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ACT AUDITOR–GENERAL'S

PERFORMANCE AUDIT REPORT

Management of the Growing and Renewing Public Housing Program

Report No. 1 / 2025

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The ACT Audit Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.

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PA 24/03

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Speaker

I am pleased to forward to you a Performance Audit Report titled 'Management of the Growing and Renewing Public Housing Program' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

The audit has been conducted in accordance with the requirements of the *Auditor-General Act 1996* and relevant professional standards including *ASAE 3500 – Performance Engagements*.

Yours sincerely

Michael Harris
Auditor-General
23 April 2025

Contents

Summary

The *Growing and Renewing Public Housing Program* (Program) is intended to:

- replace 1,000 older, not fit-for-purpose public housing homes with new, fit-for-purpose homes; and
- add 400 new, additional homes to the Territory's public housing portfolio.

ACT Auditor-General's Performance Audit Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* assessed the effectiveness of Housing ACT's strategic management of the Program. The report considered:

- governance and administration arrangements established for the Program;
- the framework and approach taken for making decisions about the public housing portfolio; and
- the framework and approach taken for selling existing public housing homes and building and buying new public housing homes.

This audit assessed the effectiveness of Housing ACT's operational management and administration of the Program. The audit considered:

- probity management arrangements for the Program;
- processes for making decisions about the suitability of public housing homes for sale or redevelopment;
- activities for selling and buying public housing homes; and
- procurement activities for the construction of new public housing homes.

Conclusions

Probity management

There are significant probity risks for the Growing and Renewing Public Housing Program. The Program is a large, complex program of capital works with an $867 million budget and eight-year timespan, which involves the disposal of more than $600 million worth of assets and procurement of more than $600 million worth of goods and services.

Probity risks of this magnitude warrant significant probity governance and management arrangements. In implementing the Program, however, Housing ACT did not undertake a probity risk assessment, develop a probity plan or engage an independent probity advisor or probity auditor.

Making decisions about public housing homes

Housing ACT's management and administration of the Asset Assessment Panel (Panel) to make decisions about selling and redeveloping public housing homes has not been fully effective.

The Panel has not had access to all the information and data about public housing homes and the tenants living in them that was required by Housing ACT's *Asset Assessment Framework* and the Panel's *Terms of Reference*.

Many decisions made by the Panel have not been effectively recorded. Records of Panel decisions do not systematically or consistently record the assessment criteria applied, the rationale for the decision or the identity of all members responsible for making the decision. The lack of clear and complete records for Panel decisions compromises the integrity and transparency of the decision-making process.

Selling and buying public housing homes

Housing ACT's management and administration of the sale and purchase of public housing homes in the general property market has not been fully effective.

Policy and procedural guidance for the sale and purchase of public housing homes has been inconsistent and poorly communicated. In the absence of clear and consistent procedural guidance, officers have adopted a range of approaches for the use of market valuations to establish sale and purchase prices and for recording delegates' approvals to set recommended auction reserve and first offer prices.

While all sales and purchase prices reviewed for the purpose of the audit complied with policy requirements in relation to selling and buying within negotiation ranges established by independent market valuation, lack of a consistent approach to the number of independent valuations obtained and lack of clear and complete records of decisions to recommend or approve prices compromises the integrity and transparency of the decision-making process.

Procuring building services

Housing ACT's processes for the procurement of construction services to build new public housing homes have been effective.

Roles and responsibilities in procurement processes were clearly identified and conflicts of interest were effectively managed. The evaluation of quotes or tenders was conducted with reference to Evaluation Plans and established criteria.

Key findings

Probity management

Paragraph

Probity risks for the Growing and Renewing Public Housing Program

The *Growing and Renewing Public Housing Program* (Program) is a large, complex program of capital works with an $867 million budget and eight-year timespan. The ACT Government's *Probity in Procurement Guide* offers guidance on the management of probity risk. According to the guide, probity risk indicators for the Program suggest that it involves medium to high/extreme probity risks. Probity risks of this magnitude warrant management through formalised probity planning, independent probity advice and probity auditing. 2.15

Various program governance documents have been developed to guide the management and implementation of the Program, including the *Governance Framework*, *Project Plan*, *Risk Management Guidelines*, *Risk Register* and *Annual Assurance Plan*. Other documents were also developed for the specific needs and purpose of the Government Procurement Board. In different ways, and through different perspectives, these program governance documents recognise probity risks to the Program and probity principles to be adhered to. However, a comprehensive and complete set of probity risks across all Program activities is not documented in a probity plan, and risk treatments are not described with sufficient detail in the *Risk Register* or *Annual Assurance Plan* to support effective implementation or robust review. Additionally, Housing ACT has not engaged an independent probity advisor or probity auditor. 2.39

Specific probity management practices

All Housing ACT officers are required to complete mandatory eLearning modules *Fraud and Ethical Behaviour* and *Making Decisions with Integrity*. Officers involved in procurement activities are also required to have completed the ACT Government's *Probity in Procurement* eLearning module within the last 12 months. Monitoring the completion of the *Fraud and Ethical Behaviour* and *Making Decisions with Integrity* eLearning modules is the responsibility of supervisors. Monitoring the completion of the *Probity in Procurement* module is the responsibility of Housing ACT's Procurement Team. The Program's *Risk Register* and *Annual Assurance Plan* do not identify the full list of training modules required to be undertaken or mechanisms or plans for monitoring their completion. The audit did not review completion rates for mandatory training modules. 2.46

Making decisions about public housing homes

Asset Assessment Panel composition and administration

Housing ACT's Asset Assessment Panel (Panel) is responsible for making decisions about the retention, sale or redevelopment of public housing homes. In the five financial years 2019-20 to 2023-24, the Panel made 699 decisions to sell or redevelop 3.18

a public housing home. When the Program commenced, the Panel had representatives from five different teams from the Infrastructure and Contracts Branch (Asset Planning, Asset Delivery and Contract Management) and Client Services Branch (Tenant Experience and Relocation and Allocations). These teams were involved in the management of public housing homes as physical assets and in the management of public housing tenancies. Since November 2021, the Panel has consisted only of representatives from the team responsible for strategic management of the public housing asset portfolio; the Portfolio Planning and Alignment team (formerly Asset Planning), in the Infrastructure and Contracts Branch, and has not included a representative of the Client Services Branch as a core member. This introduces a risk that the perspective of teams managing public housing tenancies may not be included in Panel decision-making.

An *Asset Assessment Form* is prepared for each public housing home for which a decision is to be made. This form is provided to various teams for input, including teams from the Client Services Branch. The Asset Assessment Panel's *Terms of Reference* provide for the Client Review and Response and Tenant Experience teams 'to provide further detail relating to tenancy sustainability within the neighbourhood, if there are any specific tenant considerations or sensitivities, and any additional demand information from the Housing and Transfer registers'. Housing ACT advised that formal input from the Client Review and Response and Tenant Experience teams is not always received before the Panel meets and makes a decision about a home. Of 17 decisions to sell or redevelop a tenanted public housing home that were reviewed for the purpose of the audit, only four recorded information about the tenancy that had been provided by the Client Services Branch. 3.25

Prior to 2021 the *Terms of Reference* for the Asset Assessment Panel did not specifically mention practices for the management of conflicts of interest. Since November 2021 Panel members have been required to complete a *Confidentiality and Conflict of Interest Undertaking*, which provides for the Panel member to outline potential conflicts of interest, or assert that there are none, in relation to them, their partner or family member and to 'notify the chair of the Panel, should an asset/site in which I have an interest be within the immediate area of an asset being assessed'. Neither the *Terms of Reference* nor the *Undertaking* template specify who is responsible for reviewing the Panel's *Undertakings* nor the timing with which these documents should be refreshed and re-reviewed. Housing ACT advised that *Undertakings* completed by Panel members have been reviewed by the Chair of the Panel and *Undertakings* made by the Chair have been reviewed by the Executive Branch Manager, Infrastructure and Contracts. However, Housing ACT has not maintained records of these review processes, records of all officers who have served as a Panel member, disclosures of conflicts of interest made by those officers during their period of service or actions taken to manage any disclosed conflicts. 3.41

At the commencement of each Asset Assessment Panel meeting, the *Terms of Reference* provide for the Panel secretariat to 'ask if there are any perceived conflicts of interest with the properties listed for discussion' and the *Asset Assessment Framework* provides for the Chair to 'read through the properties to be discussed and call for members to declare any actual or perceived conflicts of interest'. Should this be the case, both documents require the Panel member to be excluded from the Panel's deliberations about such identified homes. Records of Panel meetings 3.42

(*Summary of Meeting Outcomes*) from March 2022 onwards that were reviewed for the purpose of the audit contained a positive statement in relation to freedom from conflicts of interest, although it is noted that the records include only the name and position of the Panel Chair and do not record the other Panel members who were present in the meeting.

