local government authority
State-type service delivery responsibility	Norfolk Island Government	Norfolk Island Government	Australian Government through agreements with NSW Government or private providers
State legislation	Continuation of Norfolk Island legislation	Norfolk Island legislation with greater powers for the Australian Government Minister to pass legislation for Norfolk Island to expedite reforms	Would apply NSW legislation with some Norfolk Island legislation continued
Federal services responsibility	Norfolk Island Government	Australian Government	Australian Government
Commonwealth laws	No immediate extension of further Commonwealth laws	Most Commonwealth laws applied	Most Commonwealth laws applied
Funding model and expected costs (2014–15 to 2017–18)	Australian Government provides financial assistance to Norfolk Island Government — tied to achievement of reform milestones — to maintain essential services. \$28.5 m	Australian Government to meet the gap between the Norfolk Island Government's expenditure and revenue. \$92.6 m	Australian Government to fund all state and federal services and provide some local government funding. \$99.5 m

Source: ANAO analysis of departmental information.

2.6 The Joint Standing Committee on the National Capital and External Territories' (Joint Standing Committee) October 2014 report suggested the IOT, Lord Howe Island and regional authority models (similar to that utilised in the Torres Strait) as possible options to be considered. The report highlighted the challenges associated with the various models, but ultimately recommended the local government model for Norfolk Island. A comparison of arrangements in Norfolk Island, IOT, Jervis Bay Territory and Lord Howe Island is presented in Appendix 3. The

Norfolk Island Government presented an alternative governance model to the Joint Standing Committee, which was considered but not taken forward by the department as an option.²⁹

2.7 The department's proposed model for undertaking these reforms — the 'local government model', with a local government body replacing the Norfolk Island Government — was based on the model in the IOT.³⁰ In the IOT, Western Australian law is applied as Commonwealth law, most state-type services³¹ are delivered by the Western Australian Government and there are two shire councils operating under applied Western Australian legislation.³² The department planned for the Norfolk Island Regional Council (NIRC) to deliver a greater range of services than the two shire councils in the IOT and also for Norfolk Island's judicial arrangements to continue.³³

Design of Australian Government service delivery

2.8 A November 2014 report commissioned by the department provided modelling of the economic impact of extending Commonwealth taxation, social security, superannuation and the minimum wage to Norfolk Island.³⁴ The modelling showed that if Commonwealth arrangements were implemented, the expected 'higher level of economic activity, increased employment and wages combine to see (nominal) household consumption each year being some \$20 million higher than otherwise.'

2.9 The department's economic modelling did not include all elements of the *Fair Work Act 2009*, however the department worked closely with the former Department of Employment and Workplace Relations and the Fair Work Ombudsman in designing the gradual implementation of

29 This model involved extension of Commonwealth legislation and Australian Government services but unlike the modified self-government model made no reference to other governance reforms.

30 The Explanatory Memorandum to the Norfolk Island Amendment Bill 2015 (Cth) states that 'the final governance arrangements are similar to those applying to Christmas Island and the Cocos (Keeling) Islands, with the exception that the Norfolk Island judicial arrangements will continue.'

31 State-type services include services such as hospitals, education, child protection, housing and property, business registration and licensing, transport and motoring licensing, environmental protection, emergency services and safety, some judicial arrangements and legal aid, some regulatory arrangements related to state-type services.

32 Some state-type services are delivered directly by the department, while others are contracted out to third parties.

The IOTs governance and service delivery arrangements date back to 1992, when the Australian Government applied Western Australian (WA) state law in Christmas Island and Cocos (Keeling) Islands through the *Territories Law Reform Act 1992* (Cth). The Australian Government also established the first service delivery arrangements with the WA Government in 1992.

33 The Norfolk Island Supreme Court and Court of Petty Sessions continue to operate. Many Norfolk Island laws created prior to the removal of self-government continue in force. While New South Wales laws have been applied to Norfolk Island, as at February 2019, all but 20 have been suspended by the *Norfolk Island Applied Laws Ordinance 2016*.

34 This modelling also included an assessment of the removal of Norfolk Island Government taxes and charges and reforms to Norfolk Island Government business activities. The Centre for International Economics, *Economic impact of Norfolk Island reform scenarios*, 2014.

these arrangements, as well as the superannuation guarantee, with the aim of reducing the up-front impact on the Norfolk Island economy.³⁵

2.10 An interdepartmental committee³⁶ was formed in January 2014 (2014 IDC) and the department sought advice from this committee in preparing its reform design and cost estimates for the Australian Government's consideration. While the Australian Government's initial policy was to extend social security arrangements to Norfolk Island by March 2015 and taxation arrangements by September 2015, the department advised in its 2014 interim report to the Prime Minister that those timeframes were not feasible as the relevant entities had advised that 'it would take a minimum of two years... to make the necessary legislative amendments and implement transition arrangements.' It also advised against the policy of having separate commencement dates for social security and taxation, arguing that while this was technically possible, it created significant additional complexity for entities and Norfolk Island residents for limited benefit.

Design of state-type service delivery

2.11 The design and related costings for the delivery of policing, health, education and other state-type services were based on data from the Administration of Norfolk Island's (ANI) 2014–15 budget. ANAO financial statements audit results had raised significant rated findings in relation to the ANI's corporate and financial controls, the ANI's financial data was known to be of poor quality and there was a known gap in service standards between Norfolk Island and the mainland. The costings did not reflect inflation, the potential impact of the broader reforms (such as higher wages and regulatory costs) or the costs which would be associated with improving service standards in order to meet mainland standards.

2.12 The department's costings for state-type services for 2016–17 to 2018–19 were substantially lower than what the Commonwealth Grants Commission found would be required in 2009–10 to provide state-type services on Norfolk Island to a comparable standard to mainland communities.³⁷ For example, for 2016–17 to 2018–19, the department's expenditure for healthcare on Norfolk Island totalled \$44.1 million³⁸, higher than the \$18.7 million included in the reform costings for the same period.

2.13 As Table 2.2 shows, administered expenditure on state-type services to Norfolk Island — which includes local government grants and underwriting medical transport services to the mainland — was substantially higher than the initial estimates.

35 The *Fair Work Act 2009* (Cth) was phased in over three stages, commencing with implementation of the National Employment Standards and 85 per cent of the national minimum wage on 1 July 2016 to full application of the Modern Award system from 1 July 2018. Employers were required to pay 100 per cent of the national minimum wage from 1 July 2017. The superannuation guarantee rate for Norfolk Island is also being phased in, commencing at one per cent on 1 July 2016 and is set to increase by 1 per cent each financial year until it reaches 12 per cent in 2027-28; the rate that will apply to the rest of Australia from 1 July 2025.

36 Membership of the IDC included Deputy Secretaries from Portfolio Departments and other selected entities.

37 In its 2011 report, the Commonwealth Grants Commission found that delivery of comparable state-type services on Norfolk Island for 2009-10 would cost \$15.1 million. The department's costings for state-type services were \$9.3 million for 2016-17 and \$14.7 million for both 2017-18 and 2018-19.

38 This total figure includes final expenditure for 2016-17 and 2017-18 and projected expenditure for 2018-19.

Table 2.2: Administered expenses for state-type services to Norfolk Island

Year	2015 estimates \$million	Actual expenditure \$million
2016–17	16.28	26.19
2017–18	23.46	32.64
2018–19 (budgeted)	23.14	48.18
Total	62.88	107.01

Source: ANAO analysis of departmental information.

2.14 In February 2015, the department proposed phasing in state-type services to reduce upfront costs. Service delivery costings for the first year of state-type service delivery (2016–17) covered education and some healthcare. Funding for key related services such as patient travel to the mainland, payments for hospital services on the mainland and payments to NSW Government agencies for coordination of service delivery arrangements would not be phased in until 2017–18, noting that these services continued to be provided in the interim period. The department made no provision for child protection, childcare or road safety in its reform costings for 2016–17 on the basis that these would be phased in at a later date. This was despite the department identifying these services as among the highest risk areas in terms of state-type service requirements.³⁹

2.15 The department did not secure the NSW Government’s commitment to deliver state-type services during the design phase.⁴⁰ The Assistant Minister for Infrastructure and Regional Development (Minister) announced the reforms on 19 March 2015⁴¹, prior to receiving a formal response from the NSW Government confirming its in-principle agreement. Consequently, the department did not obtain the NSW Government’s advice on state-type service priorities, delivery risks, timeframes and anticipated costs before the reforms were announced. The department, in its advice to the Australian Government, did not adequately outline the risks or likelihood of being able to secure NSW Government as a partner or alternative plans should NSW not agree in whole or in part.

Design of local government service delivery

2.16 The department utilised data from the ANI’s 2014–15 budget to estimate the revenue streams and expenses of the proposed Norfolk Island Regional Council in order to design and establish the funding required to support the sustainable delivery of services. The department’s costings did not reflect planned increases in service standards to meet mainland standards (refer to paragraph 3.86). This meant that the cost of delivering services was under-stated.

Community consultation

2.17 A consultation period from October to December 2014 provided opportunities for the community and stakeholders to provide feedback on the proposed reforms.

39 Healthcare was identified as the other high risk service.

40 The NSW Government limited the services it would provide after the reforms had commenced.

41 J Briggs, (Assistant Minister for Infrastructure and Regional Development), ‘Delivering a stronger and more prosperous Norfolk Island’ media release, Parliament House, Canberra, 19 March 2015.

2.18 After the Joint Standing Committee⁴² tabled its report in October 2014, the Minister wrote to all Norfolk Island residents stating that he had asked the Administrator to undertake consultation with the Norfolk Island community to inform the Australian Government's response to the Joint Standing Committee's report including the governance⁴³ and service delivery reform recommendations. Consultation included:

- five community mail-outs;
- two public meetings in November 2014⁴⁴; and
- an invitation for written submissions.

2.19 The Administrator also met with members of the Norfolk Island Legislative Assembly, the Chamber of Commerce and the Council of Elders.⁴⁵

2.20 In his report to the Minister on the consultation process, the Administrator stated that 'there is now widespread general agreement with the JSC recommendations.'⁴⁶ The Administrator's report, which formed part of the submission to the Australian Government, included dissenting views and commentary from the public meeting for the Australian Government's consideration.

42 Joint Standing Committee on the National Capital and External Territories, Parliament of the Commonwealth of Australia, *Same country: different world: The future of Norfolk Island*, 2014.

43 The Joint Standing Committee's recommendation 1 related to repeal of the Norfolk Island Act and transition to a local government type body.

44 The department engaged an independent facilitator for the first session on 12 November, which focussed on the Joint Standing Committee's first two recommendations.

45 The Council of Elders is a group representing the Pitcairn families' descendants. It does not have any formal legal status.

46 The report included: that 450 people had attended the two public meetings in November 2014; there were 111 written submissions from 90 individuals (of the 111 received, 42 supported the governance changes recommended by the Joint Standing Committee, 22 opposed the changes and 47 addressed other issues); the consultant's report; feedback from the public forums; and notes from other meetings.

3. Implementation of reforms

Areas examined

This chapter examines the governance framework and arrangements in place for the transition and implementation of reforms to services.

Conclusion

The department's governance framework and arrangements for the transition and implementation of reforms to services on Norfolk Island were partly effective. Roles and responsibilities for the implementation of the reforms were clearly outlined, but the department's prioritisation plans lacked appropriate detail. Governance arrangements to coordinate the implementation of Australian Government and state-type services were appropriate, but arrangements established for the oversight of the Norfolk Island Health Residential Aged Care Service (NIHRACS) were inappropriate and the department's approach to secure a partner to deliver all state-type services was not fully effective. The arrangements established for the delivery of local government services were largely effective. Risk management arrangements for the reforms were not developed until September 2017 and were not fully articulated or reviewed in the subsequent period.

Areas for improvement

The ANAO has made three recommendations aimed at the department's approach to prioritisation, amending legislation to apply the *Public Governance, Performance and Accountability Act 2013* to the Norfolk Island Health and Residential Aged Care Service and actively managing risks and integrating risk management into its activities.

Was an effective governance framework with roles, responsibilities, priorities and communication strategies established for the reform program?

The department established a governance framework for the overall management of the reform program which was largely effective. The department clearly articulated roles and responsibilities in its reform plan but business plans for the management of the reforms lacked appropriate detail on milestones and timelines, particularly on the identified priority to secure an alternative jurisdiction for the delivery of state-type services. The department implemented a number of approaches for communicating with stakeholders although did not have an overarching communications strategy in place until January 2018.

3.1 In order to establish a governance framework for delivering the Norfolk Island reforms, the department developed the Norfolk Island Reform Implementation Plan (reform plan) in February 2015. The reform plan outlined the associated requirements for governance and oversight, roles and responsibilities, legislation, risk management and stakeholder engagement, including communication across government.

3.2 The principal objective of the reforms was to provide a framework for 'the sustainable economic and social development of the Norfolk Island community'. This was to be achieved through the reform of governance and legal arrangements and the extension of mainland social

security, immigration, and health arrangements to Norfolk Island so that those Australians who live there ‘have the same obligations and receive the same access to benefits as other Australians’.⁴⁷

Roles and responsibilities under the reform plan

3.3 The reform plan outlined the various roles and responsibilities in the reform process, including for: the Assistant Minister for Infrastructure and Regional Development (Minister); the Norfolk Island Administrator (Administrator); the Norfolk Island Advisory Council (NIAC); the Administration of Norfolk Island Executive Director (ANI Executive Director); the Department of Infrastructure, Regional Development and Cities (department); wider Australian Government departments that would be involved in service delivery arrangements; and the Norfolk Island Regional Council (NIRC).

3.4 The Minister held overall responsibility for reform implementation. At the commencement of the transition period on 18 June 2015⁴⁸, the Minister vested or delegated his powers to the Administrator and the department.⁴⁹ Appendix 4 provides an overview of the vesting or delegation of the Minister’s powers.

3.5 After 1 July 2015, the Administrator was appointed by the Governor-General under Section 7 of the Norfolk Island Administrator Ordinance 2016. The Administrator had no legislative powers and reported to the responsible Australian Government Minister.⁵⁰ The Administrator was responsible for providing ‘strategic direction and lead engagement’ with the Norfolk Island community from the commencement of the transition period on 18 June 2015. The Administrator was to provide regular reporting to the department to keep stakeholders informed and to identify emerging risks. The Administrator also chaired the Kingston and Arthur’s Vale Historic Area (KAVHA) Advisory Committee (refer to footnote 70). The Administrator’s role after the transition year was to: continue to perform functions where the Minister had either vested or delegated his powers to the Administrator⁵¹; provide leadership and support to reform efforts including through engaging with the community; and being a conduit for feedback to the department and the Minister.

3.6 The NIAC, which was comprised of Norfolk Island community members appointed by the Minister, was commissioned in June 2015 to advise the Minister during the transition year on: a possible governance model for the NIRC within the framework of the *Local Government Act 1993* (NSW); the restructuring of the ANI and its transition to operating as the administration of the NIRC within the NSW local government framework; priorities and preferences for introducing new laws

47 Norfolk Island Legislation Amendment Bill 2015 Explanatory Memorandum p. 9.

48 The transition period was just over one year between the abolition of the Norfolk Island Legislative Assembly on 18 June 2015 and the commencement of new governance arrangements on 1 July 2016.

49 The Minister held executive powers under the existing Norfolk Island enactments (*Interpretation Act 1979* (NI)). Executive powers were delegated under schedule 1, section 10 of the *Interpretation Act 1979* (NI). Under section 18B of the *Norfolk Island Act 1979* (Cth), executive powers provided under applied NSW law were also vested in the Minister.

50 Prior to 1 July 2015, the Governor-General appointed the Administrator according to the *Norfolk Island Act 1979*, and Norfolk Island legislation required the Administrator’s assent.

51 These powers and functions include matters relating to land, planning, statutory appointments, disaster and emergency management, importation of dangerous drugs, licensing and other functions such as liquor importation.

to Norfolk Island modelled on NSW laws; and other matters referred to it by the Administrator for response on behalf of the Norfolk Island community.

3.7 The department appointed the ANI Executive Director and this was declared by the Minister under section 9 of the *Norfolk Island Legislation Amendment Act 2015* (Cth) on 24 June 2015, together with a description of the role and delegated powers.⁵² In addition to being responsible for the daily operations of the ANI (including the implementation of the ANI Operational Plan 2015–16) the ANI Executive Director was to ‘review the Administration’s structure and operations and develop a plan to modernise and transition the Administration to a Regional Council model on 1 July 2016’.⁵³

3.8 The department was the lead agency for the reform program and had overarching responsibility for the delivery of the reforms and associated legislative program⁵⁴; coordinating the whole-of-government approach, and monitoring, evaluating and reporting on the implementation of the reforms. The department was responsible for state-type service delivery from 1 July 2016. This included health and education services being delivered through the Norfolk Island Health Residential Aged Care Service (NIHRACS) and the Norfolk Island Central School, supported by Service Delivery Schedules established with the State Government of New South Wales (NSW Government) (refer to paragraph 3.47). The department worked with the ANI to facilitate the transition of services previously delivered by the Norfolk Island Government. The department was directly responsible for the overall management of KAVHA, including its heritage management plan, with advice from the KAVHA Advisory Committee.

