LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 10, 1996

Implementation of 1994 Housing Review

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 30

October 1997

RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine:

    (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

    (ii) the financial affairs of authorities of the Australian Capital Territory; and

    (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;

(c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

    (i) the public interest; and

    (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Mr Andrew Whitecross MLA (From 18 February 1997. Elected Committee Chair 19 February 1997)

Ms Louise Littlewood MLA (From 18 February 1997. Elected Deputy Committee Chair 19 February 1997)

Ms Lucy Horodny MLA

Mr Bill Wood MLA (From 26 March 1996 to 18 February 1997. Former Committee Chair)

Mr Trevor Kaine MLA (To 18 February 1997. Former Deputy Committee Chair)

Ms Rosemary Follett MLA (To 26 March 1996. Former Committee Chair)

Secretary: Bill Symington

1. INTRODUCTION

1.1. Auditor-General's Report No 10, 1996 was presented to the Assembly on 5 December 1996.

1.2. The housing review *Report for the Review of the Delivery of Housing Assistance Programs in the ACT and Directions and Actions for Changing the ACT Government's Housing Program,* was presented to the Government in September 1994. The audit noted that the review cost more than $200,000 and that the costs of implementing the review recommendations would have been significantly greater.

1.3. As there had been no reporting to Government on progress with implementation of improvements envisaged by the review, the Audit Office undertook that review itself.[1]

1.4. The objectives of the audit were to assess whether the recommedations of the housing review:

(a) were accepted

(b) have been implemented

(c) if implemented, had (or would) achieve the expected outcomes

1.5. The audit also reviewed the methods used to manage and monitor implementation of the review recommendations.[2]

The 1994 housing review

1.6. The 1994 housing review was intended to find efficiencies and improve methods of operation in ACT Housing. The review was to identify policy directions for housing assistance, identify existing delivery mechanisms, identify "best practice" for administration and service delivery, advise on program or organisational change and advise on financial systems and transparency in costs and subsidies across housing programs.[3]

1.7. Five key strategies were identified by the review as frameworks within which broader Government objectives could be pursued. These were:[4]

(1) **client service improvement** - integrating the range of housing assistance options and delivery programs to improve social justice outcomes

(2) **better housing assistance measures** - to better target public housing to people assessed as having long-term need, and providing alternative options to private rental, home ownership etc

(3) **asset management improvement** - focussing resources on preserving and refurbishing housing to protect the existing housing portfolio

---

[1] Audit report pp1,2
[2] ibid, p2
[3] ibid, pp21,22
[4] ibid, p26

(4) **financial management improvement** - enhancing accounting and financial arrangements to implement accrual-based budgeting, measure commercial and social justice performance and to allocate resources so as to achieve the highest outcomes

(5) **organisational improvements** - to achieve a better focus on client services, business and asset management and strategic policy.

2. AUDIT FINDINGS

2.1. With reference to its objectives outlined in paragraphs 1.4 and 1.5 above, the audit found that:[5]

(1) all the housing review recommendations were accepted by ACT Housing management;

(2) implementation of the review recommendations had been mixed. Many recommendations had been implemented, many had been partially implemented while, for others, little or no progress had been made. Given the importance of the review, the audit considered that greater progress should have been achieved in implementing the recommendations; and

(3) the processes under way, if completed, would probably achieve the outcomes expected by the review. The audit noted that in the absence of an overall plan and an end point there cannot be complete assurance that the outcomes will be fully achieved. However, the audit noted that the effects of changes in Government priorities, policies, resources and external factors could have changed relative priorities since the review.

2.2. The audit opinion was that implementation of the 1994 Housing Review recommendations had not been well managed. Factors on which this opinion was based included:[6]

- absence of clear assessments between sub-projects dealing with implementation and the overall implementation process
- lack of time-lines and measurable outcomes
- absence of appropriate performance/efficiency monitoring and cost reporting
- breakdown in senior management of the process
- lack of accurate records of the costs of implementing the initial phase of the implementation action
- unspecified targets or costings leading to an inability to properly assess the comparative cost/benefit of the review outcomes
- lack of direct linkage between and analysis of quantity of services and costs in assessing whether more services have been delivered at the same total cost, or whether the same services have been provided at less cost.

---

[5] ibid, pp4-8
[6] ibid, pp9-11

2.3. The audit did note comments by the Chief Executive of the Department of Urban Services to the effect that the review was not structured as an efficiency review but as a strategic paper, and that the management rigour in monitoring and following through the implementation phase while satisfactory for a strategic document, may not have met the standards necessary for an efficiency review. The Chief Executive was quoted as saying that the audit was disproportionately focused on the process of implementation rather than the outcomes achieved.[7]

2.4. The audit identified three areas where further action remained to be taken. These were that:[8]

(i) ACT Housing report to the Government in December 1997 on the outcomes achieved from implementing the 1994 housing review

(ii) ACT Housing finalise a review of its management information systems

(iii) the guidelines for efficiency reviews be reviewed to ensure that Government objectives are met.