Asset Assessment Panel decision-making processes

Information about public housing homes to be considered by the Asset Assessment Panel is captured in an *Asset Assessment Form* and accompanying documents. The quality and completeness of this information has evolved and varied during the course of the Program. The full set of information about the home and the tenants living in the home that was required by the *Asset Assessment Framework* and Panel *Terms of Reference* was not recorded for any of the 50 decisions reviewed for the purpose of the audit. 3.53

Information available to the Asset Assessment Panel about public housing homes and the tenants living in them has been inconsistent because: 3.54

- Housing ACT does not have a digital business system capable of providing complete, integrated, up-to-date information about public housing homes and tenancies; and
- homes were considered by the Panel under a wide range of circumstances, for which different levels of information were available.

The rationale for many decisions made by the Asset Assessment Panel has not been effectively recorded. In the initial years of the Program (2019 to 2020), Housing ACT kept limited records about the rationale for decisions made by the Panel to sell or redevelop public housing homes. Reasons for decision that were recorded were very brief and uninformative and Housing ACT did not record all the information considered by the Panel in relation to each decision, the specific criteria applied, or the rationale for the decision. From 2021 onwards, Housing ACT improved the quality of records kept about decisions made by the Panel. For decisions made between 2021 and 2024, Housing ACT has typically completed a short paragraph, within an *Asset Assessment Form*, that explains the rationale for the decision. 3.61

When the Program commenced, the criteria the Asset Assessment Panel used to make decisions about public housing homes were not defined. In June 2022, Housing ACT implemented the *Asset Assessment Framework* (alongside the Panel's *Terms of Reference*), which described in more detail the information and considerations to be used in making decisions about the sale and redevelopment of public housing homes. However, the criteria are inconsistently and imprecisely described and lack explicit instruction about how they are to be applied. Accordingly, members of the Panel are expected to use their professional expertise and judgement to apply the considerations specified in the *Asset Assessment Framework* and *Terms of Reference* to each criterion. 3.82

Because of the poor documentation and record-keeping associated with the Asset Assessment Panel and its decision-making processes and the inconsistent use of 3.83

proforma documents and templates to support decision-making, it is not possible to identify whether the Panel has systematically or consistently applied assessment criteria in its decision-making. In the records reviewed for the purpose of the audit, however, it is apparent that the Panel did not apply all the criteria specified in the *Asset Assessment Framework* and *Terms of Reference* to every decision.

The Asset Assessment Framework allows for the escalation of sensitive and potentially controversial Panel decisions. No decisions made by the Asset Assessment Panel were escalated for review between July 2019 and March 2024. Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* noted that thresholds or trigger points for escalation or review of decisions were not identified in the Framework and made a recommendation to implement a quality assurance framework that 'clearly [defines] decisions that must be escalated internally for review'. Housing ACT has not yet implemented this recommendation. 3.91

Selling and buying public housing homes

Selling public housing homes

In the five financial years 2019-20 to 2023-24, Housing ACT sold 610 public housing homes, which generated gross revenue of $490.4 million from the sale of 555 homes. This revenue is being used to build new public housing homes. 4.6

Policy and procedural guidance for the sale of public housing homes is provided by Housing ACT's *Auctions Standard Operating Procedure* and associated *Process Map* and Housing ACT's *Valuation Guidelines*. The documents require officers to obtain two valuations for each home to be sold to establish a reserve price for auction. However, the documents establish different thresholds for acceptable variance between valuations (five percent in the *Auctions Standard Operating Procedure* and 15 percent in the *Valuation Guidelines*). The Infrastructure and Contracts Branch advised that it was either not aware of the *Valuation Guidelines* or understood these to apply only to acquisitions made through Housing ACT's open tender (EOI) mechanism. It advised that it had adopted a practice of obtaining two valuations for most sales and obtaining a third valuation if there was more than ten percent variation between the first two. 4.22

Housing ACT's use of valuation reports to establish reserve prices for auction has been inconsistent. For 30 sales of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: one sale had only one valuation recorded; 25 sales had two valuations recorded; and four sales had three valuations recorded. For some sales where three valuations were recorded it was not apparent why a third variation was obtained, and for some sales, where only two valuations were recorded, the variation between the valuations was of such magnitude that it appeared to warrant a third valuation. 4.28

The *Auctions Standard Operating Procedure* and *Valuation Guidelines* require that delegates approving the setting of auction reserve prices are provided with a *Reserve Price Form*, valuation reports, real estate agents' reports, the current book value of 4.39

the home and the recommended reserve price. For the 30 sales reviewed for the purpose of the audit, use of the *Reserve Price Form* and provision of other required information to the delegate varied. A *Reserve Price Form* was only completed for six of the 30 sales reviewed. Records of delegates' approvals to set auction reserve prices otherwise consisted of emails containing a variety of information. For 12 of the 30 sales reviewed, these emails referenced only a suggested reserve price and did not include or otherwise refer to attached valuations data, real estate agents' reports or book values.

The *Valuation Guidelines* require that separation of duties and responsibilities is maintained in that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending reserve prices are to be separate from delegates responsible for setting reserve prices. For 28 of the 30 sales reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For 21 of these 28 sales the approvals were consistent with financial delegation limits. For the other seven sales only the delegate's name was recorded and not the position they held in Housing ACT. Compliance with financial delegation limits was not tested for these seven sales. 4.43

Review of the reserve and sale prices for 30 public housing homes compared to valuation ranges showed that all auction reserve prices were within or above corresponding valuation ranges and all sale prices were above the lowest limit of corresponding valuation ranges. For 16 of the 30 homes the sale price was below the reserve price that was set for the auction. The audit did not review Housing ACT's processes for approving a sale price below the reserve price that was set for auction. 4.47

Buying public housing homes

Housing ACT buys individual homes directly from the general market to meet specific needs and gaps in the public housing portfolio. Over the five financial years 2019-20 to 2023-24, Housing ACT acquired 146 new public housing homes from the general market, with a total value of $88.1 million. 4.52

Policy and procedural guidance for the acquisition of new public housing homes is provided by Housing ACT's *Acquisitions Standard Operating Procedure* and *Valuation Guidelines*. The *Acquisitions Standard Operating Procedure* does not identify how many valuations are to be obtained or the acceptable variance between valuations. The *Valuation Guidelines* require officers to obtain two valuations for each home to be acquired and allow for up to 15 percent variation between the first two valuations obtained before a third valuation or additional review is required. 4.69

Housing ACT's use of valuation reports to establish offer prices has been inconsistent. For ten acquisitions of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: six had two comparable valuations recorded; three had only one valuation recorded; and one had two valuations recorded that were only partially comparable. 4.70

The *Acquisitions Standard Operating Procedure* and *Valuation Guidelines* require the responsible officer to complete either an *Approval to Purchase Form* or *Purchase Offer Form* to obtain the delegate's approval to set a reserve price. The form is to be accompanied by key supporting information, including valuation reports, property condition reports, real estate agent recommendations and the officer's recommended purchase price. However, for the ten acquisitions reviewed for the purpose of the audit, only two used an *Approval to Purchase Form* or *Purchase Offer Form*. A record of the delegate's approval could not be located for one acquisition, and approvals for the remaining six acquisitions consisted of emails containing varying levels of information. 4.85

The *Valuation Guidelines* require separation of duties and responsibilities, so that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending offer and purchase prices are separate from delegates responsible for approving offer and purchase prices. For six of the ten acquisitions of public housing homes reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For the other four acquisitions either the identity of the recommending officer and/or the identity of the delegate was not recorded. 4.88

Six of the ten acquisitions reviewed for the purpose of the audit were of individual homes. For five of these six acquisitions, the delegate's identity was recorded and the approved first offer and purchase prices were consistent with the financial delegation of the approving officer. For the sixth acquisition, a record of the delegate's approval could not be located. Four of the ten acquisitions reviewed consisted of multiple units within multi-unit developments, or multiple adjacent land sites. For these acquisitions, financial delegations were exercised in accordance with the contract values for individually titled units or sites, not for the total acquisition. That is, while the acquisition prices of individual units or sites were within the financial delegation of the approving officer, the total value of the acquisition exceeded their financial delegation. 4.92