3.9 Other Australian Government departments became responsible for implementing key Australian Government services on Norfolk Island including mainland taxation, social security, immigration, biosecurity, customs and health services such as Medicare and the Pharmaceutical Benefits Scheme.⁵⁵

3.10 The department contracted the ANI, through a Service Delivery Agreement (SDA) on 24 June 2016, to provide state-type services including: environmental protection; courts and legal services; workers compensation; motor vehicle registrations; food safety; and ports management, including lighterage.⁵⁶ The ANI was replaced by the NIRC⁵⁷ on 1 July 2016, and took responsibility for these state-type services along with ‘responsibility for local government functions such as land planning, local roads and waste management’ and the operation of business enterprises including

52 The Executive Director was a statutory position under the Norfolk Island Legislation Amendment Act.

53 Letter from the Minister to the ANI Executive Director, 24 June 2015.

54 The first tranche of legislative amendments were prioritised to include the extension of Australian tax, social welfare, migration arrangements, the transfer of responsibility of the Norfolk Island Government’s operations to the Commonwealth and the application of NSW laws for the delivery of education and health. The second tranche of legislative amendments was intended to capture remaining arrangements not covered in the first tranche such as those arrangements that required a staged approach.

55 The Department of Infrastructure, Regional Development and Cities, Norfolk Island Governance, available from http://regional.gov.au/territories/norfolk_island/governance/index.aspx [accessed August 2018].

56 Lighterage services includes the loading, unloading, or transportation of goods by means of a lighter, which is a low open boat used to move goods to and from ships in a harbour.

57 The Department of Infrastructure, Regional Development and Cities, Norfolk Island Regional Council, available from https://regional.gov.au/territories/norfolk_island/governance/nirc.aspx [accessed February 2019].

liquor supply, electricity generation, telecommunications, and the airport. Five members were elected as councillors for a four year term by the Norfolk Island community on 28 May 2016.

3.11 Table 3.1 provides an overview of the institutional responsibilities for the delivery of existing and proposed services on Norfolk Island in relation to Australian Government departments, the NSW Government, the NIRC, and the Office of the Administrator as at November 2018.

Table 3.1: Institutional responsibilities for the delivery of services on Norfolk Island

Commonwealth government functions		State government functions		Local government functions
Australian Government agencies	Administrator of Norfolk Island	Department of Infrastructure, Regional Development and Cities		Norfolk Island Regional Council
		State delivery partner	Norfolk Island Regional Council	
<p><i>(including, but not limited to)</i></p> <p>Australian business numbers — Australian Taxation Office</p> <p>Biosecurity — Department of Agriculture and Water Resources</p> <p>Business name registration — Australian Securities and Investment Commission</p> <p>Continence Aids Payment Scheme — Department of Health</p> <p>Customs and border protection — Australian Border Force</p> <p>Disability payments — National Disability Insurance Agency</p> <p>Early childhood education — Department of Education and Training</p> <p>Elections (Federal) — Australian Electoral Commission</p> <p>Employment services — Department of Employment</p> <p>Fair Work information — Fair Work Ombudsman</p> <p>Family, social security and other payments — Department of Human Services</p> <p>Family support services — Department of Human Services</p> <p>Hearing services — Hearing Services Program</p>	<p>Civic and ceremonial events</p> <p>Hosting visitors</p> <p>Statutory responsibilities</p> <p>Community engagement and advocacy</p>	<p>Education</p> <p>Norfolk Island Central School (Kindergarten to Year 12 — NSW)</p> <p>Health</p> <p>Norfolk Island Health and Residential Aged Care Service (NIHRACS — NSW)</p> <p>Child welfare (NGO)</p> <p>Policing and regulatory services — Norfolk Island Police Force (AFP)</p> <p>Gun licences</p> <p>Corrective services and remand</p> <p>Driver’s licences</p> <p>Services not currently delivered (selected)</p> <p>Adoption</p> <p>Boat registration</p> <p>Childcare regulation</p> <p>Community housing</p>	<p>Associations and companies</p> <p>Courts and legal services</p> <p>Emergency management</p> <p>Environmental protection</p> <p>Fire services</p> <p>Food safety</p> <p>Fishing licences</p> <p>Land use and environment</p> <p>Land titles registration</p> <p>Liquor licences</p> <p>Marine search and rescue</p> <p>Motor vehicle registration</p> <p>Museum and collections management (KAVHA/Sirius collections)</p> <p>Pensioner rates rebates</p>	<p>Cemetery</p> <p>Customer Care</p> <p>Library</p> <p>Local tourism</p> <p>Planning</p> <p>Public works</p> <p>Radio</p> <p>Rates (land)</p> <p>Water quality assurance</p> <p>Waste management</p> <p>Norfolk Island business activities</p> <p>Liquor Bond</p> <p>Electricity</p> <p>Telecommunications (Norfolk Telecom)</p> <p>Airport</p>

Commonwealth government functions		State government functions		Local government functions
<p>Home support aged care services — Department of Health</p> <p>Immigration — Department of Home Affairs</p> <p>Kingston & Arthur’s Vale Historic Area (KAVHA) — Department of Infrastructure, Regional Development and Cities</p> <p>Medicare payments — Department of Human Services</p> <p>Norfolk Island National Park — Parks Australia</p> <p>Passports (Australian) — Australian Passport Office</p> <p>Pharmaceutical Benefits Scheme — Department of Health</p> <p>Postal services — Australia Post</p> <p>Private health insurance consumer information — Private Health Insurance Ombudsman</p> <p>Taxation and superannuation — Australian Taxation Office</p> <p>Veterans’ entitlements — Department of Veterans’ Affairs</p>		<p>Economic development grants</p> <p>Complaints for health care, mental health and disability services</p> <p>Professional licensing</p> <p>Transportation of dangerous goods</p> <p>Residential tenancy regulation</p> <p>Small business grants</p>	<p>Pest and noxious weed control</p> <p>Ports management (maritime)</p> <p>Registrar of births, deaths and marriages</p> <p>Regulation, monitoring and enforcement (for example, animal welfare and slaughtering)</p> <p>Spatial policy and planning</p> <p>Tourism accommodation registration and licensing</p> <p>Workplace safety and workers compensation administration</p>	

Source: Department of Infrastructure, Regional Development and Cities.

Business plans and prioritisation

3.12 The department developed a draft Planning Framework–NI Reform Implementation (framework) in July 2015 as a complement to the reform plan. The framework provided a more detailed blueprint for implementation of the reform process in the transition year.

3.13 In late November 2016, five months following the end of the transition year, the Administrator approved six high-level priorities developed by the department for the Norfolk Island reforms as part of the department’s 2016–17 Business Plan: Norfolk Island Branch (2016–17 business plan). The 2016–17 business plan priorities are listed below.

- Establish second tranche state-type legislative reforms either through a greater application of New South Wales legislation or adaptation of Norfolk Island laws.
- Establish second stage of state-type services with NSW, and review stage one to ensure it is meeting expectations.
- The Norfolk Island Regional Council provides contracted state-type services.
- Normal direct engagement on Commonwealth issues for communities rests with the appropriate Commonwealth agency.
- Implement the required capital works projects.
- Improving better practice regulation and program delivery by developing and/or updating key regulatory documents.

3.14 The department identified timelines for these reform priorities in internal traffic light reports according to three stages in the reform process — 30 June 2016 (stage one), 30 June 2017 (stage two) and 30 June 2018 (stage three). By the end of March 2017, the department reported in the internal traffic light reports that its priority to establish the second stage of state level services with NSW was on track to conclude by 30 June 2017.

3.15 For the 2017–18 Business Plan: Local Government and Territories Division (2017–18 business plan), the department reduced its priorities with respect to the Norfolk Island reforms to five, as listed below.

- To expand the range of Commonwealth programs and services delivered to Norfolk Island; and ensure normal direct engagement rests with the appropriate Commonwealth agency.
- To ensure appropriate arrangements are in place to provide state-type services to Norfolk Island according to contemporary standards.
- Encourage effective functioning of local government, including developing local capacity to improve the quality and efficiency of services provided.
- Support initiatives to diversify the Norfolk Island economy and drive economic growth.
- Manage and maintain Commonwealth assets based on better practice, focusing on risk, fiscal responsibility, operational performance and governance frameworks.

3.16 Timelines and milestones were not identified for any of these priorities within the 2017–18 business plan or elsewhere.

3.17 Appendix 5 provides a comparison of the department’s Norfolk Island priorities between 2016–17 and 2017–18. The department developed a numerical framework to prioritise

the detailed deliverables associated with these priorities (Prioritisation Framework) which was approved in September 2017. The department indicated in September 2017 in its Norfolk Island Branch 2017–18 Business Plan Prioritised Deliverables report that securing an alternative jurisdiction to deliver state-type services was its first priority. There were no identified interim milestones or timelines associated with achieving this.

3.18 The department established a Project Office in September 2018 to support project management and planning for the implementation of reforms to services delivery. There was a delay in the department developing its business plan and associated six departmental priorities for reform for 2018–19, with the plan not in place until February 2019. The executive priorities relating to Norfolk Island are listed below.

- Implement Next Phase of Norfolk Island Reforms included in 2018–19 Budget to provide essential services and critical infrastructure — including relevant supporting legislation for establishing a child and family wellbeing system.
- Work towards a single jurisdiction to deliver all state-type services required for Norfolk Island exclusively under the laws of that jurisdiction.
- End-state service delivery model develops over time, based on consultation, to reflect the changing needs of the community and the changing capacity and capability of service delivery partners.
- Advice prepared for 2018–19 MYEFO and 2019–20 Budget for Norfolk Island including fully costed options of other essential services and business cases for major capital works projects, for example, new multi-purpose medical facility.
- Negotiate a new Norfolk Island Regional Council Service Delivery Agreement, including improved delivery of essential services, budgeting, financial management and reporting.

3.19 Timelines and milestones were not identified for any of these priorities within the 2018–19 business plan or elsewhere.

Recommendation no.1

3.20 The Department of Infrastructure, Regional Development and Cities establish suitable arrangements for the ongoing review and update of business plans and priorities, and establish milestones and timelines for the future delivery of reforms on Norfolk Island, including securing a state-type services provider.

Department of Infrastructure, Regional Development and Cities response: *Agreed.*

3.21 *The Department will continue to review and update business plans and priorities for the delivery of the Norfolk Island reforms.*

Communication strategy and engagement

Interagency communication strategy

3.22 The department developed a *Norfolk Island Inter-agency Communication Strategy* in December 2015. The objectives of the strategy were to provide Australian Government entities with guidelines when promoting the Norfolk Island reforms and assist entities to select the most effective means of engaging with the Norfolk Island community.

3.23 The department noted that: ‘This strategy is a working document and is for guidance only, and will be updated as the reforms are implemented to ensure it remains relevant’; and ‘This strategy should inform and assist the development of agency specific communication strategies and implementation plans’. The department updated the strategy at the end of February 2016.

Community engagement strategy

3.24 To assist in transitioning the community to the new arrangements, the department facilitated multiple individual communication channels including the establishment of the NIAC. The NIAC undertook consultation, including with the ANI, and surveyed the Norfolk Island community to inform its advice, interim and final report to the Minister. Over a period of 12 months, the NIAC produced a number of reports on the outcome of its consultation and in its final report, made recommendations on the implementation of reforms on the island.⁵⁸ The NIAC’s published advice to the Minister was available on the NIAC website.⁵⁹

3.25 The department produced a reform newsletter, internet pages specific to Norfolk Island, a reform mailbox and established an information centre in Norfolk Island’s main shopping district for residents.

3.26 The Norfolk Island Reform Taskforce (refer to paragraph 3.33), coordinated a series of visits to the island by representatives from different Australian Government entities to facilitate the conduct of information sessions and the provision of advice to Norfolk Island residents at the information centre. There were 13 agency visits to the Island to meet with community stakeholders, scope future service delivery and to provide information on programs, services and initiatives.⁶⁰ This enabled the community to engage directly with Australian Government representatives.

3.27 Following the completion of the transition year (2015–16) the department ceased several of these communication channels and commenced utilising other channels including: fortnightly columns in the local Norfolk Island newspaper⁶¹; briefing the Minister and Administrator on activities to inform their communication with residents; and preparing letter drops around major local holidays to provide updates on Australian Government activities to the community.

58 The NIAC final report and recommendations are available from <http://pandora.nla.gov.au/pan/156846/20160630-0255/www.norfolkislandadvisorycouncil.nf/documents/index.html> [accessed 14 February 2019].

59 The NIAC’s documents including its terms of reference are available from <http://pandora.nla.gov.au/pan/156846/20160630-0255/www.norfolkislandadvisorycouncil.nf/home/terms-of-reference/index.html> [accessed 14 February 2019].

60 Entities that visited included: Australian Taxation Office, Australian Border Force, Australian Bureau of Statistics, Department of Agriculture, Department of Communication and the Arts, Department of Education, Department of Employment, Department of Health, Department of Human Services, Department of Immigration and Border Protection, Department of Infrastructure and Regional Development, Department of Veterans’ Affairs and the Fair Work Ombudsman.

61 The Norfolk Islander is a locally produced newspaper. Further information available from <http://www.norfolkislander.com/aboutus.html> [accessed 14 February 2019].

3.28 There were also avenues available to Norfolk Island residents to provide feedback and complaints.

- Contact information for the Office of the Administrator was available on the department's website to enable residents to provide feedback.⁶²
- Residents had access to a complaints and feedback mechanism for services funded and delivered by the NIRC, or state-type services funded by the Commonwealth but delivered by the NIRC⁶³ (refer to Table 3.1).
- The department's agreement with NSW Health to deliver health services included procedures for dealing with patient complaints. The Education Schedule outlined mechanisms for handling complaints related to NSW and Commonwealth roles and responsibilities.

3.29 The department implemented a number of approaches for communicating with stakeholders, however, there was no overarching communication strategy for the period 2015 to 2017 to guide consistent communication. The department did not develop an overarching strategy until January 2018 in the form of the Communications Strategy - Norfolk Island Branch 2018 which 'covers communications activities and materials relating to Ministerial, Administrator and Departmental functions on Norfolk Island, which includes ongoing state-level services, capital works and legislation'.

Were effective governance arrangements established for the implementation of Australian Government and state-type services?

The department's governance arrangements for the implementation of Australian Government and state-type services on Norfolk Island were partly effective. Governance groups were established to provide oversight and coordination for the Australian Government service reforms, although the department did not continue regular interdepartmental committee meetings after the end of the 2015–16 transition year despite ongoing legislative reform requirements. There were adequate governance arrangements in place with the NSW Government for the continuation of core state-type services, but the department was not able to obtain a fully engaged state partner to deliver all state-type services. The NIHRACS was inappropriately established outside of the Australian Government accountability framework.

62 Contact information for the Office of the Administrator was provided by the Department of Infrastructure, Regional Development and Cities on their website available from http://regional.gov.au/territories/norfolk_island/administrator/index.aspx [accessed September 2018].

63 Norfolk Island Regional Council, *Our complaints Process*, available from <http://www.norfolkisland.gov.nf/policy-and-governance/our-complaints-process> and Complaints Form, 7 July 2017, available from <http://www.norfolkisland.gov.nf/sites/default/files/docs/Complaints%20-%20NIRC%20Customer%20Complaints%20Form%20.pdf> [accessed September 2018].

Governance arrangements for the implementation of Australian Government services

Norfolk Island Governance Steering Committee

3.30 A Norfolk Island Governance Steering Committee (Steering Committee) was established by the department in October 2015. The Steering Committee's membership included the ANI Executive Director, the Administrator and the department's Territories Division Executive Director and it was accountable to the Secretary of the department. The Steering Committee's initial role was to: discuss progress of the Norfolk Island reform project; identify key issues and priorities; and identify risks and mitigation strategies.

3.31 To support the second stage of the reform agenda (from 1 July 2016, post the transition year), the Steering Committee continued as 'a forum overseeing, monitoring, reporting and providing direction on Government service delivery on Norfolk Island'. The Steering Committee had established terms of reference, meeting papers and recorded action items. The Steering Committee met monthly until September 2017.

3.32 Meetings between the Administrator and the department after September 2017 continued as 'high-level discussions and ... not formally minuted or recorded. Where actions requiring resolution are discussed, the General Manager [Norfolk Island Branch, Local Government and Territories Division] will raise these issues with the relevant [department] Director for action' to ensure relevant issues are systematically addressed.