3. COMMITTEE APPROACH

3.1. The Minister for Housing and Family Services was approached by the committee for comment on the audit findings. The Minister's initial response was to advise that ACT Housing was preparing a report on the audit findings which could be expected to be with the committee before 5 March 1997.[9]

3.2. In late April the Minister advised that the Government had commenced a review of housing in late 1996 in the context of changes to the environment within which housing assistance is delivered and that a submission would be made to the committee shortly after the end of April.[10]

3.3. In late May the Minister advised that the review had been completed and that the Government would be considering a number of recommendations covering complex issues such as:

- establishment of purchaser/provider arrangements between the Department of Urban Services and ACT Housing with public housing services divided into separate property and tenancy services businesses

- the ability for the provider of property services to further contract with community organisations for the provision of special needs housing

- the future of the loans function.

3.4. The Minister advised that a submission would be made to the committee in June following Government consideration of the issues.[11]

[7] ibid, pp17,18
[8] ibid, p15
[9] Minister for Housing and family Services, letter to committee dated 20 December 1996
[10] Minister for Housing, letter dated 30 April 1997
[11] Minister for Housing, letter dated 30 May 1997

3.5. On 1 July the Minister advised that KPMG had completed a report on a review of ACT Housing and had made recommendations which had significant implications for the future management of that body. The Minister advised that a submission to the committee would include the KPMG report.[12]

3.6. The Government submission to the committee together with the KPMG review of ACT Housing was received from the Minister on 30 July.[13]

3.7. The submission stated that the KPMG review was conducted during the period December 1996 to May 1997 and addressed the structure, role and management of ACT Housing within the context of national housing reforms, the requirements of national competition policy and the Government's reform agenda. The submission further stated that the KPMG review has set a new framework for ACT Housing and has, to a large degree, overtaken many of the issues raised in the Auditor General's report.[14]

KPMG - review of ACT Housing - May 1997

3.8. Having recieved the KPMG review report of May 1997 into ACT Housing the committee now provides a summary of its process and findings.

3.9. The KPMG review was conducted under the guidance and direction of a steering committee chaired by the Chief Minister's Department and also comprising the Departments of Urban Services (DUS). and Education and Training.

3.10. The review considered the structure, role and management of ACT Housing within the context of national and ACT Government reforms, including specific housing reforms and national competition policy reforms.

3.11. In summary, many of the findings of the KPMG are very similar to those of the 1994 housing review. Where the KPMG review goes beyond the earlier review is in its consideration of the structural arrangements related to the purchaser/provider model.

3.12. Thus, the KPMG review recommends:[15]

- the Office of Financial Management (OFM) as adviser to the Treasurer (as owner of housing assets) develop an ownership agreement with DUS (the purchaser of public housing services) to ensure optimum return to the Government in the management of housing.

- DUS public housing services be two distinct businesses, namely property and tenancy services

- special housing needs be managed through tenancy services

- property services be able to contract with community organisations for provision of special needs housing and public housing generally

[12] Minister for Housing, letter dated 1 July 1997
[13] Minister for Housing, letter dated 30 July 1997
[14] ibid, submission, p2
[15] KPMG, ACT Housing, Review of ACT Housing, May 1997 pp6,7

- improved customer services based on staff mobility and accessability
- the ACT Housing loans function be transferred to OFM
- management and staff of ACT Housing and appropriate community interest groups be given the opportunity to comment on the report prior to its implementation.

Government response to the audit findings

3.13. The Government submission stated that the 1994 housing review, announced in the 1993-94 budget was intended as one of the first program efficiency reviews and as a benchmark study which drew on consultant expertise in relation to asset management, operations and financial management.

3.14. The submission reiterated the thrust of the comment made by the audit, and ascribed to the Chief Executive of DUS, that the review was strategic in nature and examined the total housing program with the objective of setting directions for change across a number of areas. It stated that the review was not intended to undertake a detailed assessment of operational processes but, rather, to provide a framework within a range of specific actions that could be developed and implemented.

3.15. The committee was advised that implementation of the review recommendations ranged from the development of a new organisation structure and an innovative client services delivery model to the implementation of financial management reforms and preparation of an asset management rating model.[16]

3.16. The submission stated that examples of the impact of customer service improvements on ACT Housing's performance (arising from implementation of the review recommendations) include reduced levels of current tenant debt, reduced times for application processing and advice of decisions on eligibility, reduced turn around times for the allocation of vacated properties, improved response times for customer inquiries, better repairs expenditure control, and increased levels of customer satisfaction.[17]

3.17. However, the committee was advised that policy changes referenced in the review were deferred due to Commonwealth-State Housing Agreement negotiations which began in 1995 and the long - term reform of national housing assistance arrangements. The committee was advised that negotiations are continuing and will have fundamental implications for the ACT's future responsibilities for housing assistance.[18]