Review of offer and purchase prices for acquisitions of ten public housing homes compared to corresponding valuation reports shows that all offer prices were within valuation ranges and eight purchase prices were within valuation ranges. The purchase prices for two of the ten acquisitions reviewed were above valuation ranges. For one of these two acquisitions, a suitable minute for approval to establish a purchase price threshold above valuation range was approved by the Executive Branch Manager, Infrastructure and Contracts. However, for the other acquisition, which was approved in August 2020 (before implementation of the *Valuation Guidelines*), there was no record of approval for a purchase price 11 percent above the valuation range. 4.96

Procuring building services

Residential Construction Building Contractors Panel

Housing ACT procures construction services through the *Residential Construction Building Contractors Panel* (Contractors Panel), established by Major Projects Canberra. Suppliers on the Contractors Panel are pre-approved to supply residential construction services to Housing ACT. Between 2019-20 and 2023-24, Housing ACT awarded 115 contracts with a total value of $360.6 million to suppliers from the Contractors Panel. These contracts ranged in value from $0.6 million to $20.4 million. 5.13

Roles and responsibilities

The *Tender Evaluation Plan* template describes in detail the roles and responsibilities of officers involved in procuring construction services from the Contractors Panel. For all ten of the procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* clearly identified the officers who would fill each role. In general, there was a clear separation of duties for the procurements. For all ten of the procurements reviewed, the delegate that approved the award of the contract to the recommended supplier was a different person to the Evaluation Team and Advisors and to any Senior Directors who endorsed recommendations made by the Evaluation Team. 5.28

The *Capital Works Procurements Standard Operating Procedure* describes processes for the review of procurement documentation by senior officers and approval of procurement documentation by a delegate. For all ten of the procurements reviewed for the purpose of the audit, senior officer review, and delegate approval of, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender*, the *Tender Evaluation Plan* and the *Tender Evaluation Report* was consistent with the requirements of the *Capital Works Procurements Standard Operating Procedure*. For all ten of the procurements, approval to enter into contracts with preferred suppliers was given by a delegate in accordance with financial delegation limits. 5.35

The *Capital Works Procurements Standard Operating Procedure* and *Tender Evaluation Plan* template do not specify a minimum number of members for an Evaluation Team or minimum expertise or training requirements for Evaluation Team members. Housing ACT's current practice is for the Evaluation Team to be composed of three officers from the Infrastructure Delivery team, with representation from the team responsible for construction design and officers oversighting the construction project. If sufficient officers from the Infrastructure Delivery team are not available, the third member will be a representative from the procurement team. 5.46

Of the ten procurements reviewed for the purpose of the audit, seven had three-person Evaluation Teams and three had two-person Evaluation Teams. One of these procurements commenced with a two-person Team, while two of the procurements 5.47

received approval to continue despite the unexpected absence of a Team member. Since 2020, when an Evaluation Team member needed to be replaced, the reason for their replacement and approval processes for their replacement were recorded in the *Tender Evaluation Report*.

The *Tender Evaluation Plan* template envisages Specialist and/or Additional Advisors to assist with the evaluation of tenders, including by preparing factual reports and providing advice for the Evaluation Team's consideration. Procurement Advisors were clearly identified in *Tender Evaluation Plans* and, when specialist advice was commissioned by an Evaluation Team, the Specialist Advisor and the advice provided was clearly recorded in the *Tender Evaluation Report*. Of the ten procurements reviewed for the purpose of the audit: two featured specialist advice that was sought from Housing ACT officers; and three featured independent Quantity Surveyor's reports to support an assessment of value for money. In each case, the *Tender Evaluation Report* effectively identified the Advisor and included an explanation of the advice received by the Evaluation Team. 5.55

The *Tender Evaluation Plan* template requires Evaluation Team members, advisors and officers handling tender documents to disclose any actual or apparent conflicts of interest through a *Conflict of Interest Disclosure* and to complete a *Confidentiality Undertaking*. For the ten procurements reviewed for the purpose of the audit, a *Conflict of Interest Disclosure* and *Confidentiality Undertaking* was recorded for all Evaluation Team members and Specialist Advisors, except for one instance where a Specialist Advisor's completed forms could not be located. In two of the ten procurements reviewed, an Evaluation Team member was replaced due to a declared conflict. In both instances there was a record of the delegate approving the change and the changed composition of the Evaluation Team was also recorded in the *Tender Evaluation Report*. 5.61

Selecting suppliers

The *Panel Management Plan* identifies criteria, and the *Capital Works Procurements Standard Operating Procedure* identifies considerations to be taken into account, for selecting suppliers to receive a *Request for Quotation* or *Request for Tender*. Since 2021, Housing ACT has used data held in Fulcrum to generate a monthly *Builders Capacity Report* that shows financial data for suppliers on the Contractors Panel to assist with its decision-making. However, Housing ACT has not developed formal procedural guidance that clearly documents the complete set of considerations and information required to be used in the selection process. This creates a risk that different officers may apply considerations and information differently when selecting suppliers to receive requests. 5.74

For the ten procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* showed that there were at least three suppliers selected to receive each Request. However, the authorising documents did not explain how or why the three suppliers had been selected. 5.75

For nine of the ten procurements reviewed for the purpose of the audit, between three to five suppliers received requests and at least two quotes or tenders were received. In one procurement, which was conducted in 2019, three suppliers received the request, one tender was received and was evaluated without seeking tenders from additional suppliers. The reasons for not seeking tenders from additional suppliers were not documented in the *Tender Evaluation Report*. 5.79

Conducting the evaluation

The *Tender Evaluation Plan* template describes the process to be followed in evaluating tenders and preparing the *Tender Evaluation Report*. For the ten procurements reviewed for the purpose of the audit, there was evidence that key process steps were correctly followed including: 5.84

- suppliers approached and tenders evaluated in accordance with procurement authorisations;
- key content, such as scopes of work and evaluation criteria, being consistent across the *Request for Quotation* or *Request for Tender*, the *Evaluation Plan* and *Tender Evaluation Report*;
- the *Tender Evaluation Report* being prepared and signed by the Tender Evaluation Team; and
- recommendations made in the *Tender Evaluation Report* being approved by an appropriate delegate.

The *Tender Evaluation Plan* template requires tenders to be evaluated against the *Request for Quotation* or *Request for Tender* requirements including Threshold Assessment Criteria, Weighted Assessment Criteria and Non-weighted Assessment Criteria. The *Tender Evaluation Reports* reviewed for the purpose of the audit demonstrated compliance with these requirements. In doing so the reports provided an appropriate quality of narrative for assessments against the Weighted Assessment Criteria, including an outline of the strengths and weaknesses of the tenders with reference to the key elements of the assessment criteria and the numerical scores assigned, and identified and rated key risks for each tender received. The level of detail provided by *Tender Evaluation Reports* improved during the course of the Program. 5.99

The *Tender Evaluation Plan* template requires a pricing assessment based on variation between tendered prices and the average of all tendered lump sum prices and the project budget. The *Tender Evaluation Reports* reviewed for the purpose of the audit did not take a consistent approach to documenting pricing assessments. Although different methods and information were used, in each case where there were multiple tenders the pricing assessment allowed for comparison between tendered prices. 5.104

The *Tender Evaluation Plan* template requires that a value for money assessment be made based on scores against the Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and identified risks. All *Tender Evaluation* 5.113

Reports reviewed for the purpose of the audit included an overall value for money assessment that made reference to Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and risks.

Tender Evaluation Reports for the ten procurements reviewed for the purpose of the audit did not take a consistent approach to demonstrating value for money when tendered costs were above project budgets. Independent Quantity Surveyors Reports were used to evidence value for money for three procurements that had tendered costs five percent or more above budget, whereas *Tender Evaluation Reports* for three other procurements did not reference independent Quantity Surveyors Reports and attributed costs five percent or more above budget to market conditions. 5.114

Recommendations

Recommendation 1	Probity management

Housing ACT should, with the support of an independent probity advisor, conduct a probity risk assessment and implement a probity plan for the *Growing and Renewing Public Housing Program*. The probity plan should:

a) identify specific probity risks for the different activities undertaken through the Program;

b) explicitly document risk treatments; and

c) be subject to regular review as part of an assurance program.