Interdepartmental governance committees

3.33 A Norfolk Island Reform Taskforce (taskforce) was formed in November 2014 by the department to coordinate implementation of the reforms related to extending Australian Government arrangements to Norfolk Island, including creating detailed implementation plans and coordinating legislative changes necessary to implement the reforms. The taskforce included senior officials from a range of Australian Government departments.⁶⁴

3.34 The taskforce met 25 times between December 2014 and August 2016 and successfully coordinated the implementation of most Australian Government Services. The department maintained meeting records including agendas for the meetings over this period. Action items were recorded for the first time on 9 September 2015 and then for a further 10 meetings.

3.35 Two working groups were established under the taskforce to coordinate Australian Government communications (communications working group) and information technology (ICT working group) requirements. Meeting papers and records of meeting outcomes were held for these groups, although the ICT working group did not have terms of reference.

3.36 The Norfolk Island Reform Reference Group (reference group), which included senior executives from the department and Australian Government central agencies⁶⁵, was established by the department in December 2014 to provide oversight of the reform process, monitor progress, and address and mitigate emerging risks.

64 Other departments included the Australian Taxation Office, the Australian Bureau of Statistics; and the departments of Agriculture, Communications, Immigration and Border Protection, Social Services and Health.

65 The departments of the Treasury, Finance, and Prime Minister and Cabinet.

3.37 The reference group convened four times between December 2014 and March 2015 prior to the transition year (which commenced June 2015). Agendas for the meetings were developed by the department but there were no meeting records kept on the proceedings of the reference group.

3.38 An interdepartmental committee (IDC) was established in September 2017 to report to the Australian Government on the progress of the implementation of the Norfolk Island reforms and to develop a submission to the Australian Government on funding the next phase of the reforms. The IDC met four times between September 2017 and January 2018.

3.39 The Norfolk Island Administrator held monthly meetings with Australian Government officers on Norfolk Island, although there were no records for these meetings or their outcomes.⁶⁶

3.40 There was no regular IDC convened to manage the development and implementation of Commonwealth legislation on Norfolk Island that remained outstanding when the taskforce ceased meeting in August 2016 until the IDC was reconvened in December 2018. Despite this, there were approximately 170 Commonwealth laws that were amended after 2015.⁶⁷ As at February 2019, there were six pieces of legislation which the Australian Government had planned to amend, including bankruptcy, corporations and telecommunications legislation.⁶⁸ As at February 2019, there were 20 pieces of NSW legislation applied⁶⁹ to Norfolk Island and over 1000 pieces of NSW legislation suspended.

Arrangements established for the delivery of Heritage Management

3.41 The department continued to be directly responsible, post the transition and reform implementation period, for managing KAVHA. Under the SDA (refer to paragraph 3.10) the NIRC was to carry out maintenance and operate the KAVHA museums and collections.

66 A department internal audit report, published in May 2016, raised issues around project management and the lack of a governance committee, terms of reference or charters that clarified roles, responsibilities and membership.

67 The department identified over 70 high priority Commonwealth laws to be amended prior to extending them to Norfolk Island in 2015, including those relating to taxation, superannuation, social security programmes, health programmes, immigration, customs, workplace relations, corporations and consumer law.

68 Commonwealth legislation to be amended: *Corporations Act 2001*, *Australian Securities and Investments Commission Act 2001*, *Bankruptcy Act 1966*, *Broadcasting Services Act 1992*, *Education Services for Overseas Students Act 2000*, and *Telecommunications Act 1997*.

69 Applied NSW laws include: *Health Services Act 1997* (NSW), *Education Act 1990* (NSW), *Interpretation Act 1987* (NSW), *Anti-Discrimination Act 1977* (NSW), *Industrial Relations Act 1996* (NSW), *Local Government Act 1993* (NSW), *Long Service Leave Act 1955* (NSW), *Public Health Act 2010* (NSW), *Workers Compensation Act 1987* (NSW), and *Work Health and Safety Act 2011* (NSW). Refer to <https://www.legislation.gov.au/Details/F2018C00958> [accessed February 2018].

3.42 The KAVHA Advisory Committee⁷⁰ was established to provide advice to the department on heritage conservation issues including heritage protection, governance and community partnerships.⁷¹ The KAVHA Advisory Committee reported that ‘...governance arrangements on the site need greater clarity and further on site resourcing to achieve results as outlined by the five elements of the action plan’.⁷² In response to the concerns raised by the KAVHA Advisory Committee, the department considered governance reform options and developed a KAVHA Governance Reform timeline, including details around consultation with other Australian Government departments.

3.43 In September 2018, the Administrator announced the provision of additional funds from the department to the NIRC to provide services including ‘to boost the KAVHA maintenance crew under the Service Delivery Agreement. This included a full time KAVHA Team Leader and getting the skilled tradespeople back on site and fully employed in the upkeep of KAVHA’s buildings and grounds’.⁷³

Governance arrangements for the implementation of state-type services

3.44 The department advised the Australian Government in November 2014 that the NSW Government would deliver state-type services, with the possibility of some private sector involvement, from 1 July 2016. The advice to engage the NSW Government as a service delivery partner was associated with the planned application of NSW law to Norfolk Island as applied

70 The KAVHA Advisory Committee (Committee) was established in 2015 to replace the former KAVHA Board established in 1989 under a Memorandum of Understanding between the Australian Government and the Norfolk Island Legislative Assembly. There were five members with the Administrator as chair of the Committee. The Committee provided guidance on ‘best practice techniques to conserve the existing fabric and heritage objects; actions which will protect and present, with authenticity, the rich and interwoven natural and cultural landscape of KAVHA; strategies to achieve effective governance and good management; and opportunities to improve tourism use and the financial sustainability of the site.’ The Committee had no executive powers and could only provide advice. Available from <https://www.kavha.gov.au/heritage-management/site-management> [accessed January 2019].

71 The KAVHA Advisory Committee met two to three times per year with records from their meetings publically available as KAVHA Advisory Committee Communiques. Available from https://regional.gov.au/territories/norfolk_island/KAVHA-Advisory-Committee.aspx [accessed February 2019].

72 The five strategic priorities of the KAVHA action plan included: 1. Heritage Conservation – Protect and conserve the integrity and authenticity of KAVHA’s heritage values. 2. Life in the Community – Respect local traditions and encourage positive community engagement in the management of KAVHA. 3. Sustainable Tourism – Provide positive and engaging visitor experiences which communicate heritage values, support local traditions and provide benefits to local people. 4. Education and Information – Strengthen appreciation and respect of KAVHA’s heritage by presenting a full range of stories and transmitting heritage values to future generations. 5. Governance and Capacity – Support arrangements to foster collaboration, shared information, accountability and transparency. Available from https://regional.gov.au/territories/norfolk_island/files/KAVHA-Advisory-Committee-communique-February-2017.pdf [accessed February 2019]; Kingston and Arthur’s Vale Historic Area Advisory Committee Communiques: 11 November 2016, 24 February 2017, 17 September 2017, 15 March 2018 and 13 September 2018. Available from https://regional.gov.au/territories/norfolk_island/KAVHA-Advisory-Committee.aspx [accessed February 2019].

73 Kingston and Arthur’s Vale Historic Area Advisory Committee Communique, 13 September 2018. Available from https://regional.gov.au/territories/norfolk_island/files/KAVHA-Advisory-Committee-Communique-september-2018.pdf [accessed January 2019].

Commonwealth law⁷⁴ and two NSW Government entities were already assisting Norfolk Island to support service delivery.⁷⁵

3.45 Between September and December 2015 a Norfolk Island Bilateral Steering Committee was convened, with representation from the department and the NSW Government, to develop a single funding agreement to provide state-type services from 1 July 2016. The committee met monthly:

to develop a draft National Partnership Agreement with the purpose of efficiently facilitating delivery by the NSW Government of some state-type services to Norfolk Island. The over-arching Bilateral Steering Committee (BSC) will oversee separate sectoral working groups to work through the details of the application of state frameworks and the delivery of key state services by NSW to Norfolk Island.

3.46 On 23 March 2016, 19 months after initial discussions commenced and 13 months after formally being approached, the NSW Premier agreed to the Australian Government's request for the development of an overarching Heads of Agreement and Service Delivery Schedules (SDSs), noting the NSW Government's intention 'to undertake the following activities in relation to Norfolk Island':

- The NSW Ministry of Health will manage, deliver and regulate state-type health services for Norfolk Island.
- The NSW Department of Education (DoE) will supply teaching staff to the Norfolk Island Central School to deliver the NSW curriculum, consistent with the terms of the current MoU, for the remainder of the 2016 calendar year. DOE is preparing a fully costed transition plan so that from the commencement of the 2017 school year the school will receive full NSW public school equivalent service.
- The NSW Local Government Grants Commission (LGGC) will provide an annualised Financial Assistance Grant (FAG) assessment for the Norfolk Island Regional Council.

3.47 The NSW Premier and the Australian Government Minister for Projects, Territories and Local Government signed the Heads of Agreement on 29 June 2016. The Secretary of the NSW Department of Premier and Cabinet and a senior official from the department signed the SDSs for the delivery of health services (providing an oversight role for the NIHRACS), and education services (providing the curriculum and teachers for the Norfolk Island Central School) and the calculation of Financial Assistance Grants (FAGs) at the end of June 2016.

3.48 The expected oversight arrangements between the department and the NSW Government were not convened in 2016, although irregular meetings occurred between department officials and NSW Departments on subject-specific matters. From January 2017, an Oversight Committee was established and convened on a monthly basis to facilitate and coordinate services delivered by the NSW Government. There were also interagency working groups for: health, education, child wellbeing and capital works. Through the Oversight Committee, procedures were in place for decision making, formulating budgets and developing business cases for new services.

74 This was to create efficiencies by providing an operating environment similar to what the service delivery agencies were used to.

75 Teachers from the NSW Department of Education had taught at Norfolk Island Central School and the South East Sydney Local Health District had been working with the Norfolk Island Hospital Enterprise.

3.49 In April 2017, the Premier wrote to the Minister for Local Government and Territories, indicating that she was ‘currently considering the role of NSW in the provision of child protection services’, and that ‘NSW would not be in a position to consider any other additional services, given the complexity of services already being undertaken’. The Premier indicated that existing service delivery commitments on Norfolk Island would continue until 30 June 2021.

3.50 The Secretary of the NSW Department of Premier and Cabinet agreed on 28 February 2018 for NSW to develop a child protection framework for Norfolk Island (Norfolk Island Child Protection Schedule, signed April 2018), capable of operating under applied NSW child protection legislation. The NSW Government was funded, up to 31 December 2018, to provide an interim protection service by providing:

- advice and recruitment assistance to employ a child protection manager;
- guidance and support to the department in relation to applied NSW legislation, policy and the operational framework in NSW;
- advice on the design and development of a Commonwealth child protection framework.

3.51 In April 2018, the NSW Premier informed the Prime Minister that the NSW Government would continue to consider a role in an integrated child and family wellbeing system, with a view to making a decision by the ‘end of the financial year’.

3.52 The department established arrangements with a non-government provider in June 2018, for the period from 2018–19 to 2020–21, for the delivery of child protection and wellbeing services. These services included performing statutory child protection functions under the *Child Welfare Act 2009* (NI).

3.53 The department had indicated to the Australian Government that it expected to have a state provider in place for child protection and childcare regulation in 2019–20.

3.54 The department was not able to obtain the NSW Government’s engagement to deliver all state-type services. As a result, the department was required to engage the NIRC through a Service Delivery Agreement (SDA) to deliver some state-type services outside the local government functions intended in the reform plan (refer to paragraph 3.10). These services included the management of ports, courts and legal services, workplace safety and workers compensation administration.

3.55 Appendix 6 shows the periods when oversight groups were convened for the delivery of Australian Government and state-type services.

Governance arrangements for the Norfolk Island Health and Residential Aged Care Service

3.56 The department became responsible for delivering health and residential aged care on Norfolk Island on 1 July 2016, and in accordance with section 7 of the *Norfolk Island Health and Residential Aged Care Service Act 1985* (NIHRACS Act), the Norfolk Island Health and Residential

Aged Care Service (NIHRACS) was established as a multi-purpose service (MPS).⁷⁶ As a MPS, the NIHRACS:

would be able to leverage funding from the DoH [Department of Health] for aged care services. With accredited equipment and health professionals it would be eligible for the MBS [Medical Benefits Scheme] and the PBS [Pharmaceutical Benefits Scheme].⁷⁷

3.57 The Minister has the power to apply general Australian Government policies to the NIHRACS and provide written directions. The Minister's powers were delegated to the Administrator of Norfolk Island and the department. The Minister's powers to provide written directions to the NIHRACS are also vested in the Director-General of NSW Health. In the event of any conflict, directions issued by the Minister (or delegate) prevail.

3.58 A Service Delivery Schedule (refer to paragraph 3.8) provides funding for the NSW Government to provide health management services to assist the NIHRACS manager to oversee the NIHRACS. A Service Delivery Agreement was also established between the department and the NIHRACS; and a Manager, appointed by the Minister under section 19 of the NIHRACS Act, is responsible for the management of the NIHRACS.⁷⁸

3.59 The NIHRACS was not established under Commonwealth legislation. The NIHRACS Act is a Norfolk Island continued law under section 16A of the *Norfolk Island Act 1979* (Cth) and the NIHRACS was established under this legislation as a body corporate. The NIHRACS is not subject to the PGPA Act. The NIHRACS is controlled and funded by the Australian Government and considered to be a controlled entity of the Australian Government under the Australian Accounting Standard (AASB 10 Consolidated Financial Statements). The department reports on the NIHRACS in its financial statements under 'Investments as a controlled entity'. All Australian Government administered investments⁷⁹, including authorities and companies, consolidated into the department's financial statements operate under the PGPA Act, except for the NIHRACS.⁸⁰

3.60 The ANAO financial statement audit reporting for 2016–17 and 2017–18 for the NIHRACS noted that the PGPA Act does not apply and there was a moderate audit finding in relation to weaknesses in corporate governance.

76 The former entity known as the Norfolk Island Hospital Enterprise was renamed the Norfolk Island Health and Residential Aged Care Service (NIHRACS) in accordance with subsection 6(1) of the *Norfolk Island Health and Residential Aged Care Service Act 1985* (NIHRACS Act).

77 The Multi-Purpose Services Program is a joint initiative of the Australian Government and state and territory governments, providing integrated health and aged care services for small regional and remote communities. It allows services to exist in regions that could not viably support stand-alone hospitals or aged care homes. Multi-Purpose Services receive Australian Government funding to deliver aged care services. State or territory governments provide funding for the delivery of health services and the necessary capital infrastructure. Further information is available from <https://agedcare.health.gov.au/programs/flexible-care/about-the-multi-purpose-services-program> [accessed 21 March 2019].

78 Section 20(1) of the *Norfolk Island Health and Residential Aged Care Service Act 1985* (NI).

79 In the department's 2017-18 financial statements the administered investments were the following: authorities – National Transport Commission, Australian Maritime Safety Authority, Civil Aviation Authority, Infrastructure Australia and Airservices Australia; companies – Moorebank Intermodal Company Limited, WSA Co Limited and Australian Rail Track Corporation Limited; and the only controlled entity was the NIHRACS.

80 NIHRACS is not subject to corporate governance structures and processes (for instance, an audit committee to perform an oversight role) that the PGPA Act mandates.

Recommendation no.2

3.61 The Department of Infrastructure, Regional Development and Cities undertake legislative reform to apply the *Public Governance, Performance and Accountability Act 2013* to the Norfolk Island Health and Residential Aged Care Service.

Department of Infrastructure, Regional Development and Cities response: *Noted.*

3.62 *The Department will work with relevant stakeholders, including the Department of Finance, to determine the appropriateness of applying the Public Governance, Performance and Accountability Act 2013 to the Norfolk Island Health and Residential Aged Care Service.*

Were there suitable arrangements for the establishment of a regional council and its delivery of services?

The arrangements put in place for the delivery of local government services and the establishment of the NIRC were largely effective. The department facilitated and managed the Administration of Norfolk Island over the transition period and established arrangements for the election of local government representatives. The department undertook to identify a more efficient structure for the future delivery of services by the NIRC, and there is ongoing work to reform the number of NIRC operated business enterprises. The baseline used for the calculation of Financial Assistance Grants to support the NIRC's delivery of local government services was not adequate, but was revised to a more appropriate level in 2018–19. There was no formal channel established by the department for the NIRC to apply for additional grant funding normally provided by states and territories.

Transition from the Administration of Norfolk Island to the Norfolk Island Regional Council

3.63 At the commencement of the transition period on 18 June 2015, the Australian Government assumed control of the ANI. A funding agreement that outlined deliverables to underpin the transition process and related milestone payments was established between the department and the ANI for 2015–16. This provided funding for additional executive positions, including an Executive Director, within the ANI.⁸¹ Key deliverables were the development of strategic and operational plans; transitioning federal and state-type services to the Australian Government; and transitioning the ANI to the NIRC.