3.18. The submission stated that the review had focussed on delivery and achievement of outcomes and improvements in customer service and that the Government's subsequent financial and other management reforms were consistent with this. The submission went on to state that performance information on housing is being refined to reporting against outputs and outcomes.[19]

---

[16] Minister for Housing, op cit, p2
[17] ibid,p3
[18] ibid
[19] ibid

December 1997 report on outcomes of the housing review:

3.19. With regard to the audit proposal that ACT Housing report to the Government in December 1997 on the outcomes achieved from implementing the 1994 housing review, the Minister advised that while it should be acknowledged that many of the reforms identified in the housing review have been significantly advanced, the 1994 review itself now has diminished relevance in the context of revised structural, operational and service delivery arrangements. The Minister put the view that the 1997 review process following from the KPMG review has overtaken the need for a further formal report in December 1997.

3.20. The Minister provided a summary of changes made in the administration of ACT Housing which incorporate and respond to the 1994 Housing Review.[20] The more significant achievements noted by the Minister have been new initiatives in customer services and work practices within regional offices, improvements in debt management, improvements in repairs responses and costs, improvements in vacancy turnarounds, clarification and transparency of the commercial and non - commercial costs within the housing program, and increased focus on performance of assets and the services delivered to tenants.[21]

Improvement of ACT Housing management information systems

3.21. With regard to the audit identification of the need for action by ACT Housing in finalising a review of its management information systems, the Minister advised that ACT Housing commissioned a more detailed examination of its management information system during 1996 and that significant improvements have been introduced to regular management reporting within the limitations of the current corporate information system and database (ISIP or Information System for Integrated Processing). The Minister noted that in a separate review, the Auditor - General recently commented positively on ACT Housing's performance reporting. The Minister commented that while as recently as six years ago, ISIP represented the best available option for a public housing authority information system, it is unable to meet the emerging demands of the organisation. Consequently, ACT Housing has sought proposals for a replacement/re-engineered system for ISIP which will integrate existing systems, improve management information capabilities and address the "year 2000" problem.[22]

Government review of guidelines for program efficiency reviews

3.22. With regard to the audit conclusion that guidelines for efficiency reviews be reviewed to ensure that Government objectives are met, the Minister advised that this is being accommodated through the Government's approach to strategic and business planning frameworks (including ownership and purchase agreements) at both agency and whole of government levels, with an example being the Asset Management Strategy.[23]

---

[20] ibid, Attachment A

[21] ibid, p4

[22] ibid, p5

[23] ibid

4. COMMITTEE COMMENT

4.1. The committee is concerned that it has taken such an extended time for a Government response to the issues raised by the audit. The issues were clear cut and, based upon the information provided by the Minister, it is difficult to see why the response could not have been given to the committee several months ago.

4.2. In the event, the delayed submission has pointed to a degree of remedial work undertaken within ACT Housing to address shortcomings identified in implementing the key strategies of the 1994 housing review. The submission has also covered the KPMG review which, the committee notes, appears to have re-worked a good deal of the ground covered by the 1994 review. In essence, the further KPMG review has proposed structural organisational and service delivery changes the value of which, if they are agreed to by the Government, will need to be tested in due course.

4.3. Notwithstanding the delay in responding to the committee on the audit report and the undertaking of a further review into ACT Housing in 1997, the Government has yet to report on either its plans to report on the outcomes achieved from implementing the 1994 housing review or its response to the 1997 housing review.

4.4. Accordingly, the committee will propose a further audit of ACT Housing to assess continued progress with the improvements envisaged by the 1994 review and the extent to which the recommendations of the KPMG 1997 review have been adopted and their effectiveness.

4.5. As a general comment, the committee considers that where an audit report reveals the need for departments and agencies to undertake remedial work or initiate furtherinquiries which might take some time, as in the present case, Ministers should be able to provide the committee within a reasonable time an outline of action being undertaken and the expected outcome. Where appropriate, Ministers should advise the committee at a later stage on the actual outcomes. The important thing is that the Assembly should be kept informed, through this committee, of progress in the attainment and maintenance of prudent and responsible management of the affairs of the ACT.

5. RECOMMENDATIONS

5.1. The committee recommends that the Government:

(1) inform the Assembly by 9 December 1997:

(i) on the outcomes achieved by that date from the implementation of the 1994 housing review;

(ii) the extent to which the recommendations of the 1997 housing review have been adopted and any outcomes achieved by that date from its implementation; and

(iii) of the reasons for the non-implementation of any of the recomendations of the 1994 and 1997 housing reviews;

(2) inform the Assembly on:

- **(i) the outcome of the Commonwealth-State Housing Agreement negotiations and the implications for the ACT's future housing assistance responsibilities;**

- **(ii) progress with the proposed upgraded Information System for Integrated Processing; and**

- **(iii) the effectiveness of efficiency review guidelines in ACT Housing which are being accommodated through the strategic and business planning frameworks.**

Andrew Whitecross

Andrew Whitecross MLA
Chair