Recommendation 2	Asset Assessment Panel member conflict of interest declarations

Housing ACT should maintain a register of Asset Assessment Panel members' *Confidentiality and Conflict of Interest Undertakings*.

Recommendation 3	Records of decisions

Housing ACT should ensure that records of decisions made by the Asset Assessment Panel about public housing homes include:

a) clear and logical explanation of the criteria on which the decision was based and how the home was assessed against these criteria (including all information and considerations that were relevant and important for the decision); and

b) clear identification of all Panel members present in the meeting and responsible for making the decision.

Recommendation 4 Procedural guidance

Housing ACT should review and update its procedural guidance for selling and buying public housing homes so that it provides clear and consistent guidance, including by:

a) updating the Auctions Standard Operating Procedure and Acquisitions Standard Operating Procedure; and

b) ensuring policies about price setting, including the use and applications of the *Valuation Guidelines* are widely communicated and applied.

Recommendation 5 Record keeping

Housing ACT should implement a consistent template to record officers' recommendations and delegates' approvals to set reserve, offer, sales and purchase prices for public housing homes. The template should contain:

a) the complete set of data and information on which recommended prices are based;

b) a checklist or similar information evidencing completion of required process steps;

c) a clear and dated record of officers' recommendations and delegates' approvals, including approvals for initial reserve and offer prices and final sale and purchase prices; and

d) the positions held by officers at the time of signature.

Recommendation 6 Composition of Tender Evaluation Teams

Housing ACT should formally document its requirements for the formation of Tender Evaluation Teams for the procurement of construction services by specifying:

a) the minimum number of team members;

b) requirements for professional learning and experience; and

c) expertise to be represented in a Team.

Recommendation 7 Selecting suppliers to receive requests for quote or tender

Housing ACT should develop procedural guidance that identifies:

a) the complete information and considerations required to be used to select suppliers on the Residential Construction Building Contractors Panel to receive requests for quotation or tender; and

b) requirements for documentation of the considerations in the *Procurement and Contract Authorisation Minute (PCAM) Part A*.

Agency response

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, Housing ACT (Community Services Directorate) was provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment. All comments were considered and required changes were reflected in the final report.

The following comments were provided for inclusion in this Summary chapter.

Community Services Directorate

The Community Services Directorate (CSD) acknowledges the findings and recommendations of the ACT Audit Office's Report on the management of the Growing and Renewing Program (the Program) since its establishment in 2019.

CSD supports the Audit finding that processes for procuring building services were well managed, roles and responsibilities were clearly defined, and that conflicts of interest were effectively handled. Regarding Audit recommendations, CSD is committed to continuous improvement and exploring ways to improve outcomes for our clients and communities in the remaining time of Program operation.

As we draw towards the end of year six of the eight-year Program, CSD remains committed to providing more, better, fit-for-purpose public housing to meet the needs of our tenants, now and into the future.

As at 31 December 2024, CSD has delivered 972 dwellings, comprising 764 dwellings constructed, and 208 dwellings purchased under the Program. Of those 764 construction dwellings, 98% are designed to Class C adaptable or Liveable Gold Standard, with an aim to achieve 90% across all constructions by end of Program.

New commitments made by the ACT Government in the last six months further expand the trajectory and scope of increasing the ACT's housing supply.

1 Introduction

Public housing in the ACT

1.1 Public and community housing homes are intended to meet the needs of a broad cohort of tenants on low incomes.

1.2 ACT Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* explains the different types of public and community housing homes available in the ACT and shows how demand for these housing types has increased.

1.3 On 30 June 2024, Housing ACT managed:

- approximately 10,900 public housing homes (these homes are owned by the Territory and tenancies are managed by Housing ACT); and
- approximately 820 community housing homes (these homes are owned by the Territory and tenancies are managed by non-government organisations).

Terminology used in this report

This report uses the term 'public housing' to describe generalist public or community housing that is owned by the Territory and is included in the *Growing and Renewing Public Housing Program*.

Growing and Renewing Public Housing Program

1.4 The *Growing and Renewing Public Housing Program* (Program) is intended to:

- increase the number of public housing homes owned by the Territory from approximately 11,700 in 2019 to approximately 12,100 in 2027 (an increase of 400 homes);
- improve the quality of public housing homes by building new homes that are energy efficient and accessible and adaptable to meet the needs of tenants with disability and older tenants;
- continue the low-density, evenly distributed nature of public housing; and
- improve the wellbeing of public housing tenants.

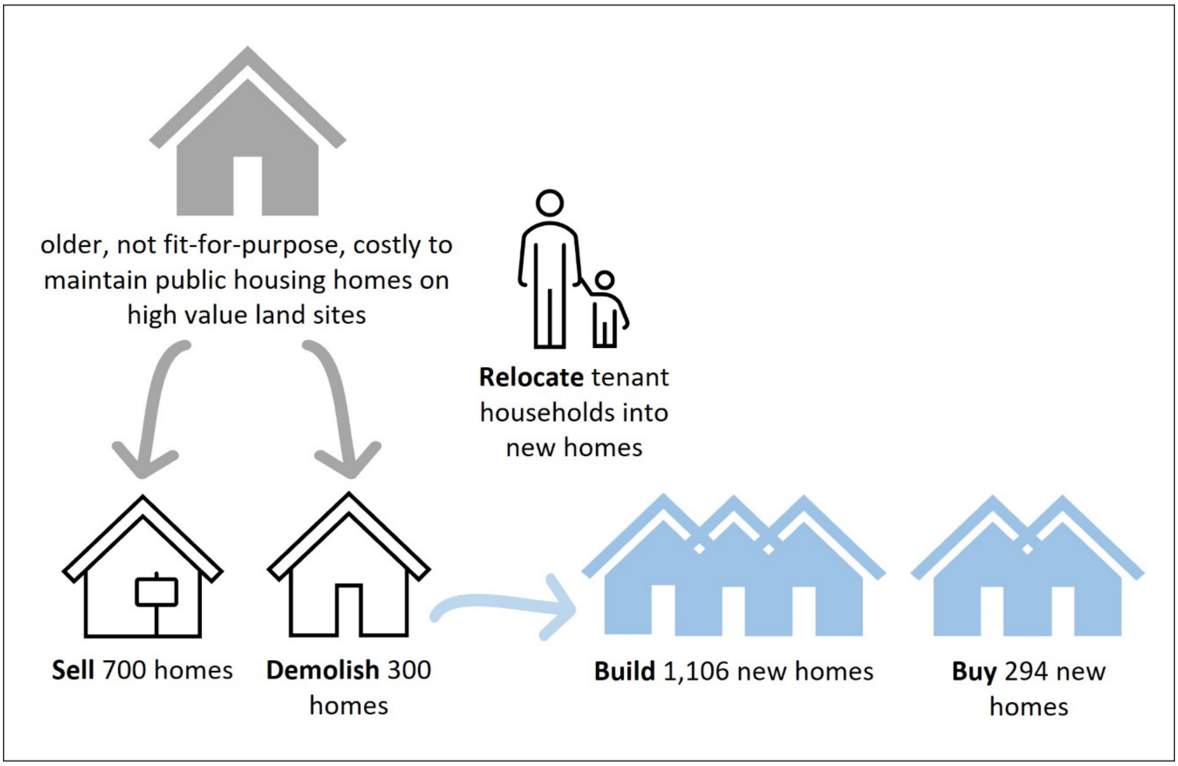
1.5 The Program is intended to achieve these objectives by:

- selling approximately 700 public housing homes to raise revenue for the Program;
- demolishing approximately 300 public housing homes to allow for new homes to be built on these land sites;
- building 1,106 new public housing homes on existing and new land sites; and
- buying 294 new public housing homes.

1.6 Figure 1-1 shows the key activities of the Program.

1.7 ACT Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* provides a more detailed explanation of the objectives and activities of the Program.

Figure 1-1 Key activities of the Growing and Renewing Public Housing Program



Source: ACT Audit Office.

Program budget and timeline

1.8 The Program commenced in July 2019 and is intended to be completed by June 2027.

1.9 Housing ACT estimates the total cost of the Program will be approximately $867 million. Program funding is currently planned to consist of:

- approximately $593 million (70 percent) revenue from sales of public housing homes and land sites and other capital revenue diverted; and
- approximately $257 million (30 percent) appropriation funding.