3.64 The ANI Executive Director advised the department soon after being appointed on 24 June 2015 that additional resources were required to meet the implementation timeframes. This led to the transition team increasing to include:

- a Transition Manager — responsible for all aspects of the ANI business not identified as core functions of a typical regional council; and

81 Other deliverables included: essential services to the Norfolk Island community; an audit of the Norfolk Island Hospital Enterprise and the Central School infrastructure and equipment; maintenance works on the Kingston and Arthur's Vale Historic Area (KAVHA); and running the Norfolk Island Regional Council elections in 2016.

- an Operations Manager — responsible for aspects of the ANI business typically conducted by a regional council such as delivering local and municipal services including waste management, town planning and local infrastructure such as roads and community facilities.

3.65 One of the key tasks of the ANI Executive Director and transition team was to hold elections for the Norfolk Island Regional Council by 30 June 2016, consistent with the ANI 2015–16 Operational Objectives and Priorities. This process involved the ANI appointing a returning officer, establishing an electoral roll and completing nominee and candidate training.

3.66 A procurement process commenced in September 2015 to identify a suitable contractor to undertake a local government election using the NSW system. A commercial provider was selected in March 2016. A customised electoral roll was developed, the Administrator was delegated as the Election Manager by the Minister and the election was held on 28 May 2016 with five councillors declared elected on 3 June 2016.

Transitioning Norfolk Island government business enterprises

3.67 The Norfolk Island Government, through the ANI, operated 19 enterprises on the island for the purpose of service delivery in areas such as liquor supply, electricity, telecommunications and lighterage.⁸² These enterprises were referred to in ANI documentation as Government Business Enterprises (GBEs).⁸³

3.68 The department commissioned six reviews to assist the ANI in transitioning its operations to a Regional Council, including a 2014 study to assess the operational efficiency of Norfolk Island's 19 GBEs.⁸⁴ The report showed that 'GBEs had not been allocated the costs of significant shared services such as HR, IT, legal services and rent, nor had they accounted for asset depreciation, (which would double the operating costs of some businesses).'

3.69 The study also reviewed business level financial accounts for each of the enterprises. The report noted the challenges of the small community generating revenue and stated that some of the GBEs:

fall outside the regular functions and responsibilities of local governments, but need to be continued; and

Whether the NI GBEs (telecom, electricity, gaming) will be delivered by the Council or an alternative NI entity is complex and yet to be determined.

3.70 The department considered the proposed structure of the NIRC, and noted that 'the activities of some GBEs will be absorbed into the Regional Council, while others will be divested or

82 The 19 business enterprises included: the Liquor Bond, Telecom, Electricity, Lighterage, Energy, Waste, Water Assurance Scheme, Post Office, Philatelic, Cascade sale of rock, Fire Services, Museums, Tanalith, Broadcasting, KAVHA, Norfolk Island Government Tourist Board, Gaming and Airport.

83 These were wholly owned business enterprises operated by the Norfolk Island Government. They did not have any separate legal identity, and were not Commonwealth entities or companies as prescribed by section 8 of the PGPA Act.

84 The reviews/studies included: Roads Audit and Strategy Report (Worley Parsons); Mobile Network Review Report (GQI Consulting); Economic Development Strategy report (SGS Economics and Planning); Norfolk Island Government Business Analysis; Phase two analysis (Deloitte); Norfolk Island Quarantine Survey 2012-2014 (Department of Agriculture); and Health Services Plan (KPMG).

transitioned to another entity. It is expected that this process will need to occur over a number of years’.

3.71 The NIAC and the ANI Executive Director, over the transition year, recommended the divestiture of some GBEs occur in establishing the Regional Council. The department also noted in a briefing to the Minister that:

The implementation of reforms to the GBE structure will extend well beyond 2016, and an interim governance model will need to be established. [The Executive Director] is proposing some kind of community owned company or companies. This is being progressed by the Administration of Norfolk Island in consultation with the Department. The Advisory Council in particular, are strongly of the view that the operations of key GBEs such as telecom and electricity should not fall within the remit of the Norfolk Island Regional Council, which will lack the capacity and resources to ensure their effective transition.

3.72 The department further advised the Minister, on the basis of its commissioned report completed in late 2014, that:

Norfolk Island Telecom is a Norfolk Island owned monopoly and a part of the reforms of the government business enterprises will be trying to privatise these types of businesses where possible. Early reports by Deloitte indicate market interest is likely to be negligible given the small size of the market and poor state of capital.⁸⁵

3.73 In response to the Advisory Council recommendations, the department indicated in June 2016 that work in this area was ongoing and that the responsibility for this and the management of government business activities and future operational structuring would be a matter for the NIRC.

3.74 The Administrator wrote to the Minister on 6 February 2019 providing an update on the progress of reforms and indicated that an alternative model for the management of some GBEs is under consideration.

Norfolk Island Regional Council

3.75 The NIRC⁸⁶ is comprised of five councillors and its responsibilities are broad ranging (refer to Table 3.1) compared to typical mainland councils and the two shire councils in the Indian Ocean Territories.⁸⁷ This is due to the NIRC retaining responsibility for GBEs and, in the absence of a fully engaged state partner, also delivering some state-type responsibilities.⁸⁸

3.76 The department funded the NIRC to deliver state-type services as outlined in the SDA. In addition to those functions mentioned in paragraph 3.54, the SDA section 5.1(e) requires the NIRC

85 GQI Consulting, *Norfolk Island Mobile Network Review Project Report*, 2014, available from <https://regional.gov.au/territories/publications/index.aspx> [accessed January 2019].

86 The scope of this audit did not extend to a review of administration in the Norfolk Island Regional Council.

87 The Christmas Island Shire Council and the Cocos (Keeling) Islands Shire Council provide local government services in the IOT. Norfolk Island Regional Council delivers some state-level services and also operates a range of commercial services including the airport, liquor bond, telecommunications services and electricity generation and supply.

88 The NIRC delivers some state-type services under a SDA with the department.

to 'Also carry out regulatory monitoring and enforcement functions in relation to animal welfare, slaughtering, consumer protection, food safety, workplace safety and environmental protection'.

3.77 The department advised the Minister in January 2016 that:

the priority is for the establishment of a functioning Council on 1 July 2016. The complexity and diversity of the activities of the former Assembly and Administration are such that a thorough analysis and assessment of the most appropriate method of future service delivery will be compromised by adherence to the 1 July deadline.

3.78 The ANAO closing report for the Administration of Norfolk Island 2015–16 financial statement audit reflected that the NIRC's business model:

does not clearly demonstrate a self-sustaining model that can fund capital expenditure in the future to maintain or upgrade facilities such as the airport. The level of revenue generated by rates and the GBEs are currently insufficient to both fund short term costs such as employees and suppliers. While the medium-term forecasts do provide for future balanced budgets, these assumptions are conditional on a significant increase in Commonwealth Financial Assistance Grant revenue and an increase in current operational fees and charges. The management of this by the NIRC will be central to the future success of the NIRC.

3.79 The closing report further noted that 'significant financial and operational reform is still required to increase revenue and closely monitor expenditure in order to fund asset replacement and upgrade programs and achieve an accrual based surplus'. There were aspects of the reform program that were to be considered in the longer term, including reviewing the GBEs.

3.80 In December 2016, the NIRC noted in its long term financial plan that:

The transitional phase from the previous administration to the Council was not adequately planned and implemented. Critical transitional aspects such as the implementation of Civica⁸⁹ and the relocation of Council's administration staff to the Bi-Centennial building did not occur as was originally planned. Council has needed to devote its limited resources to addressing these issues amongst many others that were left unresolved, whilst addressing the day to day business of the Council.

3.81 The NIRC's delivery of local government services was financially supported by the payment of Financial Assistance Grants (FAGs). The calculation of annual FAGs for 2016–17 and 2017–18 was undertaken by the NSW Local Government Grants Commission (Commission), as noted at paragraph 3.46.⁹⁰ The Commission indicated that it could not make a comparative assessment for Norfolk Island but nonetheless used Brewarrina Shire Council (classified as 'rural agricultural small') as its model for calculating Norfolk Island's FAGs.

3.82 For 2018–19, the funding calculations model was changed to better reflect Norfolk Island's remote status and the resulting higher costs and revenue raising constraints, drawing on work undertaken by the Western Australian Government for the Indian Ocean Territories FAG calculation. This resulted in the FAGs for Norfolk Island increasing substantially. From a base of

89 Civica is an Enterprise Management System designed for local government authorities.

90 Financial Assistance Grants are untied grants provided to local governments for spending on local priorities.

\$1.89m in 2016–17, the FAGs increased by 30 per cent to \$2.45m in 2017–18 and by 41 per cent to \$3.46m in 2018–19.

3.83 Local government bodies also generally have access to additional funding for activities through grants provided by states and territories. For instance, grant programs that councils in NSW can access include the Youth Opportunities program⁹¹ and the Environment Trust program.⁹² There was no formal channel established by the department (responsible for state-type service delivery) for the NIRC to apply for this type of additional funding. The department should consider establishing a process for the NIRC to be able to apply for grant funding for activities that are generally funded by states and territories.

3.84 The NIRC 2017–18 annual report reflected improvements in financial sustainability, with five out of six financial performance ratios being met.

Were fit-for-purpose risk management arrangements in place and actively managed?

The department identified risks to the achievement of the Norfolk Island reforms in its advice to the Australian government in February 2015 but did not develop a risk management plan until September 2017. Risk owners or risk managers were not identified and some controls to mitigate risks, particularly in regard to the risk of not securing a fully-engaged partner for the delivery of state-type services, were inadequate.

Managing risks to the achievement of the overall Norfolk Island reform program

3.85 The department identified fourteen risks⁹³ to the achievement of the Norfolk Island reforms in its advice to the Australian Government in February 2015. These were identified under the themes of: legislative risks (two); stakeholder risks (six); service delivery and financial risks (five), of which four related to NSW provision of state-type services; and community and economy (one).⁹⁴

91 The NSW Youth Opportunities program provides grants for youth-led and youth-driven community projects. Further information is available from <https://www.youth.nsw.gov.au/youth-opportunities> [accessed March 2019].

92 The NSW Environment Trust Program provides grants for environmental projects. Further information is available from <https://www.environment.nsw.gov.au/grants/envtrust.htm> [accessed January 2019].

93 Risk is defined as the 'effect of uncertainty on objectives ... which focuses on the effect of incomplete knowledge of events or circumstances on an organization's decision making'. International Standard on Risk Management, AS/NZS ISO 31000:2018 Risk management — Principles and guidelines. [<https://www.iso.org/news/ref2263.html> from internet and Department of Finance, *Commonwealth Risk Management Policy*, Finance, 2014, paragraph 2.

94 The risks were: Legislative - legislation not passed by 1 July 2015 (Medium rating); and legislation not drafted in time to pass by 1 July 2015 (Medium rating); Stakeholder - Community support declines or is less than estimated (Medium); Commonwealth fails to engage stakeholders for successful transition (Medium); Commonwealth is not adequately educated on rights and responsibilities (Low); Insufficient or ineffective communication with community (Medium); NI Legislative Assembly or Ministers obstruct/delay (Medium); NIG calls for plebiscite (Low); Service delivery and financial - Costs exceed provisional estimates (Medium); No in principle agreement before Autumn 2015 (Medium); NSW does not agree to provide services (Low); Negotiations with NSW not concluded by 1 July 2016 (Low); NSW Government seeks to charge more than is budgeted (Low); NI Community and economy - Short term economic burden (Medium).

3.86 The risk that the costs for the delivery of reform on Norfolk Island would exceed provisional estimates was rated by the department as medium on the basis of a 'possible' likelihood and a 'moderate' impact. The proposed mitigation action — that cost estimates were based on existing Norfolk Island budget data — was inadequate, particularly because, as noted in paragraph 2.16, the cost estimates were not updated or adjusted for increased service delivery standards and inflation.

3.87 The risk that the NSW Government did not agree to provide state-type services was rated as 'low' on the basis of a 'possible' likelihood and a 'moderate' impact on the reforms. Given that the reforms to the delivery of state-type services on Norfolk Island were dependent on securing a fully-engaged partner, the advice to the Australian Government on the rating of this risk did not reflect the significant impact that not securing a partner would have on the Australian Government achieving its reform objectives for Norfolk Island.

3.88 From October 2015, program risks associated with individual tasks were identified and updated in the department's Norfolk Island Project Plan Register and considered by the Norfolk Island Governance Steering Committee.

3.89 A risk management plan for the overall reform program on Norfolk Island (2017–18 risk plan) was first implemented in September 2017, 14 months after the reform transition year and 17 months after the Minister announced the reforms. The 2017–18 risk plan was aligned with the departmental risk management plan, but excluded some risks not relevant and consolidated the previously identified 14 risks from the 2015 advice to the Australian Government down to eight risks (refer to Appendix 7). The 2017–18 risk plan did not identify risk owners or risk managers.

3.90 The department updated the 2017–18 risk plan on 15 November 2017. The plan was due to be further reviewed and updated on 14 February 2018 but the department advised that this was not undertaken.

3.91 The two risks identified in the 2015 advice to the Australian Government relating to resources or funding and the delivery of additional state-type services were also identified as risks in 2017–18 but the risk rating had increased to 'severe' for both risks on the basis of an 'almost certain' likelihood and a 'major' impact. The controls in place were not adequate for the mitigation of the:

- resources or funding risk, given the department did not reassess funding requirements using more current data; and
- the risk of an inability to deliver additional state-type services did not include the development of policy options for seeking an alternative partner jurisdiction. The department rated the risk as low after the application of treatments, despite the ongoing issues the department had experienced in securing a state partner.

3.92 The department subsequently advised the government in March 2018 on the risks to the Australian Government on not providing additional resources for the next phase of reforms, the NSW Government not delivering state-type services comparable with mainland services and the risk of not securing a new service delivery partner for state-type services on Norfolk Island.

3.93 In February 2019, the department revised its 2018–19 Territories Risk Register with three program risks, two organisational risks and one fraud risk.⁹⁵ There were four risks where, with respect to Norfolk Island, suitable risk controls were stated to be in place:

- (a) disruption to the delivery of essential services;
- (b) adverse program outcomes due to an unsustainable financial structure of the services;
- (c) unable to deliver review/reform commitments made by the Australian Government; and
- (d) failure to have adequate Work Health & Safety (WHS) systems in place causing an injury.

Managing risks in the delivery of key state-type services

3.94 The department and the NSW Government agreed to a Norfolk Island Health Services Risk Register, developed in February 2016, as part of the Health Service Delivery Schedule (SDS).

3.95 NSW Health provided updates to Oversight Committee meetings which included individual risks as they arose. However, there was no referencing of these risks to the SDS Health Services Risk Register (risk register) and therefore it was unclear whether risk management work, including: identifying new risks; assessing whether controls were effective; whether risks had eventuated; and treatments deployed for risks identified in the risk register were being undertaken and reviewed by the department.

Recommendation no.3

3.96 The Department of Infrastructure, Regional Development and Cities establish a process to actively manage risks and integrate risk management into its ongoing reform activities.

Department of Infrastructure, Regional Development and Cities response: *Agreed.*

3.97 *The Department will actively manage risks and integrate risk management into its delivery of the Norfolk Island reforms.*

95 The 2018-19 Territories Risk Register included: program risks — disruption to the delivery of essential services in the territories; adverse program outcomes due to an unsustainable financial structure of the Services to Territories program; and unable to deliver review/reform commitments made by the Australian Government); organisational risks — failure to actively plan, manage and develop the workforce; failure to have adequate Work Health & Safety (WHS) systems in place causing an injury in the External Territories and the Jervis Bay Territory; and fraud risks — fraudulent activity compromises the delivery of policy, programs and/or services (internal and external).

4. Performance monitoring, evaluation and reporting

Areas examined

This chapter examines the performance monitoring, evaluation and reporting of the service delivery arrangements on Norfolk Island, including: arrangements in place to monitor implementation; the establishment of key performance indicators; the approach to evaluation; and the quality and timeliness of information reported to the Minister.

Conclusion

The department monitored the progress of the implementation of Australian Government services, although there were weaknesses in the department's monitoring of the performance of state and local government services, and an evaluation of the impact of reforms has not been undertaken. The department regularly reported on the progress of the reforms to the responsible Minister although it did not report in a timely manner on options for a state service provider.

Areas for improvement

The ANAO has made one recommendation for the department to develop and implement robust performance measurement, monitoring and evaluation strategies.

Were there appropriate arrangements in place for monitoring reforms to service delivery?

The department had appropriate arrangements in place to monitor the progress of the reforms to Australian Government services on Norfolk Island, but there were weaknesses in the department's monitoring of the performance of state-type and local government services. State-type services delivered by the State Government of New South Wales (NSW Government) were monitored through an oversight committee, and performance indicators for key services such as education were identified in a Service Delivery Schedule. There were no performance standards or key performance indicators (KPIs) identified for health services provided by the NSW Government although activities were regularly reported. There are opportunities to improve performance reporting by the Norfolk Island Regional Council (NIRC) under the Service Delivery Agreement.

4.1 The department has responsibility for monitoring, evaluating and reporting on the implementation of the Norfolk Island reforms.

4.2 The department is required to assess and report on its own performance under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)⁹⁶ and monitor the progress of the delivery of services by other Australian Government departments. The department also has

96 Under section 39 of the *Public Governance, Performance and Accountability Act 2013*, each Commonwealth entity's accountable authority must prepare annual performance statements and include them in the entity's annual report. The performance statements comprise the entity's assessment of its performance against planned performance detailed in the Portfolio Budget Statements and Corporate Plan.

responsibility for state-type services which includes monitoring state-type services provided by the NSW Government, the NIRC and non-government organisations; and performing the role of the state government⁹⁷ in relation to the monitoring of local government services provided by the NIRC.

Monitoring and external reporting on performance under the PGPA Act

4.3 The principal objective of the reforms was to provide a framework for ‘the sustainable economic and social development of the Norfolk Island community’. This was to be achieved through the reform of governance and legal arrangements and the extension of many mainland social security, immigration, and health arrangements to Norfolk Island so that those Australians who live there ‘have the same obligations and receive the same access to benefits as other Australians’.⁹⁸

4.4 The department identified two performance criteria relating to the reforms within the Services to Territories program⁹⁹ in its 2016–17 and 2017–18 Portfolio Budget Statements (PBS) and these were mirrored in its Corporate Plans. The performance criteria were:

- ‘legal frameworks in place in the external territories and the Jervis Bay Territory that provide comparable rights and protections to citizens as the rest of Australia’; and
- ‘state-type services are delivered in the external territories and the Jervis Bay Territory similar to comparable mainland communities’.

Performance against these criteria was reported on in the department’s Annual Performance Statements.

4.5 The characteristics used to assess performance criteria are relevance, reliability and completeness.¹⁰⁰ The audit assessed the department’s performance criteria against these characteristics. (Refer to Appendix 8 for detail on the characteristics of appropriate performance criteria and Appendix 9 for the assessment). A summary assessment is below.

- The performance criteria met the characteristics for being relevant, as the measures were focussed on the department’s purpose; were understandable with the beneficiaries being the Norfolk Island community; and the intended benefit to be delivered was comparable

97 The department has responsibility for oversight of the NIRC under the applied *Local Government Act 1993* (NSW).

98 Norfolk Island Legislation Amendment Bill 2015 Explanatory Memorandum p. 9.

99 The Program 4.1 Services to Territories contributed to the departmental purpose of providing good governance in the territories. The program aims to improve the quality of services provided to residents of the external territories and the Jervis Bay Territory and provides targeted support to the ACT and NT through economic and social sustainability initiatives, delivery of services and managing the Australian Government’s interests in the territories.

100 Department of Finance, *Quick Reference Guide – RMG 131 Developing good performance information*, September 2016. The basis for the ANAO’s assessment was drawn from the characteristics of ‘good’ performance information as defined by the Department of Finance (Finance). Characteristics of appropriate performance criteria are 1. Relevance — where they clearly indicate who will benefit from the department’s activities and how; address a significant aspect/s of the department’s purposes via its activities; and provide sufficient information in a clear and concise manner; 2. Reliability — use and disclose information sources and methodologies that are fit-for-purpose (including a basis or baseline for measurement or assessment, for example a target or benchmark); and are free from bias; and 3. Completeness — provide a balanced examination of the overall performance story, and collectively address the department’s purpose.

rights, protections, services, infrastructure and standards compared to their mainland counterparts.

- The performance criteria did not meet or partly met the characteristics of being reliable, as the information presented in the Corporate Plan did not adequately describe the method of assessment that was intended to be used to determine the results, nor was there a basis for measurement.
- The completeness of the performance criteria was assessed as partly met, as the targets were constant across the four years of the corporate plan with no indication of how incremental improvement would be demonstrated over time.

4.6 The department reported in its 2016–17 Annual Performance Statements that it had substantially met the two performance criterion. In its 2017–18 Annual Performance Statements, the legal frameworks criteria was assessed as met, and for the comparable services and infrastructure criteria the department stated that it ‘had not fully developed performance information’ to assess whether Norfolk Island had services and infrastructure that are comparable to similar communities. The department advised that it has not identified communities for comparison. There has been inconsistency in referencing remote, regional and mainland communities as comparable communities for Norfolk Island.

4.7 The department would benefit from further developing performance information¹⁰¹ to enable an assessment of the extent to which the reforms have been implemented, whether there has been any improvement compared to an established benchmark, and the extent to which services and infrastructure are comparable to similar communities — as identified in its PBS and Corporate Plans.

The department’s monitoring of the delivery of services by other government departments

4.8 In May 2016, the department commissioned a Monitoring and Evaluation Framework (Framework). The Framework contained a model outlining how inputs and activities would be linked to outcomes relevant to Norfolk Island, but did not include a monitoring strategy, any guidance for developing performance standards or suggest any key performance indicators (KPIs). The department has not performed any activities based on this Framework.

4.9 Outside of this Framework, reports on the general progress of reform implementation from a whole-of-government perspective were prepared from November 2015, firstly as monthly descriptive progress and exception reports and then through monthly status and priority reports with traffic light indicators, and these were reported to the Norfolk Island Governance Steering Committee.

4.10 The department’s 2017–18 Business Plan: Local Government and Territories Division included measures of success and outcomes. Progress against this plan was reported in December 2017 and updated in April 2018. The audit assessed the department’s measures of success (refer to Appendix 10) and found they were mostly focused, understandable and

101 For further information on assessing and improving performance information refer to Auditor-General Report No. 17 2018-19 *Implementation of the Annual Performance Statements Requirements 2017-18*.

appropriately targeted although there was not an objective base for assessment for some measures and the measures were primarily focussed on the short term.

4.11 A departmental review of service implementation status in March 2018 stated that:

Eighteen months into the Norfolk Island reform program, Ministers have reported that access to federal services on-island has improved, services have largely been extended and reforms are progressing well.

There remains significant work to be done to ensure Norfolk Island services and functions are comparable to similar Australian communities.

4.12 Table 4.1 provides a high level summary of the status of selected services on Norfolk Island pre- and post-reform.

Table 4.1: Overview of selected services pre- and post-reform

	Norfolk Island Administration	Post 1 July 2016
Air and freight services	Norfolk Island Government (NIG) operated Norfolk Air from 2006–2012. Air services underwritten by the Australian Government from 2012.	Australian Government continues to underwrite air services between Sydney, Brisbane and Norfolk Island.
Child and family wellbeing	Limited services provided by the NIG under Norfolk Island legislation.	A range of services now provided by non-government organisations under Norfolk Island legislation.
Child care	No government regulation or subsidies.	Interim fee relief applicable at Banyan Park centre from Term 3 2018. The interim fee relief for Norfolk Island is based on the Centrelink Child Care Subsidy provided elsewhere in Australia.
Commercial services (Government Business Enterprises)	ANI provided a broad range of commercial services, including the airport, electricity generation and supply, telecommunications, gaming, lighterage and liquor bond.	Commercial services continued under the NIRC, with the exception of discontinued services (which include philatelic, postal and gaming services). Australia Post provides postal services, including a licensed post office.
Customs, immigration and quarantine	Carried out by the NIG under Norfolk Island legislation. Norfolk Island was treated as an international destination. Visitors and temporary and permanent residents required permits to enter and stay on Norfolk Island.	Commonwealth legislation applies for customs and immigration. Quarantine undertaken by the Australian Government with special restrictions for Norfolk Island.

	Norfolk Island Administration	Post 1 July 2016
Education	The NIG had responsibility for education, providing Kindergarten to Year 12. NSW teachers contracted to deliver NSW curriculum.	Department responsible for education. Teachers and curriculum contracted to NSW Department of Education. Capital works program, including building repairs, fire hazard equipment, cabling, ramps, water coolers and other works. From 2019, access to vocational education and training financial assistance.
Funding — access to state and Australian Government	No access to state government funding. Australian Government funding provided some loans, grants and gifts. Regular funding agreements from 2010 onwards between the NIG and the Australian Government.	The department has not established a channel for the NIRC to apply for additional funding including grants normally available from state and territory governments. Open access to Australian Government grants.
Health care	No access to Commonwealth provided or supported healthcare arrangements for residents and visitors. Healthcare levy charged (\$1,200 per year), with reimbursement provided after a family incurred eligible medical expenses of \$2,500. Obstetrics and surgery at Norfolk Island Hospital ceased in 2012 and 2014 respectively. From 2012 the NSW Government provided a level of assistance, including creating pathways for patients to travel to NSW for treatment (costs covered by residents).	Full access to Medicare and the Pharmaceutical Benefits Scheme for all eligible Norfolk Island residents. Visiting specialists program. Norfolk Island Health and Residential Aged Care Services operating as a Multipurpose facility, funded by the Australian Government. NSW Government provides management support and clinical supervision. Emergency evacuations and patient travel assistance for specialist treatment on the mainland are funded by the Australian Government.
Income support payments	Residents had access to payments including the age pension; and invalid, orphan, handicapped, supplementary children, hardship (which includes unemployment, sickness and dependent children) benefits. Income test applied to assess eligibility.	Australians residing on Norfolk Island have access to the same support payments and services as all Australians. Income and assets test applies to assess eligibility.
Local government administration support	Spreadsheets and manual processes.	Enterprise Management System.

	Norfolk Island Administration	Post 1 July 2016
Municipal rates	No rates charged, although a municipal rating strategy was developed by the NIG in 2014. Absentee landholder levy applied to landowners away from Norfolk Island for 183 or more days in a year.	Rates introduced over a 3 year period from 2016–17. Absentee landholder levies no longer issued.
National Park	Parks Australia managed the Norfolk Island National Park.	No change.
Policing and regulatory services	Provided by the AFP under a 1993 agreement, partly funded by the Australian Government.	Provided by the AFP under a 2017 agreement, fully funded by the Australian Government.
Superannuation	No superannuation levy.	The superannuation guarantee levy was phased in — 1 per cent on 1 July 2016, to increase by 1 per cent per financial year until it reaches 12 per cent in 2027–28, consistent with the rest of Australia from 1 July 2025.
Taxation	Separate system of taxes and levies, including the Norfolk Island GST of 12% on all goods and services Individuals paid no income tax on income derived from Norfolk Island.	Norfolk Island GST and other taxes and levies abolished. Most Commonwealth taxes apply, with exceptions including indirect Commonwealth taxes (including GST; fuel, alcohol and tobacco surcharges; and custom tariffs).
Telecommunications	Services on Norfolk Island (mobile, fixed line and internet) delivered by Norfolk Telecom via a 2G mobile network on Norfolk Island utilised obsolete technology and second hand hardware.	Australian Government launched the Sky Muster satellite in October 2015 (available to consumers since April 2016) to provide NBN. 4G network to be gradually introduced.
Wage regulation	Minimum wage of \$10.70 per hour (2014 level — mainland minimum wage was \$16.87 per hour).	85% of national minimum wage payable from 1 July 2016, increasing to the full minimum wage rate on 1 July 2017. Full Modern Awards applied since 1 July 2018.
Waste management	Burning of waste at Headstone Reserve and pushing it into the ocean. Australian Government funded a new waste management facility in 2012–13.	Multi-purpose baler and mini sort line installed. No longer allowed to burn and push cars into the ocean.

Source: ANAO analysis of ANI, department and NIRC information.

4.13 The department phased the rollout of state-type services and as at November 2018 identified over 80 state-type services and regulations still to be implemented including: working with children checks, sex offenders registration, animal welfare, small business grants, community

housing, consumer protection¹⁰², proceeds of crime legislation, health care complaints, transport of dangerous goods, marine safety and radiation safety.

4.14 Progress of the reforms was discussed at a reconvened interdepartmental committee (IDC) in December 2018 (refer to paragraph 3.40). Records from the meeting indicated that the Chair of the IDC noted the particular implications for health, education, and other services that rely on a state service provider, and that this may affect other Australian Government service delivery.¹⁰³

4.15 The department included measures of success and outcomes in its 2018–19 business plan developed in February 2019.

The department's monitoring of the delivery of state-type services

4.16 The department had arrangements in place with the NSW Government to provide some health, education and financial assistance grant calculation services; and with a non-government organisation to provide child and family wellbeing services. The department also had an arrangement in place with the NIRC to deliver a range of other state-type services (refer to paragraph 3.76).

NSW Government — Health, Education and Financial Assistance Grant calculations

4.17 The oversight committee between the department and the NSW Government (refer to paragraph 3.48) met on a monthly basis to facilitate and coordinate services delivered by the NSW Government. The oversight committee's terms of reference stated that NSW Government agency budgets for service delivery would be supported by an annual operating statement to assist the department with budgeting and value for money assessments, although the department did not request, nor did NSW Government provide, the annual operating statements.

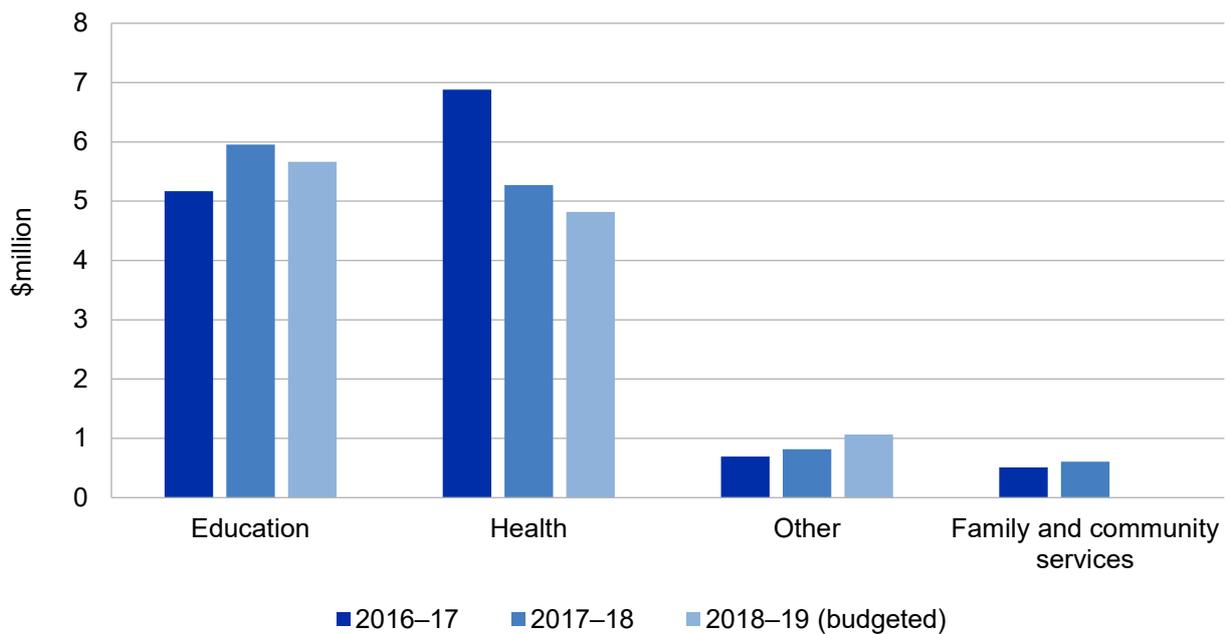
4.18 The state-type services provided by the NSW Government are outlined in respective Services Delivery Schedules (SDS) for Health¹⁰⁴, Education and Local Government. The NSW Government (Department of Family and Community Services) also provided some child wellbeing services prior to 31 December 2018 (refer to paragraphs 3.50 to 3.52). The payments to the NSW Government, based on these SDSs, can be seen in Figure 4.1.

102 Commonwealth consumer protection laws have been extended to Norfolk Island and residents can contact the Australian Competition and Consumer Commission if they have a question or complaint. However, there is no state-level equivalent to an Office of Fair Trading.

103 Including implications for: agriculture (biosecurity), health (where aged care and bloody supply will need to be considered), communications (issues such as postal services, broadcasting and 4G infrastructure), treasury (asset management and corporations law) and education (taking on regulatory functions).

104 The department directly funds the Norfolk Island Health and Residential Aged Care Service (NIHRACS), medivacs (emergency evacuations), Norfolk Island Patients' Travel Accommodation and Assistance Scheme (NIPTAAS), National Blood Authority costs and other hospital costs so these are additional expenses to the health services costs paid to the NSW Government. For 2018-19 these costs are budgeted to be \$13.5 million.