1.10 Between 2019-20 and 2026-27 the Program is intended to spend:

- approximately $656 million to build 1,106 new public housing homes; and
- approximately $175 million to buy 294 new public housing homes.[1]

1.11 An additional 55 to 65 new public housing homes are also intended to be built or purchased using funding provided by the Australian Government's Social Housing Accelerator. These new public housing homes are not included in the Program.

Housing ACT

Commissioner for Social Housing

1.12 The *Housing Assistance Act 2007* establishes the role and powers of the Commissioner for Social Housing (Commissioner). The Commissioner, through Housing ACT, is responsible for providing social housing in the ACT.

1.13 The Director-General of the Community Services Directorate is appointed as the Commissioner.

Housing ACT

1.14 On behalf of the Commissioner, Housing ACT is funded for the purpose of providing public and community housing. Housing ACT also receives funding to support the specialist homelessness sector.

1.15 Housing ACT is a division of the Community Services Directorate, reporting separately as a public trading enterprise and treated as a not-for-profit entity under Australian Accounting

[1] The Program is also intended to incur approximately $36 million in other costs, including Program staffing and tenant relocations.

Standards. As such, Housing ACT is a separate reporting entity with its own financial information and strategic and accountability indicators, distinct from those of the Community Services Directorate.

1.16 While some functions that contribute to the delivery of the Program, such as communications, are provided by centralised business units within the Community Services Directorate, most management and administration activities for the Program are the responsibility of the Infrastructure and Contracts and Client Services Branches within Housing ACT.

Infrastructure and Contracts Branch

1.17 Housing ACT's Infrastructure and Contracts Branch manages and administers activities to sell, buy and build public housing homes.

Client Services Branch

1.18 Housing ACT's Client Services Branch manages public housing tenancies and contributes to decision-making about public housing homes.

Audit objective and scope

Audit objective

1.19 The objective of the audit was to assess the effectiveness of Housing ACT's management of the *Growing and Renewing Public Housing Program*.

Audit scope

1.20 The audit considered Housing ACT's practices, during the period July 2019 to March 2024, for:

- making decisions about the sale and redevelopment of public housing homes;
- selling and buying public housing homes; and
- procuring construction services to build new public housing homes.

1.21 A key focus of the audit was Housing ACT's Asset Assessment Panel and its administrative and decision-making processes. In relation to decision-making for the public housing portfolio, the audit considered:

- the use of information and data to inform decisions about selling or redeveloping public housing homes;

- practices for applying required criteria to make decisions about the sale or redevelopment of public housing homes;
- practices for recording Asset Assessment Panel decisions; and
- practices for escalating Asset Assessment Panel decisions for review.

1.22 The audit also considered Housing ACT's activities to add to, or remove, homes from the public housing portfolio, including practices for:

- selling and buying public housing homes; and
- procuring services to build new public housing homes.

Out of scope

1.23 The audit did not consider:

- activities under the concluded *Public Housing Renewal Program* (2015 to 2019);
- decisions made by Housing ACT about public housing homes and land sites before July 2019 or after March 2024;
- the practices and decisions of Housing ACT's Tenant Relocation Exemptions Panel (TREP);
- activities to plan for future redevelopment of high-density, multi-unit public housing under the Multi-Unit Property Assessment Program; and
- acquisition of new public housing homes through the *Opportunities for Land, Properties or Development Purchases Expression of Interest* (EOI) tendering mechanism.

1.24 The audit did not consider activities to:

- establish supplier panels, including activities to establish the Residential Construction Building Contractors Panel;
- manage contracts and construction projects to build new public housing homes;
- provide assurance over the quality of newly built public housing homes or their long-term performance;
- provide general, routine maintenance of public housing homes; and
- provide general, routine tenancy management and support for public housing tenants.

1.25 The audit did not consider the activities of other ACT Government agencies, including:

- the Suburban Land Agency, to manage the ACT's suburban development program, including the release of land for the construction of new public housing or new housing generally; and
- the Environment, Planning and Sustainable Development Directorate, to manage the approval of Development Applications for new public housing homes.

Audit criteria, approach and method

1.26 The audit was performed in accordance with *ASAE 3500 - Performance Engagements.* The audit adopted the policy and practice statements outlined in the Audit Office's *Performance Audit Methods and Practices* (PAMPr) which is designed to comply with the requirements of the *Auditor-General Act 1996* and *ASAE 3500 - Performance Engagements.*

1.27 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.

Audit criteria

1.28 To form a conclusion against the objective, the following criteria were used:

- Criterion 1 - Has Housing ACT effectively managed and administered the Asset Assessment Panel to make decisions about selling public housing homes and redeveloping land sites?
  - Have the *Asset Assessment Form* and associated documents provided the information and data about public housing homes and tenants that are required by the *Asset Assessment Framework* and *Asset Assessment Panel Terms of Reference*?
  - Has the Asset Assessment Panel consistently applied the criteria specified in the *Asset Assessment Framework* and *Asset Assessment Panel Terms of Reference* to make decisions about public housing homes?
  - Have decisions made by the Asset Assessment Panel been effectively recorded in *Records of Decision*?
  - Have complex and sensitive decisions proposed to be made by the Asset Assessment Panel been consistently escalated for review?
- Criterion 2 - Has Housing ACT effectively managed and administered the procurement of services to build new public housing homes from the Residential Construction Building Contractors Panel?
  - Were roles and responsibilities in procurement processes clearly identified?
  - Was open and effective competition demonstrated and did suppliers have equitable opportunity to participate in procurement processes?

   - Were *Evaluation Plans* implemented consistently, including evaluation of tenders against established criteria?
   - Was probity and ethical behaviour demonstrated, including effective management of conflicts of interest?
- Criterion 3 - Has Housing ACT effectively managed and administered the sale and purchase of public housing homes in the general property market?
   - Were conflicts of interest and fraud risks associated with selling and buying public housing homes effectively managed?
   - Were valuation, property assessment and market analysis processes conducted as required to support best possible sales and purchase prices?

Audit approach and method

1.29 The audit approach and method consisted of:

- reviewing recent research, reviews and evidence for better practice in management of public housing assets in the Australian context;
- reviewing ACT Government probity management and procurement standards and guidelines;
- reviewing Housing ACT policies, frameworks, standard operating procedures and other procedural guidance documentation associated with operational management and administration of activities to deliver the Program;
- interviews and discussion with staff in Housing ACT; and
- testing Housing ACT documentation.

Housing ACT documentation testing

1.30 The audit included a review of Housing ACT documentation for:

- decisions associated with the sale and redevelopment of public housing homes;
- processes for the selling and buying of public housing homes in the general property market; and
- the procurement of construction services to build new public housing homes.

1.31 The audit included a review of:

- 50 decisions made by Housing ACT's Asset Assessment Panel to sell or redevelop a public housing home (seven percent of the 699 decisions to sell or redevelop a public housing home that were made by the panel between July 2019 and March 2024);
- 30 sales of public housing homes (six percent of the 519 sales of public housing homes made by Housing ACT between July 2019 and March 2024);

- ten acquisitions of public housing homes from the general market (eight percent of the 127 new public housing homes acquired from the general market by Housing ACT between July 2019 and March 2024); and
- ten procurements of building services to build new public housing homes (9 percent of the 115 procurements of building services undertaken by Housing ACT between July 2019 and March 2024).

1.32 The decisions, sales, acquisitions and procurements reviewed by the Audit Office are shown in Appendix A.

1.33 The Audit Office engaged O'Connor Marden & Associates (OCM) to conduct aspects of audit fieldwork and provide advice about better practice in public sector decision making and probity management. OCM is an Australian consultancy services firm.

2 Probity management

2.1 This chapter considers how probity has been recognised and managed for the *Growing and Renewing Public Housing Program*.

Summary

Conclusions

There are significant probity risks for the Growing and Renewing Public Housing Program. The Program is a large, complex program of capital works with an $867 million budget and eight-year timespan, which involves the disposal of more than $600 million worth of assets and procurement of more than $600 million worth of goods and services.

Probity risks of this magnitude warrant significant probity governance and management arrangements. In implementing the Program, however, Housing ACT did not undertake a probity risk assessment, develop a probity plan or engage an independent probity advisor or probity auditor.