Figure 4.1: Service delivery schedule payments to NSW: 2016–17 to 2018–19



Source: ANAO analysis of data provided by the department.

4.19 The Health SDS stated that the NSW Government would work with the Norfolk Island Health and Residential Aged Care Service (NIHRACS) to develop a minimum set of reports to detail the performance of activities and that information would be provided ‘that contributes to the Commonwealth’s Monitoring and Evaluation Strategy’. The NIHRACS reports produced were: annual reports; annual income and expenditure reports; and data report which provided the NIHRACS financial information and health statistics. ANAO financial statement audit reporting for 2016–17 and 2017–18 identified deficiencies in revenue management and governance associated with this data, and there were no performance measures or indicators identified in the Health SDS to monitor service performance.

4.20 The South East Sydney Local Health District¹⁰⁵ (SESLHD) was engaged by NSW Health to provide management services to the NIHRACS. A Memorandum of Understanding was established between the SESLHD and the NIHRACS. The department, the NIHRACS, and the SESLHD met fortnightly. The SESLHD provided input to the NIHRACS’ six monthly data reports. The six-monthly report for July to December 2018 is yet to be produced (as at March 2019).

4.21 The Education SDS also provided for a minimum set of reports, an unaudited ‘financial report’ and a three year School Plan. There were indicators such as enrolments, attendance, NAPLAN¹⁰⁶ results, post-school destinations and workforce information reported. Monthly updates

105 The SESLHD is a statutory corporation under the *Health Services Act 1997* (NSW) responsible for managing public hospitals and health institutions, and providing health services to the population of a defined geographical area of NSW.

106 NAPLAN is the National Assessment Program – Literacy and Numeracy, an annual assessment for students in Years 3, 5, 7 and 9 introduced in 2008. For more information refer to <https://www.nap.edu.au/home> [accessed January 2019].

on the operation of the Norfolk Island Central School were provided through the Education interagency working group.

4.22 Under the Local Government SDS, the NSW Local Government Grants Commission (Commission) was to provide an annualised Financial Assistance Grant (FAG) assessment for the NIRC. The Commission prepared a FAG calculation for 2016–17 and 2017–18 based on a ‘rural agricultural small’ council model. For 2018–19, the Western Australian Government assisted with the FAG funding calculation based on the Indian Ocean Territories model which resulted in the NIRC’s FAGs increasing substantially. Refer to paragraphs 3.46, 3.81 and 3.82 for more information.

Child and family wellbeing services

4.23 The non-government service provider contracted by the department in June 2018 for the delivery of child protection and wellbeing services on Norfolk Island (refer to paragraph 3.52), was required under a services agreement to provide the department with quarterly Legislative Compliance reports and six monthly Quality Assurance and Outcomes Snapshots, both of which have been provided as scheduled in the subsequent period. There were KPIs identified in the services agreement, although the department in its review of the six monthly report noted that it would like ‘more information’ on how the KPIs were being met. The services agreement also required the provider to prepare a Project Plan which was delivered in September 2018. The department also had fortnightly teleconferences with the provider to monitor progress and issues.

Other state-type services — Norfolk Island Regional Council

4.24 The NIRC, through a Service Delivery Agreement (SDA) with the department, provides state-type services including: environmental protection; courts and legal services; workers compensation; motor vehicle registrations; food safety; and ports management (refer to Table 3.1 for services provided as at November 2018).

4.25 Performance standards for the delivery of state-type services were included in the three-year SDA. The NIRC were to provide half yearly performance reports and annual financial reports, with the first financial and performance report to cover the six months to December 2016 (quarter 1 and 2). The department assessed the report as ‘incomplete as the qualitative assessment of performance against the 16 service delivery areas¹⁰⁷ is in rudimentary draft form’. The department’s internal correspondence stated that it had assessed that the NIRC did not have ‘sufficient capacity to effectively deliver their obligations against the SDA in regard to administrative systems, staffing levels, governance and organisational culture’ and ‘the long term financial viability of the NIRC remains an active question’.

4.26 In March 2017, the performance report format was re-developed by the department and the NIRC. The Consolidated Performance Report for July to December 2016 was prepared in March 2017 in the new format to include a review against the standards and KPIs for each service as well

107 The 16 service delivery areas in 2016-17 were: education (ancillary staff); policing (eg registrar of probates), courts and legal services; tribunals/boards/statutory appointments; child welfare (service subsequently removed from the SDA); registry, licensing and regulatory; emergency services; KAVHA; Office of the Administrator; gaming; pest and noxious weed control; workers compensation; ports management; record keeping; spatial policy and planning; ICT support; and pensioner rates rebates. SDA management was not included as a ‘service delivery area’.

as a description of performance. There were 17 service delivery areas identified.¹⁰⁸ Subsequent performance reports were not prepared on a timely basis. The NIRC did not provide a six monthly report to December 2017 but did provide a 2017–18 report to the department in February 2019.

4.27 Payments against the SDA were not tied to the attainment of milestones or agreed key performance indicators. The department advised that more detailed performance reporting against agreed key performance indicators will be refined in future years to ensure SDA services become more clearly defined and costings are more transparent. The department should consider incorporating the characteristics of performance information in terms of relevance, reliability and completeness to improve transparency and accountability.

The department’s monitoring of the delivery of local government services

4.28 One of the department’s state-type service delivery responsibilities is to provide oversight of the NIRC under the applied *Local Government Act 1993* (NSW). The department’s July 2015 Planning Framework identified that the department would monitor performance of the NIRC in accordance with NSW Government standards and practices. The NIRC adhered to the NSW Government’s Integrated Planning and Reporting Framework¹⁰⁹ and within six months produced a Community Strategic Plan, Delivery Program, Operational Plan and Resourcing Strategy.¹¹⁰

4.29 The NIRC provided its annual reports to the department, which included a summary of activities to deliver¹¹¹ against the Operational Plan. The NIRC also provided its Long Term Financial Plan, which included an assessment of its financial performance based on standard financial indicators, although there were no service delivery performance indicators or standards in this plan. The department and the Minister periodically discussed operational matters with the NIRC.

Was a sound approach to evaluating the reforms to service delivery established?

The department established an evaluation framework for the reforms with broad timelines but there was no action taken to commence an evaluation process or gather baseline data.

4.30 In 2016, the department developed an Evaluation Resource Booklet 2016–21 to provide high level guidance for evaluations. The Norfolk Island Reform was listed under Evaluation activities

108 In the revised version of the SDA performance report the child welfare service was removed and public health and ad-hoc services were included. SDA management was included in both reports but was not categorised as a ‘service delivery area’ by the department.

109 Information on the Integrated Planning and Reporting Framework is available from <https://www.olg.nsw.gov.au/councils/integrated-planning-and-reporting/framework> [accessed January 2019].

110 The NIRC’s Community Strategic Plan, Delivery Program, Operational Plan and a Resourcing Strategy are available from <http://www.norfolkisland.gov.nf/your-council/council-documents/plans> [accessed January 2019].

111 The service delivery areas included: waste and environmental management; water quality assurance; airport; reserves; roads; heritage asset maintenance; tourism; economic development; Norfolk Island Electricity; Norfolk Telecom; Liquor Bond; Lighterage, Norfolk Island Fire Service; tanalith plant and rock supply; library; and radio.

— Strategies on the basis that a Monitoring and Evaluation Framework (Framework) for Norfolk Island had been drafted in 2016 (refer to paragraph 4.8).

4.31 The Framework identified reform outcomes, outputs and measures of success. The Framework recommended a broad evaluation approach that included:

- an effectiveness evaluation of the implementation of the reform plan (in 2019); and
- ‘on track’ evaluations every three years (commencing in 2022) that adopt a themed approach with a selection of key contributory outcomes being targeted at each evaluation.

4.32 The Framework did not specify any baseline data sources and the department has not formally identified data sources or collected baseline data. No evaluation activities or analysis based on this Framework has been performed by the department.

4.33 The department commissioned an Economic Development Strategy (strategy) in 2015 that identified areas that could be used to indicate ‘measures of success’ for the reforms. These included: growth in tourism numbers; increase in the number of cruise ships; increase in the number of businesses; improvement to water quality on the Island; and improved environment, waste disposal and heritage protection measures. However, the department did not systematically gather the relevant data to action this strategy.

4.34 The department advised that it had not performed activities to support an evaluation and had primarily relied on the NIRC’s reporting on economic indicators such as: tourist numbers; car registrations; and building approvals when briefing the Minister or preparing other communication on performance.

Recommendation no.4

4.35 The Department of Infrastructure, Regional Development and Cities develop and implement robust performance measurement, monitoring and evaluation strategies to assess the progress and impact of the Norfolk Island reforms to service delivery.

Department of Infrastructure, Regional Development and Cities response: *Agreed.*

4.36 *The Department is establishing a robust performance measurement and monitoring strategy for the Norfolk Island reforms. The Department will also undertake a robust and comprehensive evaluation of the progress and impact of the Norfolk Island reforms on service delivery in 2019–20.*

Was sound reporting and advice provided to the responsible Minister on the performance of the new arrangements?

The department regularly reported on the progress of the Norfolk Island reforms to the responsible Minister, although there were delays in the provision of advice on options for the delivery of state-type services.

4.37 The department regularly provided information and briefings to the responsible Minister on reform progress and issues from a whole-of-government perspective. Updates included progress on the implementation of arrangements, for example, the interim child care fee relief

arrangements, updates on specific issues such as the importation of ruminants¹¹² and horses, and planned legislation, including transitioning to the national workplace relations system and the *Fair Work Act 2009*.

4.38 In April 2017, the Minister for Local Government and Territories (Minister) received correspondence from the NSW Premier stating ‘NSW was not in a position to consider any other additional services’. There is no evidence that the Minister was briefed on potential responses to this issue for five months. In September 2017, the department advised the Minister that it would develop an options paper for alternative jurisdictions.

4.39 In October 2017, a briefing to the incoming Minister did not include advice on the need for options for a state service provider and instead stated that the ‘department is continuing to work with the NSW Government on legislative and service delivery issues’. The next incoming Minister was briefed in February 2018 and authority from the Australian Government to approach an alternative jurisdiction was obtained in May 2018 — over one year after the NSW Government advised that it would not consider further services. Over this period, the department negotiated and established an arrangement with a non-government service provider to deliver child protection services (refer to paragraph 3.52). Other state-type services are still to be delivered (refer to paragraph 4.13).

4.40 In July 2018, the Prime Minister sent a letter to the ACT Chief Minister regarding partnering with the Australian Government to provide state-type services to Norfolk Island. In November 2018, the ACT Chief Minister publically indicated that it would be ‘highly unlikely’ that the ACT would become involved although it would ‘keep an open mind’. The department provided advice to the Minister in December 2018 suggesting approaches for further options for the delivery of state-type services on Norfolk Island.

4.41 In the period 1 July 2014 to 31 March 2017 the Norfolk Island Administrator provided updates and a report to the Minister in accordance with his Charter letter¹¹³, which requested that the Administrator ‘continue the practice’ of providing the Minister with regular written reports. The current Administrator, appointed 1 April 2017, provided an initial report in May 2017 and advised that he provided several verbal briefings to the Minister, although none of the meetings had briefing papers. In September 2018, the department requested the Administrator recommence regular reporting. In February 2019, the Administrator prepared a report for the December quarter 2018.



Grant Hehir
Auditor-General

Canberra ACT
31 May 2019

112 Ruminants include cattle, sheep and goats.

113 The charter letter, signed by the Minister, outlined the role and responsibilities of the Administrator, provided a summary of policy issues affecting Norfolk Island and suggested regular written reports. The reports were to provide a summary of current activities and to raise any emerging issues likely to be of interest or concern that should be brought to the Minister’s attention; or outline significant developments on Norfolk Island that were of direct interest or relevance to the Commonwealth.

Appendices

Appendix 1 Department of Infrastructure, Regional Development and Cities response



Australian Government

Department of Infrastructure, Regional Development and Cities

**A/g Secretary
Dr Rachel Bacon**

PDR ID: EC19-000337

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Response to the proposed ANAO report on the Norfolk Island reforms

Thank you for providing the Department of Infrastructure, Regional Development and Cities (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO's) proposed report on the design, implementation and monitoring of reforms to services on Norfolk Island.

The Department acknowledges the ANAO's overall conclusions and welcomes the recommendations. The Department's response to each of the recommendations is attached.

Please contact Ms Christine Dacey, Executive Director, Territories Division on 02 6274 7209 if you would like to discuss this response.

I would like to thank the ANAO for the cooperation of the audit team and the professional manner in which the audit was conducted.

Yours sincerely

A handwritten signature in black ink, appearing to be 'R Bacon', written over a horizontal line.

Dr Rachel Bacon
A/g Secretary

26 April 2019

Appendix 2 List of inquiries and reports into Norfolk Island

Year	Author	Report title	Summary of findings
1997	Commonwealth Grants Commission	Report on Norfolk Island	The Norfolk Island Government had the financial capacity to meet its service obligations and infrastructure requirements. Some services were delivered at lower standards than on the mainland and some infrastructure was in disrepair.
1997	Access Economics	Norfolk Island: Recent Economic Performance, Present Situation, And Future Economic Viability: Is There A Case For Change?	The Norfolk Island Government was making inadequate provisions for replacement of depreciated assets and provision of new infrastructure.
1999	Human Rights and Equal Opportunity Commission	Territorial Limits: Norfolk Island's Immigration Act and human rights	The <i>Immigration Act 1980</i> (NI) breached the International Covenant on Civil and Political Rights.
2001	Joint Standing Committee	In the Pink or in the Red?: Inquiry into the provision of health services on Norfolk Island	Norfolk Island's healthcare system was 'manifestly inadequate'. Residents spent 50% more on healthcare than people residing in NSW. Other concerns related to hospital facilities, aged care, community health, healthcare education, funding and forward planning.
2003	Joint Standing Committee on the National Capital and External Territories	Inquiry into Governance on Norfolk Island	The Norfolk Island Government lacked adequate accountability mechanisms. The Committee made 32 recommendations on governance, service delivery and legislative arrangements.
2004	Australian Treasury	Discussion paper: Taxation Options for Norfolk Island	There was an urgent need to make a decision about how to address revenue problems on Norfolk Island. As it would always be difficult for Norfolk Island to provide services at equivalent standards to communities on the mainland, Norfolk Island should enter the Commonwealth's taxation and welfare systems.

Year	Author	Report title	Summary of findings
2004	Joint Standing Committee on the National Capital and External Territories	Review of the annual reports of the Department of Transport and Regional Services and the Department of the Environment and Heritage	There was substantial evidence showing Norfolk Island faced significant and growing administrative and financial challenges and was in need of the Australian Government's help.
2005	Acumen Alliance	Norfolk Island Government Financial Advisory Report	The Norfolk Island Government would be insolvent within two to three years without financial assistance. Capital expenditure was consistently being delayed to fund operating expenditure, with significant immediate capital investment required. Visitor numbers of 100,000 per year would be required for Norfolk Island to be self-sufficient.
2005	Joint Standing Committee on the National Capital and External Territories	Norfolk Island Financial Sustainability: The Challenge — Sink or Swim	Norfolk Island was in a difficult fiscal situation and significant changes to funding and service delivery arrangements were required. The Committee recommended that Norfolk Island be incorporated into the Commonwealth taxation system and that the Australian Government ensure that the Norfolk Island Government was adequately funded.
2006	Commonwealth Grants Commission	Review of the financial capacity of Norfolk Island	For 2004–05, the Australian Government would need to have provided \$9.1 million to enable state- and local government-type services to be delivered on Norfolk Island at the same level as comparable communities (the 'financing gap'), with comparable revenue efforts and with services delivered at average efficiency.
2006	Centre for International Economics	Economic impact assessment of extending Commonwealth legislation to Norfolk Island	The initial impacts of extending Commonwealth legislation would be negative, before becoming strongly positive. Economic modelling suggested that the Norfolk Island economy was too small to meet the Norfolk Island Government's long term expenditure requirements.

Year	Author	Report title	Summary of findings
2010	Joint Standing Committee on the National Capital and External Territories	An advisory report on the Territories Law Reform Bill 2010	The Committee recommended that the bill — which introduced a range of governance and financial management reforms for Norfolk Island by amending the <i>Norfolk Island Act 1979</i> — be passed.
2011	Commonwealth Grants Commission	Update of the financial capacity of Norfolk Island 2011: staff findings	The 'financing gap' for state- and local government-type services on Norfolk Island had risen to \$13 million for 2009–10.
2011	Australian Continuous Improvement Group	Norfolk Island Public Service Review	Norfolk Island did not have the capacity to deliver the range of services for which it was responsible.
2011	Deloitte Access Economics	Norfolk Island — Financial Sustainability Assessment	The Norfolk island Government faced significant financial problems, was unable to pay debts and was close to insolvency.
2012	ACIL Tasman	Norfolk Island Economic Development Report: Reform of the Norfolk Island Economy	Norfolk Island was experiencing an economic depression. The main barriers to investment and economic growth were the government's role in the economy, protectionist legislation and policies and a lack of infrastructure investment.
2012	Gillian Calvert AO and Marie Connolly PhD	Review of Existing Child and Family Support Services on Norfolk Island	Many residents were facing significant hardship. Norfolk Island could not overcome the challenges it faced without active support from the Australian Government.
2013	Joint Standing Committee on the National Capital and External Territories	Report of the visit to Norfolk Island	Fundamental economic and governance reform was required. The Norfolk Island Road Map remained the best way forward for Norfolk Island.
2014	The Australian Council on Healthcare Standards	Norfolk Island Hospital Enterprise assessment report	Norfolk Island Hospital not given accreditation. Numerous staff and patient safety risks were identified, mostly stemming from the hospital infrastructure. Undertaking of surgery was ordered to be ceased.
2014	Joint Standing Committee on the National Capital and External Territories	Same country: different world: The future of Norfolk Island	Continuing self-government was not in the interests of Norfolk Island residents. The Committee recommended removal of self-government and transition to a local government model.

Year	Author	Report title	Summary of findings
2014	Centre for International Economics	Economic Impact of Norfolk Island reform scenarios	Extension of Commonwealth legislation was expected to increase nominal household consumption by \$20 million.
2014–2015	Deloitte Access Economics	Review of Norfolk Island's Government Business Enterprises (three separate reports)	There was limited scope for privatising Norfolk Island Government commercial services, although increased competition or market pressure and improved management would be possible through reforms.

Source: ANAO analysis of departmental and publically available information.

Appendix 3 Comparison of Norfolk Island, IOT, Jervis Bay Territory and Lord Howe Island

	Norfolk Island	Indian Ocean Territories	Jervis Bay Territory	Lord Howe Island
Constitutional status	External non self-governing territory	External non self-governing territories	Internal non self-governing territory	Constituent part of New South Wales
Population (2016 census)	1748	Christmas Island — 1843 Cocos (Keeling) Islands — 544	391	382
Distance from closest capital	1500 km (Brisbane)	Christmas Island 2600 km (Perth) Cocos (Keeling) Islands 2900 km (Perth)	200 km (Sydney)	700 km (Sydney)
State parliament representation	Nil	Nil	Nil	NSW
Federal electorate	ACT	Northern Territory	ACT	NSW
Local government body	Norfolk Island Regional Council (NIRC)	Christmas Island Shire Council and Cocos (Keeling) Islands Shire Council	No local council in place. Members of the Wreck Bay Aboriginal Community Council (WBACC) vote every two years for an Executive Board which is the decision-making body for the community.	Lord Howe Island Board (statutory body under the <i>Lord Howe Island Act 1953</i> (NSW), with four members elected by the community and three (and the chair) appointed by the NSW Minister of Environment and Heritage.
Local government service delivery	NIRC	Shire councils deliver some services, with others delivered by the department.	Some services contracted to Shoalhaven Council and the private sector. Others delivered by the department or by the WBACC.	Delivered by the Lord Howe Island Board.

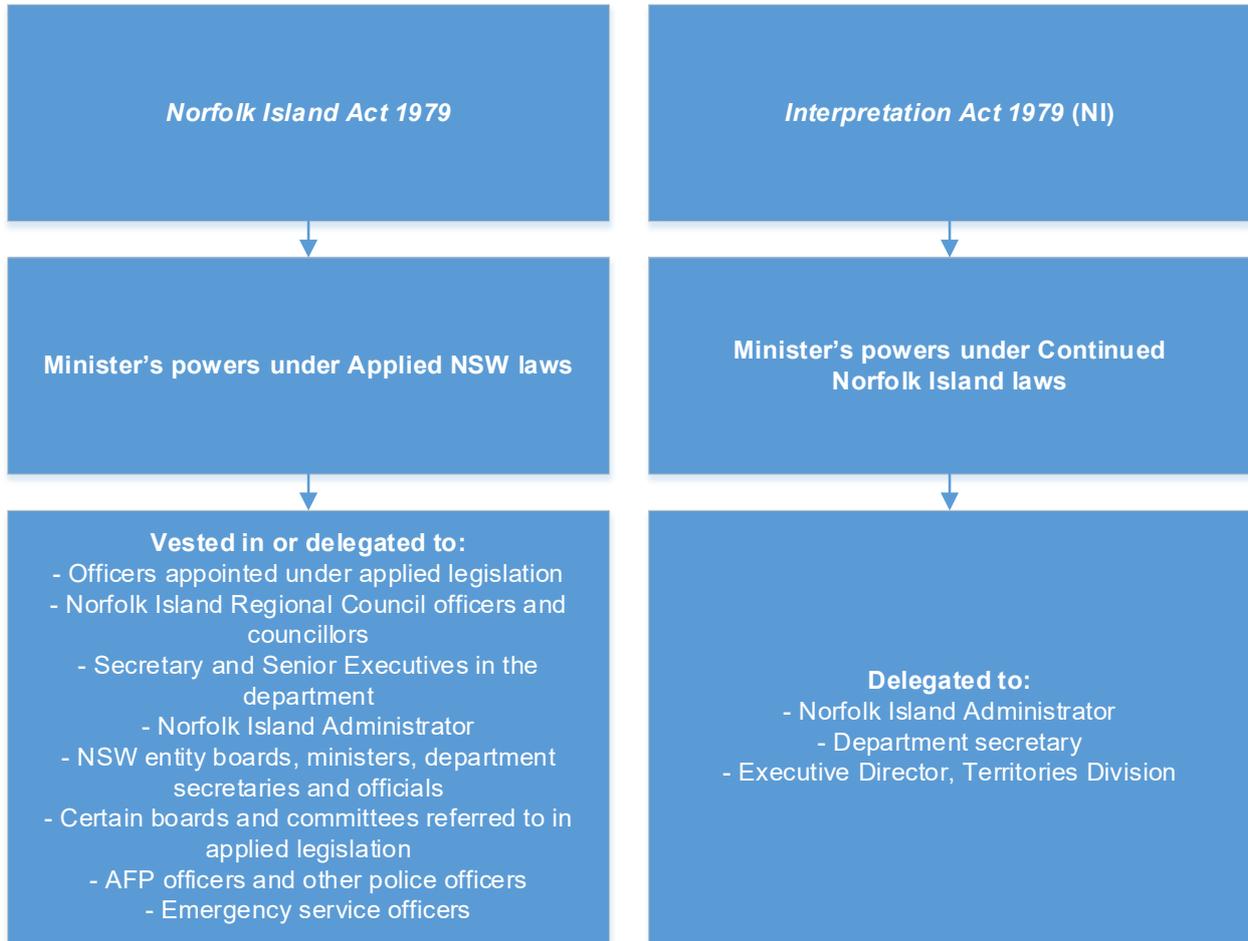
	Norfolk Island	Indian Ocean Territories	Jervis Bay Territory	Lord Howe Island
State-type service delivery	<p>Intended: Service Delivery Schedule (SDS) with NSW Government.</p> <p>As at Dec 2018: SDSs with four NSW Government agencies. Service delivery agreement with the NIRC for some services. Australian Federal Police provide policing and regulatory services.</p> <p>Some services not delivered.</p>	<p>45 service delivery agreements with WA Government agencies.</p> <p>The department directly delivers services including healthcare, emergency management and public housing.</p> <p>Australian Federal Police provide policing services.</p>	<p>ACT Government provides justice, child protection, transport regulation, preschool and primary school services.</p> <p>NSW Government provides primary healthcare, rural fire management, access to medical, secondary schools and VET services in nearby NSW towns.</p> <p>Australian Federal Police provide policing services.</p>	NSW Government
Legislative framework	<p>Intended: NSW laws applied, with suspensions and amendments to meet local conditions.</p> <p>As at Dec 2018: 20 NSW laws in force, with the rest suspended.</p>	Approximately 700 WA laws apply, with suspensions and amendments to meet local conditions.	ACT laws apply unless they are amended or repealed by an ordinance.	NSW laws apply
Health services	<p>Multi-purpose service established under the <i>Norfolk Island Health and Residential Aged Care Act (1985)</i> (NI), funded by the Australian Government. Governance, regulatory and clinical support provided by the NSW Government.</p> <p>Complex and urgent cases are transferred to Sydney.</p>	<p>Indian Ocean Territories Health Service operated by the department. WA Government provides advisory services.</p> <p>Complex and urgent cases are transferred to Perth.</p>	NSW Government provides access to health services in the region, including primary healthcare, dental and hospital services.	<p>Gower Wilson Memorial Hospital is administered by the NSW Government.</p> <p>Complex cases are transferred to Sydney.</p>

	Norfolk Island	Indian Ocean Territories	Jervis Bay Territory	Lord Howe Island
Commercial services	The NIRC operates the airport, liquor bond, power generation and supply, and telecommunications. Australian Government underwrites air services and contracts the NIRC to manage port and lighterage services.	The department delivers electricity generation and supply. Australian Government underwrites air services and contracts out a range of services including port and airport management, tourism marketing and adult education.	N/A	Lord Howe Island Board operates airport, liquor bond and power generation.
2018–19 Budget ^a	\$40.66 m (\$23,000 per capita)	\$108.46 m (\$45,000 per capita)	\$6.20 m (\$15,860 per capita)	N/A

Note a: Australian Government service delivery budget (2018–19 Portfolio Budget Statements).

Source: ANAO analysis of publically available information and departmental Portfolio Budget Statements 2018–19.

Appendix 4 Overview of vesting and delegation of the Minister's powers



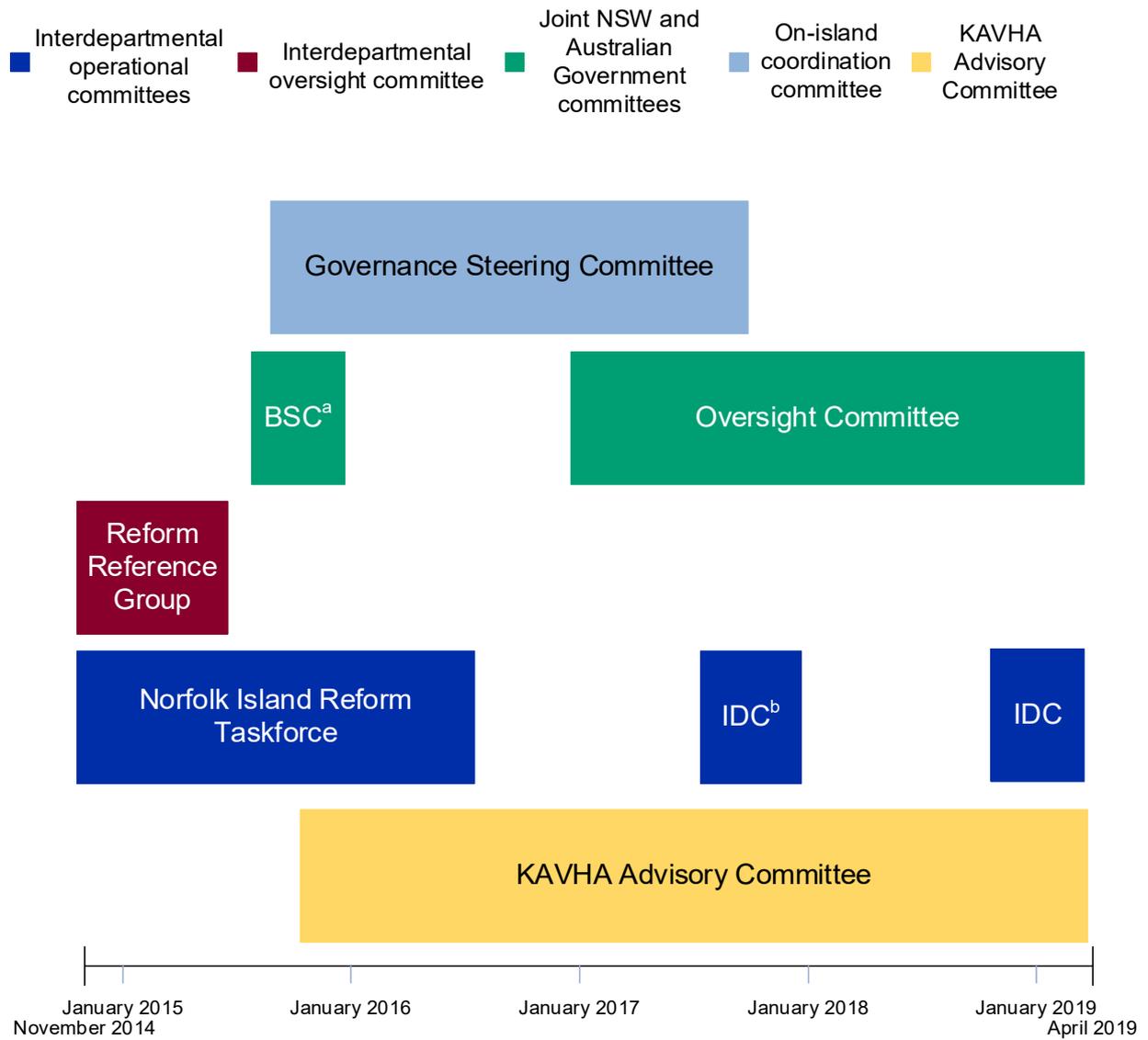
Source: ANAO analysis of departmental information.

Appendix 5 Executive priorities

2016–17	2017–18
Establish second tranche state-type legislative reforms either through a greater application of New South Wales legislation or adaptation of Norfolk Island laws.	To expand the range of Commonwealth programs and services delivered to Norfolk Island; and ensure normal direct engagement rests with the appropriate Commonwealth agency.
Establish second stage of state-type services with NSW, and review stage one to ensure it is meeting expectations.	To ensure appropriate arrangements are in place to provide State-level services to Norfolk Island according to contemporary standards.
The Norfolk Island Regional Council provides contracted state-type services.	Encourage effective functioning of local government, including developing local capacity to improve the quality and efficiency of services provided.
Normal direct engagement on Commonwealth issues for communities rests with the appropriate Commonwealth agency.	Support initiatives to diversify the Norfolk Island economy and drive economic growth.
Implement the required capital works projects.	Manage and maintain Commonwealth assets based on better practice, focusing on risk, fiscal responsibility, operational performance and governance frameworks.
Improving better practice regulation and program delivery by developing and/or updating key regulatory documents.	

Source: Department of Infrastructure, Regional Development and Cities 2016–17 and 2017–18 Business Plans.

Appendix 6 Norfolk Island reform governance committees



Note a: Bilateral Steering Committee.

Note b: Interdepartmental Committee.

Source: ANAO analysis of departmental information.