Key findings

Probity risks for the Growing and Renewing Public Housing Program	Paragraph
The *Growing and Renewing Public Housing Program* (Program) is a large, complex program of capital works with an $867 million budget and eight-year timespan. The ACT Government's *Probity in Procurement Guide* offers guidance on the management of probity risk. According to the guide, probity risk indicators for the Program suggest that it involves medium to high/extreme probity risks. Probity risks of this magnitude warrant management through formalised probity planning, independent probity advice and probity auditing.	2.15
Various program governance documents have been developed to guide the management and implementation of the Program, including the *Governance Framework*, *Project Plan*, *Risk Management Guidelines*, *Risk Register* and *Annual Assurance Plan*. Other documents were also developed for the specific needs and purpose of the Government Procurement Board. In different ways, and through different perspectives, these program governance documents recognise probity risks to the Program and probity principles to be adhered to. However, a comprehensive and complete set of probity risks across all Program activities is not documented in a probity plan, and risk treatments are not described with sufficient detail in the *Risk Register* or *Annual Assurance Plan* to support effective implementation or robust review. Additionally, Housing ACT has not engaged an independent probity advisor or probity auditor.	2.39

Specific probity management practices

All Housing ACT officers are required to complete mandatory eLearning modules *Fraud and Ethical Behaviour* and *Making Decisions with Integrity*. Officers involved in procurement activities are also required to have completed the ACT Government's *Probity in Procurement* eLearning module within the last 12 months. Monitoring the completion of the *Fraud and Ethical Behaviour* and *Making Decisions with Integrity* eLearning modules is the responsibility of supervisors. Monitoring the completion of the *Probity in Procurement* module is the responsibility of Housing ACT's Procurement Team. The Program's *Risk Register* and *Annual Assurance Plan* do not identify the full list of training modules required to be undertaken or mechanisms or plans for monitoring their completion. The audit did not review completion rates for mandatory training modules. 2.46

ACT Government legislation and guidance

Government Procurement Act 2001

2.2 The procurement of goods and services by Territory entities is guided by the *Government Procurement Act 2001* (the Act), the *Government Procurement Regulation 2007* (the regulation) and the *Government Procurement Rules 2024*.

2.3 Versions of the Act active during the course of the Program required Territory entities to 'pursue value for money in undertaking any procurement activity'. Subsection 22A(3) of the Act stated that, in pursuing value for money, Territory entities must have regard to probity and ethical behaviour and management of risk.

2.4 An amendment of the Act, with effect from 1 July 2024, introduced two separate sections dealing with the concepts of value for money and probity. At present, the Act considers a procurement to be undertaken with probity if:

- the Territory entity's behaviour is ethical and there is evidence of this behaviour; and
- the procurement is undertaken with integrity, uprightness and honesty.

2.5 Housing ACT's activities to deliver the Program are subject to the requirements of the Act and its subordinate regulations and guidance.

Probity in Procurement Guide

2.6 The ACT Government's *Probity in Procurement Guide*[2] (Guide) provides guidance for Territory entities on applying probity in procurement. The guidance is relevant and useful for Housing ACT's activities for the Program as a whole.

2.7 The Guide states:

> Probity must be observed at each phase of procurement. The following probity principles apply to all procurements. They help guide Territory Entities to make decisions that demonstrate probity as required in section 7 of the Act.
>
> 1. Consideration of an appropriately competitive process
>
> 2. Fairness and impartiality
>
> 3. Consistency, transparency, and accountability
>
> 4. Identification and management of conflicts of interest
>
> 5. Appropriate security and confidentiality arrangements

2.8 The Guide requires ACT Government agencies to:

> … assess the level of probity risk by completing a risk assessment during the planning stage of a procurement to establish the appropriate risk rating and inform the decision as to appropriate risk treatments.

2.9 Following the assessment of probity risk, the Guide suggests that a probity plan be developed for procurements 'typically [with] a rating of medium to high/extreme risk'. The probity plan:

> … details the agreed probity arrangements for a particular procurement to ensure an appropriate level of governance and application of this guide and address any specific probity risks.

2.10 The Guide further discusses the engagement of a probity advisor or probity auditor:

> Typically, a Territory Entity that requires assistance in identifying and managing a range of medium, high, or extreme probity risks in a procurement should engage a probity advisor. A Territory Entity that requires a high level of independent verification that a completed tender process adhered to the ACT Government's procurement framework, should engage a probity auditor.

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[2] *Probity in Procurement Guide*, Procurement ACT, Chief Minister, Treasury and Economic Development Directorate, July 2024 V4.0. The Guide has been updated several times during the course of the Program, but prior versions were not significantly different to the current version in terms of the principles articulated and guidance provided.

Probity risks for the Growing and Renewing Public Housing Program

Probity risks

2.11 The *Growing and Renewing Public Housing Program* (Program) is a large, complex program of capital works with an $867 million budget and eight-year timespan. The Program includes activities to:

- sell 700 public housing homes (disposing of approximately $593 million worth of assets and generating revenue for the Program);
- buy 294 public housing homes (procurement of approximately $175 million worth of assets); and
- build 1,106 new public housing homes (procurement of approximately $656 million worth of building services).

2.12 The ACT Government's *Probity in Procurement Guide* provides guidance with respect to probity risk indicators and suggested risk treatments. These are shown in Appendix B.

2.13 Probity risk indicators for the Program include:

- total costs that are high relative to the types of activities normally undertaken by Housing ACT (expenditure of $867 million over eight years);
- a requirement for Housing ACT to generate an income stream from sales of approximately $582 million worth of public housing homes;
- a high and sustained level of engagement with suppliers (for example, engagement with real estate agents, valuation services, architects and builders over an eight-year period to deliver approximately $851 million worth of new public housing homes); and
- high levels of potential sensitivity and public interest (for example, in sales of public housing homes and relocations of public housing tenants).

2.14 According to the *Probity in Procurement Guide* these probity risk indicators indicate that there is a medium to high/extreme risk associated with the Program, and that these risks should be addressed through:

- formalised probity planning; and
- independent probity advice and probity audit.

2.15 The *Growing and Renewing Public Housing Program* (Program) is a large, complex program of capital works with an $867 million budget and eight-year timespan. The ACT Government's *Probity in Procurement Guide* offers guidance on the management of probity risk. According to the guide, probity risk indicators for the Program suggest that it involves medium to high/extreme probity risks. Probity risks of this magnitude warrant management through formalised probity planning, independent probity advice and probity auditing.

Program governance documents

2.16 Housing ACT documented principles and practices for the management of risks through various program governance documents, including a:

- *Governance Framework*;
- *Project Plan*;
- *Risk Management Guidelines*;
- *Risk Register*; and
- *Annual Assurance Plan*.

Governance Framework

2.17 The purpose of the *Governance Framework* is to:

> … outline the governance arrangements for the [Program]. It provides details of how the Program is governed and should be read in conjunction with the Growing and Renewing Public Housing 2019 - 2024 Project Plan.

2.18 The *Governance Framework* does not specifically refer to principles of probity or probity management, but does reference the principles of transparency and accountability:

> The Project Plan outlines the Governance Framework for the Program and covers decision-making processes and details roles and responsibilities to ensure the Program is accountable and transparent.

Project Plan

2.19 The *Project Plan* is:

> … a high-level management document that prescribes the project methodology to develop and implement the Growing and Renewing Program. It is owned, maintained and utilised by Housing ACT Procurement and Governance Team (Governance Team) to ensure the delivery of defined project outcomes.
>
> The document will be reviewed and amended to meet changing conditions or objectives during the program's life span.

2.20 The *Project Plan* identifies the importance of probity in the management of the program:

> The framework for the Growing and Renewing Program is built upon six underlying principles: Accountability, Transparency, Integrity, Stewardship, Leadership and Efficiency.

2.21 The *Project Plan* describes the Integrity principle as follows:

> a) Promote a culture of fiscal responsibility, prudence and probity and we expect to communicate with staff and stakeholders in a straightforward, honest and objective way.
>
> b) Provide training and support to our staff to build their knowledge and skills.
>
> Fulfilling these commitments will ensure that the Directorate and its staff display high standards of ethics and probity in the stewardship of public funds and resources and in managing the Directorate's responsibilities and relationships.

2.22 The *Project Plan* identifies a series of government priorities associated with the Program. Under the *Accountability* priority the *Program Plan* identifies a series of benefits, one of which is:

> Defined points of accountability to act impartially and ethically to meet community expectations of integrity, transparency and openness.

2.23 Under the *Risk Intelligence and Management* priority the *Program Plan* identifies a series of benefits, some of which include:

> Decreased conflicts and potential fraud.
>
> …
>
> Increased levels of transparency, trust and integrity, all of which create an environment conducive to reducing risks, opportunities for corruption and any source of mismanagement.