Appendix 7 Norfolk Island Branch Risk and Controls Assessment 2017–18

Risk	Current risk rating	Controls	Treatment	Risk rating after treatment
Insufficient resources assigned to key priority work.	Severe	<p>Branch and Section planning used prioritisation modelling to assist with determining 2017–18 and forward year priorities.</p> <p>Coordination undertaken across Sections.</p> <p>Commitment to Branch communications.</p> <p>Planned staff absences recorded in leave calendar for planning purposes.</p> <p>Branch is seen as an interesting area to work (opportunities for interesting work that directly impacts on citizens).</p> <p>Budget recently devolved to Branch level (previously only at Divisional level).</p>	<p>Approach Government to identify the phasing of services and investments required for the next four years to establish a sustainable funding base. (Assumption: the approach is successful).</p> <p>Reduce the scope of, or delay delivery of work undertaken by the Branch.</p> <p>Prioritise efforts that resolve ongoing pressures (for example, delegations).</p> <p>Opportunity to seek funding at the MYEFO.</p>	Low
Inability to deliver the priority additional State services and regulatory functions that similar remote Australian communities receive.	Severe	<p>Scoping of works around new services has commenced.</p> <p>Scoping of critical legislative failures with continued NI laws is underway to inform decisions of Governance Steering Committee.</p> <p>Developing future and sustainable funding for Norfolk Island has commenced.</p> <p>Assess and negotiate variations to the Service Delivery Agreement.</p> <p>Seeking agreement to add new services by NSW at Deputy Secretary level.</p> <p>Collaborative design of some new services.</p> <p>Lessons learnt in the governance and oversight of service delivery.</p> <p>Keep delegations up to date.</p>	<p>Development of policy options for an alternative jurisdiction and implement if required.</p> <p>Amendments to a range of Acts and apply relevant Acts.</p> <p>State service 'matrix' that identifies gaps and priorities, benchmarking against IOT and JBT.</p> <p>Settle and expand education services with NSW.</p>	Low

Risk	Current risk rating	Controls	Treatment	Risk rating after treatment
Funding of public assets on Norfolk Island is insufficient.	High	<p>Undertaking management and funding of public assets.</p> <p>KAVHA Heritage Management Plan in place.</p> <p>Annual ACB allocation plans developed and implemented.</p> <p>Inbuilt maintenance agreements for health have been established.</p> <p>Asset management plans have commenced.</p> <p>Authority has been received to bring forward a business case for additional funding.</p> <p>Heritage priority maintenance schedule has been implemented.</p> <p>Work of the approach to Government is adequately resourced.</p>	<p>Targeted communications with the Minister's office, highlighting the long term risks associated with public assets on NI.</p> <p>Completed the NIHRACS/NICS capital works program.</p> <p>Developed and prioritised the 2017–18 Capital works program.</p> <p>Engaged KPMG to assist to develop cost plans for the Norfolk Island and infrastructure approach to Government.</p> <p>Complete an economic feasibility study to inform and support future investment decisions to explore the economic potential of KAVHA.</p>	Low
State services currently delivered are not of comparable standard and/or efficiency to those provided to other remote Australian communities.	Medium	<p>The Commonwealth/NSW Oversight Committee has a framework in place.</p> <p>The collection of additional data for child wellbeing has commenced.</p> <p>The budget analysis of services has commenced.</p> <p>Proactive partnerships with the Office of Parliamentary Counsel to define legislation are in place.</p> <p>Adequate agreements for services delivered by NSW are largely in place.</p> <p>Regular information is provided to the community on a range of available services.</p> <p>Legislative consultation framework prepared.</p> <p>SDAs with Norfolk Island Regional Council have been scoped</p>	<p>Further development and monitoring of SDA with the NIRC.</p> <p>State service 'matrix' that identifies gaps and priorities, benchmarking against IOT and JBT.</p> <p>Amend a range of Acts.</p> <p>ANAO audits of NIHRACS financial statements.¹¹⁴</p>	Low

114 The ANAO is not a treatment for entity risk.

Risk	Current risk rating	Controls	Treatment	Risk rating after treatment
<p>At the Commonwealth level, ineffective governance, management and assurance leads to delivery failure or inability to achieve potential.</p>	<p>Medium</p>	<p>The Governance Steering Committee meets quarterly to oversee implementation.</p> <p>A funding submission is being put forward.</p> <p>In response to the economic feasibility report, a KAVHA submission is being prepared to progress governance reform.</p> <p>A KAVHA Heritage Management Plan is in place.</p> <p>Comcare have provided a report on Work Health and Safety on Norfolk Island.</p> <p>The KAVHA Advisory Council established and maintained that provides independent assessment advice.</p> <p>The Norfolk Island Administrator regularly meets with On-Island staff.</p> <p>The Commonwealth Task Force has reconvened.</p> <p>Change of Administrator appears to have reduced negativity in the Community.</p> <p>Recommenced the Commonwealth Agency meetings on NI chaired by the Administrator.</p>	<p>Policy measures for 2018 Territories Bill have been agreed with other agencies, and letters seeking policy approval are finalised.</p> <p>Evaluating information for the Commonwealth Services Information template and co-ordination for [the whole of the Australian Government] WoAG data and information.</p> <p>Project underway to improve the WHS framework for the Division.</p> <p>Aside from WHS - further investment in risk treatment is not required. The 'Medium' rating risk rating was accepted.</p>	<p>Not rated</p>

Risk	Current risk rating	Controls	Treatment	Risk rating after treatment
Failure of local services in 2017/18	Medium	<p>Manage the SDA arrangements with the NIRC.</p> <p>Financial Assistance Grants funding for the delivery of state-level services specified under the Service Delivery Agreement will include territories specific factors.</p> <p>Application of the NSW Local Government Act 1993.</p> <p>The Norfolk Island General Manager meets regularly with the Norfolk Island Regional Council.</p> <p>The Norfolk Island Administrator meets fortnightly with the Norfolk Island Mayor and the Norfolk Island Regional Council's General Manager.</p> <p>The Australian Government provide funding for community wide approach for training.</p> <p>Requirements to provide annual audited financial statements from the Norfolk Island Regional Council is in place.</p> <p>Identify and act on the trigger to wind up the local authority if insolvent.</p>	<p>Review delegations under continued NI laws.</p> <p>Finalised amendments to the Airport Act (NI) and Regulations to provide the NIRC General Manager with managerial powers over the airport.</p> <p>Draft and enact legislation via Ordinance in relation to fee setting and policies.</p>	Medium

Risk	Current risk rating	Controls	Treatment	Risk rating after treatment
Norfolk Island is unable to react and recover from a disaster effectively.	High	<p>Current NORDISPLAN in place and can be used (though not fully fit for purpose).</p> <p>Key local personnel are knowledgeable.</p> <p>Islanders very resourceful.</p>	<p>Consult stakeholders prior to updating the legislation.</p> <p>Assistance and guidance provided by Emergency Management Australia.</p> <p>Update the Emergency Management Plan, including roles and responsibilities.</p> <p>Involve relevant stakeholders.</p> <p>Hold desktop exercise to test the plan.</p> <p>Investigate opportunities to facilitate effective emergency management training on NI.</p> <p>Identify opportunities in future public building developments to include the requirements of new applications to meet the Category 5 cyclone rating.</p> <p>Assist Council to seek grants through the Building Better Regions Fund.</p>	Medium
Failure to gain and retain broad stakeholder (NI community) support for governance and administrative change.	Low	<p>Maintain Communication Strategy and forward calendar of communications activities.</p> <p>The programme provides regular contributions to Norfolk Online news.</p> <p>A KAVHA Advisory Committee has been established to make recommendations about the site and advise on community sentiment.</p> <p>Nurturing and maintenance of trusted network of contacts and advisors.</p> <p>Existence of a community consultation framework.</p> <p>The reestablishment of the Commonwealth task force/IDC.</p> <p>The Administrator having regular meetings with on Island Commonwealth officials.</p>	Publicise more broadly on mainstream media that governance has improved.	Low

Appendix 8 Characteristics of appropriate performance information

1. To undertake an assessment against the Department of Finance's *Quick Reference Guide–RMG 131 Developing good performance information*, the ANAO has applied the following audit criteria. This criteria has been applied for audits of performance information since Auditor-General Report No. 58 2016–17 *Implementation of the Annual Performance Statements Requirements 2015–16*. The assessment characteristics and explanations have been updated over time to reflect the ANAO's methodology development.

2. In applying the 'relevant' criterion, the ANAO assessed whether the entity's performance measures under review:

- clearly indicated who benefited and how they benefited from the entity's activities;
- were focused on a significant aspect/s of the entity's purpose/s, via the activity/ies, and the attribution of the entity's activities to it is clear; and
- were understandable, that is, it provided sufficient information in a clear and concise manner.

3. In applying the 'reliable' criterion the ANAO assessed whether each of the selected entities' performance measures under review were accompanied by sufficient information to be:

- measurable, that is, it used and disclosed information sources and methodologies (including a basis or baseline for measurement or assessment, for example a target or benchmark) that were fit-for-purpose; and
- free from bias, allowing for clear interpretation and an objective basis for assessment of the results.

4. In assessing the selected entities' performance criteria for completeness, the ANAO considered whether the performance criteria present a basis for a collective and balanced assessment of the entity against its purpose. In particular, the ANAO considered whether the selected entities' performance criteria:

- collectively address the entity's purpose through the activities identified in the corporate plan (collective);
- provide a basis for assessment of the efficiency and effectiveness of the entity in fulfilling its purpose either directly or through the use of proxies (balanced);
- relied on a mixture of quantitative and qualitative measurement bases (balanced); and
- assess a mixture of short, medium and long term objectives (balanced).

Table A8.1: Criteria for the assessment of the appropriateness of performance information

Finance guidance		Assessment characteristics	Explanation
Relevant	Individual assessment	Benefit <i>The performance criterion clearly indicates who will benefit and how they will benefit from the entity's activities.</i>	The performance criterion should explain who will benefit from the activity and how the recipient benefitted.
		Focus <i>The performance criterion should address a significant aspect/s of the purpose, via the activities.</i>	The performance criterion should assist significantly in informing whether the purpose is being achieved, and the attribution of the entity's activities to it is clear.
		Understandable <i>The performance criterion should provide sufficient information in a clear and concise manner.</i>	The performance criterion should be stated in plain English and signal the impacts of activities to inform users.
Reliable	Individual assessment	Measurable <i>The performance criterion should use and disclose information sources and methodologies that are fit for purpose.</i>	The performance criterion should be capable of being measured to demonstrate the progress of fulfilling the purpose. This includes documenting a basis or baseline for measurement or assessment, for example a target or benchmark.
		Free from Bias <i>The performance criterion should be free from bias and where possible, benchmarked against similar activities.</i>	The performance criterion should allow for clear interpretation of results and provide an objective basis for assessment.
Complete	Overall assessment	Balanced <i>The performance criteria should provide a balanced examination of the overall performance story.</i>	The performance criteria should reflect a balance of measurement types (effectiveness and efficiency), bases (quantitative and qualitative) and timeframes (short, medium and long term).
		Collective <i>The performance criteria should collectively address the purpose.</i>	The performance criteria should demonstrate the extent of achievement against the purpose through the activities identified in the corporate plan.

Source: Auditor-General Report No. 17 2018–19 *Implementation of the Annual Performance Statements Requirements 2017–18*.

Appendix 9 Assessment of the department's performance criteria

1. The scale used to rate the performance measures was:
 - displayed all of the characteristics of the criterion (Yes);
 - displayed most of the characteristics of the criterion (Mostly);
 - displayed in part the characteristics of the criterion (Partly); and
 - did not display the characteristics of the criterion (No).
2. As a whole, the performance measures were assessed as being partly complete.

Source	Measure	Target	Result	Relevant/ Reliable ^a
Portfolio Budget Statements Corporate Plan 2016–17	Legal frameworks in place in the external territories and the Jervis Bay Territory that provide comparable rights and protections to citizens as the rest of Australia.	State level laws are applied and/or updated in each of the external territories and the Jervis Bay Territory as appropriate to reflect comparable arrangements.	Target substantially met.	Yes/ No
	State services are delivered in the external territories and the Jervis Bay Territory similar to comparable mainland communities.	Services are delivered in accordance with Service Delivery Agreements and contracts.	Target substantially met.	Yes/ Partly
Portfolio Budget Statements Corporate Plan 2017–18	Communities in the external territories and JBT have comparable services and essential infrastructure to similar communities.	Service delivery arrangements and contracts deliver comparable services and essential infrastructure to similar communities.	Activities are contributing to progress against the target, but performance information is still under development.	Yes/ Partly
	Legal and governance frameworks in the external territories and JBT are appropriate for the protection and well-being of the communities	Legal and governance frameworks comparable to similar communities.	Result met the target.	Yes/ No

Note a: ANAO's assessment of the performance criteria.

Source: Department's Portfolio Budget Statements and Corporate Plan 2016–17 and 2017–18. The results were sourced from the Performance Statements in the Annual Reports 2016–17 and 2017–18.

Appendix 10 ANAO assessment of the department's measures of success

Executive Priorities	Measures of success	Result or outcome	Relevant/ Reliable ^a
<p>1. To expand the range of Commonwealth programs and services delivered to Norfolk Island; and ensure normal direct engagement rests with the appropriate Commonwealth agency.</p>	<p>Convene the annual meeting of the Commonwealth Task Force to review program and service delivery and ensure agencies continue their work on integrating Norfolk Island into normal arrangements.</p> <p>Extend the <i>Corporations Law 2001</i>, <i>Bankruptcy Act 1958</i>, <i>Broadcasting Act 1942</i> and the suite of telecommunications legislation.</p> <p>Prepare and implement the 2017–18 Action Plan to address the priority recommendations in the Kingston and Arthur's Vale Historic Area (KAVHA) Heritage Management Plan (HMP). Priorities include:</p> <ul style="list-style-type: none"> • Schedule of priority heritage maintenance tasks completed • Installation of new entry signs, and • Capital upgrades to Quality Row houses completed. 	<p>Normalisation of most Commonwealth responsibilities on Norfolk Island.</p> <p>Streamlined, well-informed, co-designed service delivery processes through Department oversight, including of other Commonwealth agencies, which also address community concerns.</p> <p>Commonwealth legislative framework further extended to Norfolk Island and priority changes enacted to allow for ready access to the same number of programs and services available in comparable mainland communities.</p> <p>Obligations to manage National and World Heritage Values on Norfolk Island are met.</p> <p>Norfolk Island residents have access to similar services and essential infrastructure compared to similar Australian communities.</p> <p>Priority recommendations contained within the KAVHA HMP are implemented.</p>	<p>Yes/ Partly</p>

Executive Priorities	Measures of success	Result or outcome	Relevant/ Reliable ^a
<p>2. To ensure appropriate arrangements are in place to provide State-level services to Norfolk Island according to contemporary standards.</p>	<p>Approval by Government of the next phase of delivery arrangements of State-level services and a sustainable funding base across all Norfolk Island reform activities.</p> <p>Confirm arrangements with the NSW Government and the Norfolk Island Regional Council (NIRC) on the delivery of currently agreed state-level services.</p> <p>Sign the School Education Services Schedule to the Norfolk Island Heads of Agreement.</p> <p>Settle and execute the Agreement for Policing Services on Norfolk Island.</p> <p>Negotiate application of the <i>Health Care Complaints Act 1993</i> and the <i>Health Practitioner Regulation National Law (NSW)</i>.</p> <p>Apply relevant NSW Radiation Safety Legislation.</p> <p>Apply remainder of the NSW Public Health Act.</p> <p>Apply the NSW Mental Health Act.</p> <p>NIHRACS Enterprise Agreement agreed to and in place.</p> <p>NIHRACS digital imaging accreditation received.</p> <p>Apply the <i>Children (Education and Care Services National Law Application) Act 2010</i> and Regulations under that law.</p> <p>Child Wellbeing Interim Agreement in place.</p> <p>Child Wellbeing Framework agreed to.</p> <p>Comcare WHS Report recommendations addressed and Action Plan developed.</p> <p>Update the Norfolk Island Disaster Plan.</p>	<p>Effective delivery of health and aged care services, education and child wellbeing services.</p> <p>Effective delivery of other State-level services by the Council.</p> <p>Community understands the rationale and impacts of changes to the delivery of state services.</p> <p>Norfolk Island residents have access to similar services and essential infrastructure compared to similar Australian communities.</p>	<p>Yes/ Mostly</p>
<p>3. Encourage effective functioning of local government, including developing local capacity to improve the quality and efficiency of services provided.</p>	<p>Undertake review of the process for providing Financial Assistance-type Grants to the Council.</p> <p>Establish frameworks to determine the extent to which the council is achieving the standards established under the <i>Local Government Act (1993)</i> (NSW).</p>	<p>The Council is accountable to the community for the delivery of local services.</p> <p>Norfolk Island residents have access to similar services and essential infrastructure compared to similar Australian communities.</p>	<p>Partly/ No</p>

Executive Priorities	Measures of success	Result or outcome	Relevant/ Reliable ^a
<p>4. Support initiatives to diversify the Norfolk Island economy and drive economic growth.</p>	<p>Support the tourism industry on Norfolk Island; including:</p> <ul style="list-style-type: none"> • Monitoring the performance of contract arrangements to underwrite air services to Norfolk Island • Identify opportunities to increase the Commonwealth's involvement in developing local skills and small business support • Quantify the economic potential of KAVHA and opportunities to increase tourism on Norfolk Island • Increase the awareness of Norfolk Island in key markets • Commonwealth investments made in priority infrastructure to support economic growth • Provide policy advice on opportunities to allow for more efficient use of land and increased private investment • Improved consumer protection processes • Corporations and bankruptcy laws extended • Telecommunications reforms commenced. 	<p>Increased diversification of the Norfolk Island economy and more employment opportunities provided to residents.</p>	<p>Yes/ Mostly</p>

Executive Priorities	Measures of success	Result or outcome	Relevant/ Reliable ^a
<p>5. Manage and maintain Commonwealth assets based on better practice, focusing on risk, fiscal responsibility, operational performance and governance frameworks.</p>	<ul style="list-style-type: none"> • Comply with NSW Department of Education's minimum accommodation standards to enable full access to NSW Education's curriculum. • Deliver capital investment projects in accordance with Australian mainland standards and the Heritage Management principles. • Develop a Port Management Strategy. • Develop scheduled and preventative maintenance plans pertaining to the upkeep of Commonwealth assets. • Develop business case for delivery of modern, compliant health and education facilities. • Costs and benefits of proposals for capital investments are assessed, and prioritised using a robust risk framework. • Mechanisms for feedback established. • Complete the upgrade of the NI Cascade Pier. 	<p>Asset programs delivered efficiently and effectively within the budget allocation and within timeframes.</p>	<p>Mostly/ Partly</p>

Note a: ANAO's assessment of the performance criteria.

Source: ANAO analysis of department's 2017–18 Business Plan — Territories.