2.24 Under the *Procurement* priority the *Program Plan* identifies a series of benefits, some of which include:

> Value for money.
>
> Open and effective competition.
>
> Meeting probity requirements.

Probity Plan

2.25 In a table that outlines a series of deliverables associated with the Program, the *Project Plan* identifies that the development of a Probity Plan would be a component of the Procurement Strategy.

2.26 In a table that identifies key Program stakeholders and their needs and level of influence, the *Project Plan* identifies the following management and communication strategies with respect to Procurement ACT:

> Regular meeting to outline procurement requirements.
>
> Engagement of dedicated senior officers from IFCW and Housing ACT.

Probity and specialist advice (as required).

2.27 Despite the apparent probity risks associated with the Program and the intent recorded in the *Project Plan* to develop a probity plan, Housing ACT did not, as required by the *Probity in Procurement Guide*:

- formally undertake a probity risk assessment;
- develop a Program-specific probity plan; or
- engage a Program-specific probity advisor or probity auditor.

Risk Management Framework

2.28 With respect to the management of risk, the *Project Plan* identifies the development and implementation of a Risk Management Framework, comprising a Risk Management Plan and Risk Register.

Risk Management Guidelines and Risk Register

2.29 The Program's *Risk Management Guidelines* provide a framework for the management of risk. The Guidelines describe processes for the identification, assessment, management and reporting of risks and the use of a Program *Risk Register*.

2.30 The *Risk Register* (version May 2024) identifies a risk of 'fraudulent and criminal activities impacting progress and financials of the Program'. The risk is rated as medium. The risk controls are identified as:

Robust procurement practices.

Conflict of Interest processes in place.

All staff required to undertake Fraud and Ethics training.

Implementation of governance process for the Program.

Maintain ethical environment, with policies and processes in place.

Security measures for storage of confidential information.

Defined points of accountability to act impartially and ethically to meet integrity, transparency and openness.

Framework established for the management of public money and public property.

Delegations established within Housing ACT.

Monitoring by Senior Executives.

Internal and external audits undertaken during the Program.

Valuations policy and EOI assessment framework.

In-depth analysis of construction program including analysis of cost escalations, and construction milestones and management of project/program budgets.

2.31 The *Risk Register* identifies the effectiveness of the controls as adequate.

Annual Assurance Plan

2.32 The Program's *Annual Assurance Plan 2023-24* notes 'the ACT Housing Strategy: Growing and Renewing Public Housing: Governance Framework outlines how quality control and assurance will be achieved for the Program' and that 'this Annual Plan identifies areas of focus for First and Second Line of Defence assurance activities in 2023–24'.

2.33 The *Annual Assurance Plan 2023-24* provides high-level descriptions of assurance activities, some of which are specifically relevant to the probity of the management of the Program.

2.34 In relation to processes for the sale and acquisition of properties, the Assurance Plan specifically identifies the following activities:

Annual review of Frameworks for Sales and Acquisitions that include separation of duties, approvals and decision-making frameworks and compliance arrangements - annual.

Independent legal advice to undertake the necessary due-diligence and independent property valuation to validate sales and acquisitions - as required.

2.35 Housing ACT advised that planned annual review of Frameworks for Sales and Acquisitions was not conducted in 2023-24.

2.36 The use of valuations as a means of control in the sale and acquisition of properties is discussed further in Chapter 4.

2.37 In relation to processes for the procurement of building and construction services, the Assurance Plan specifically identifies the following activity:

Independent Quantity Surveyor advice on cost of constructions to inform budgets for construction projects - quarterly.

2.38 The management of probity risks in relation to procurement of building and construction services is discussed further in Chapter 5, including the use of quantity survey data as a means of control.

2.39 Various program governance documents have been developed to guide the management and implementation of the Program, including the *Governance Framework*, *Project Plan*, *Risk Management Guidelines*, *Risk Register* and *Annual Assurance Plan*. Other documents were also developed for the specific needs and purpose of the Government Procurement

Board. In different ways, and through different perspectives, these program governance documents recognise probity risks to the Program and probity principles to be adhered to. However, a comprehensive and complete set of probity risks across all Program activities is not documented in a probity plan, and risk treatments are not described with sufficient detail in the *Risk Register* or *Annual Assurance Plan* to support effective implementation or robust review. Additionally, Housing ACT has not engaged an independent probity advisor or probity auditor.

Recommendation 1 Probity management

Housing ACT should, with the support of an independent probity advisor, conduct a probity risk assessment and implement a probity plan for the *Growing and Renewing Public Housing Program*. The probity plan should:

a) identify specific probity risks for the different activities undertaken through the Program;

b) explicitly document risk treatments; and

c) be subject to regular review as part of an assurance program.

Specific probity management practices

Managing potential conflicts of interest

2.40 Specific practices for the management of potential conflicts of interest for the different activities associated with the Program are discussed in Chapters 3, 4 and 5.

Probity-related training

2.41 The provision of appropriate professional learning about the management of probity risks is an important element of probity management.

2.42 All Housing ACT officers are required to complete eLearning modules:

- *Fraud and Ethical Behaviour* (required to be completed within one month of commencement and to be repeated every 3 years); and
- *Making Decisions with Integrity* (required to be completed within three months of commencement and to be repeated every 2 years).

2.43 All Housing ACT officers involved in procurement activities are also required to have completed the ACT Government's *Probity in Procurement* eLearning module within the last

12 months. Housing ACT advised that the Procurement Team maintains a register of completion of the *Probity in Procurement* module and checks to ensure officers have completed the module before they participate in a procurement activity.

2.44 Housing ACT advised that monitoring the completion of the other eLearning modules is the responsibility of supervisors. Officers and their supervisors receive automated notifications of training modules due and overdue for completion and managers can view completion rates for their teams. The Community Services Directorate also provides a monthly report on completion rates for mandatory modules to Executive Branch Managers. The audit did not review completion rates for mandatory training modules.

2.45 The Program's *Risk Register* and *Annual Assurance Plan* do not identify the full list of training modules required to be undertaken or mechanisms or plans for monitoring their completion.

2.46 All Housing ACT officers are required to complete mandatory eLearning modules *Fraud and Ethical Behaviour* and *Making Decisions with Integrity*. Officers involved in procurement activities are also required to have completed the ACT Government's *Probity in Procurement* eLearning module within the last 12 months. Monitoring the completion of the *Fraud and Ethical Behaviour* and *Making Decisions with Integrity* eLearning modules is the responsibility of supervisors. Monitoring the completion of the *Probity in Procurement* module is the responsibility of Housing ACT's Procurement Team. The Program's *Risk Register* and *Annual Assurance Plan* do not identify the full list of training modules required to be undertaken or mechanisms or plans for monitoring their completion. The audit did not review completion rates for mandatory training modules.

3 Making decisions about public housing homes

3.1 To deliver the *Growing and Renewing Public Housing Program* (Program) Housing ACT's Asset Assessment Panel must select:

- approximately 700 public housing homes for sale; and
- approximately 300 public housing homes for redevelopment.

3.2 This chapter discusses the practices of the Asset Assessment Panel in making decisions to sell or redevelop public housing homes between July 2019 and March 2024.

3.3 Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* discussed the operation of the Asset Assessment Panel and the effectiveness of its guidance documents.

Summary

Conclusions

Housing ACT's management and administration of the Asset Assessment Panel (Panel) to make decisions about selling and redeveloping public housing homes has not been fully effective.

The Panel has not had access to all the information and data about public housing homes and the tenants living in them that was required by Housing ACT's *Asset Assessment Framework* and the Panel's *Terms of Reference*.

Many decisions made by the Panel have not been effectively recorded. Records of Panel decisions do not systematically or consistently record the assessment criteria applied, the rationale for the decision or the identity of all members responsible for making the decision. The lack of clear and complete records for Panel decisions compromises the integrity and transparency of the decision-making process.

Key findings

Asset Assessment Panel composition and administration	Paragraph
Housing ACT's Asset Assessment Panel (Panel) is responsible for making decisions about the retention, sale or redevelopment of public housing homes. In the five financial years 2019-20 to 2023-24, the Panel made 699 decisions to sell or redevelop a public housing home. When the Program commenced, the Panel had representatives from five different teams from the Infrastructure and Contracts Branch (Asset Planning, Asset Delivery and Contract Management) and Client	3.18

Services Branch (Tenant Experience and Relocation and Allocations). These teams were involved in the management of public housing homes as physical assets and in the management of public housing tenancies. Since November 2021, the Panel has consisted only of representatives from the team responsible for strategic management of the public housing asset portfolio; the Portfolio Planning and Alignment team (formerly Asset Planning), in the Infrastructure and Contracts Branch, and has not included a representative of the Client Services Branch as a core member. This introduces a risk that the perspective of teams managing public housing tenancies may not be included in Panel decision-making.

An *Asset Assessment Form* is prepared for each public housing home for which a decision is to be made. This form is provided to various teams for input, including teams from the Client Services Branch. The Asset Assessment Panel's *Terms of Reference* provide for the Client Review and Response and Tenant Experience teams 'to provide further detail relating to tenancy sustainability within the neighbourhood, if there are any specific tenant considerations or sensitivities, and any additional demand information from the Housing and Transfer registers'. Housing ACT advised that formal input from the Client Review and Response and Tenant Experience teams is not always received before the Panel meets and makes a decision about a home. Of 17 decisions to sell or redevelop a tenanted public housing home that were reviewed for the purpose of the audit, only four recorded information about the tenancy that had been provided by the Client Services Branch. 3.25

Prior to 2021 the *Terms of Reference* for the Asset Assessment Panel did not specifically mention practices for the management of conflicts of interest. Since November 2021 Panel members have been required to complete a *Confidentiality and Conflict of Interest Undertaking*, which provides for the Panel member to outline potential conflicts of interest, or assert that there are none, in relation to them, their partner or family member and to 'notify the chair of the Panel, should an asset/site in which I have an interest be within the immediate area of an asset being assessed'. Neither the *Terms of Reference* nor the *Undertaking* template specify who is responsible for reviewing the Panel's *Undertakings* nor the timing with which these documents should be refreshed and re-reviewed. Housing ACT advised that *Undertakings* completed by Panel members have been reviewed by the Chair of the Panel and *Undertakings* made by the Chair have been reviewed by the Executive Branch Manager, Infrastructure and Contracts. However, Housing ACT has not maintained records of these review processes, records of all officers who have served as a Panel member, disclosures of conflicts of interest made by those officers during their period of service or actions taken to manage any disclosed conflicts. 3.41

At the commencement of each Asset Assessment Panel meeting, the *Terms of Reference* provide for the Panel secretariat to 'ask if there are any perceived conflicts of interest with the properties listed for discussion' and the *Asset Assessment Framework* provides for the Chair to 'read through the properties to be discussed and call for members to declare any actual or perceived conflicts of interest'. Should this be the case, both documents require the Panel member to be excluded from the Panel's deliberations about such identified homes. Records of Panel meetings (*Summary of Meeting Outcomes*) from March 2022 onwards that were reviewed for the purpose of the audit contained a positive statement in relation to freedom from conflicts of interest, although it is noted that the records include only the name and 3.42

position of the Panel Chair and do not record the other Panel members who were present in the meeting.

Asset Assessment Panel decision-making processes

Information about public housing homes to be considered by the Asset Assessment Panel is captured in an *Asset Assessment Form* and accompanying documents. The quality and completeness of this information has evolved and varied during the course of the Program. The full set of information about the home and the tenants living in the home that was required by the *Asset Assessment Framework* and Panel *Terms of Reference* was not recorded for any of the 50 decisions reviewed for the purpose of the audit. 3.53

Information available to the Asset Assessment Panel about public housing homes and the tenants living in them has been inconsistent because: 3.54

- Housing ACT does not have a digital business system capable of providing complete, integrated, up-to-date information about public housing homes and tenancies; and
- homes were considered by the Panel under a wide range of circumstances, for which different levels of information were available.

The rationale for many decisions made by the Asset Assessment Panel has not been effectively recorded. In the initial years of the Program (2019 to 2020), Housing ACT kept limited records about the rationale for decisions made by the Panel to sell or redevelop public housing homes. Reasons for decision that were recorded were very brief and uninformative and Housing ACT did not record all the information considered by the Panel in relation to each decision, the specific criteria applied, or the rationale for the decision. From 2021 onwards, Housing ACT improved the quality of records kept about decisions made by the Panel. For decisions made between 2021 and 2024, Housing ACT has typically completed a short paragraph, within an *Asset Assessment Form*, that explains the rationale for the decision. 3.61

When the Program commenced, the criteria the Asset Assessment Panel used to make decisions about public housing homes were not defined. In June 2022, Housing ACT implemented the *Asset Assessment Framework* (alongside the Panel's *Terms of Reference*), which described in more detail the information and considerations to be used in making decisions about the sale and redevelopment of public housing homes. However, the criteria are inconsistently and imprecisely described and lack explicit instruction about how they are to be applied. Accordingly, members of the Panel are expected to use their professional expertise and judgement to apply the considerations specified in the *Asset Assessment Framework* and *Terms of Reference* to each criterion. 3.82

Because of the poor documentation and record-keeping associated with the Asset Assessment Panel and its decision-making processes and the inconsistent use of proforma documents and templates to support decision-making, it is not possible to identify whether the Panel has systematically or consistently applied assessment criteria in its decision-making. In the records reviewed for the purpose of the audit, 3.83

however, it is apparent that the Panel did not apply all the criteria specified in the *Asset Assessment Framework* and *Terms of Reference* to every decision.

The Asset Assessment Framework allows for the escalation of sensitive and potentially controversial Panel decisions. No decisions made by the Asset Assessment Panel were escalated for review between July 2019 and March 2024. Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* noted that thresholds or trigger points for escalation or review of decisions were not identified in the Framework and made a recommendation to implement a quality assurance framework that 'clearly [defines] decisions that must be escalated internally for review'. Housing ACT has not yet implemented this recommendation. 3.91

Asset Assessment Panel composition and administration

3.4 The Asset Assessment Panel (Panel) is responsible for making decisions about:

- the retention, sale or demolition of public housing homes; and
- the acquisition of new public housing homes and land sites.

3.5 The Panel makes decisions about five to 20 public housing homes each week. In the five financial years 2019-20 to 2023-24, the Panel made 699 decisions to:

- sell 564 public housing homes; and
- redevelop 135 public housing homes.

Policy and procedural guidance

3.6 Requirements for the operation of the Panel are outlined in:

- the *Asset Assessment Framework*[3];
- the Panel's *Terms of Reference*; and
- the *Asset Assessment Panel - Standard Operating Procedure*.

Asset Assessment Framework

3.7 The *Asset Assessment Framework* describes the considerations and mechanisms for making decisions about the sale and redevelopment of single occupancy or individually titled multi-unit public housing homes. The Framework does not apply to larger, high-density, multi-unit public housing.

[3] Variously referred to as the 'Asset Assessment Framework' and 'Asset Management Framework'.

Terms of Reference and Standard Operating Procedure

3.8 The operation of the Panel is specified in its *Terms of Reference* and the *Asset Assessment Panel - Standard Operating Procedure*.

3.9 The *Terms of Reference* include a *Consideration Matrix*, which provides a list of criteria for making decisions about public housing homes, high-level guidance about usage of the criteria and a list of information sources for the purpose of decision-making.

3.10 The *Asset Assessment Panel - Standard Operating Procedure* provides guidance about processes to be followed, and business systems to be used, in gathering information about public housing homes and documenting Panel decisions.

Membership of the Asset Assessment Panel

3.11 Requirements for membership of the Panel are outlined in its *Terms of Reference.*

3.12 There have been three versions of the *Terms of Reference* during the course of the Program:

- establishment version August 2019;
- updated version November 2021; and
- updated version August 2023.

3.13 Table 3-1 shows how requirements for Panel membership have changed in the three versions of the *Terms of Reference*.

Table 3-1 Membership of the Asset Assessment Panel

	August 2019	November 2021	August 2023
Core members - Infrastructure and Contracts Branch	Senior Director *and* Director Asset Planning Senior Director *or* Director Asset Delivery and Contract Management	Senior Director and Directors Portfolio Planning and Alignment	Senior Director, Director and Assistant Director Portfolio Planning and Alignment
Core members - Client Services Branch	Senior Director *or* Director Tenant Experience and Relocation and Allocations	None	None
Alternate members	Assistant Directors, Asset Planning, Asset Delivery, Tenant Experience or Relocations and Allocations	Assistant Director Portfolio Planning and Alignment	Senior Director or Director Contract Management
Chair	Senior Director Asset Planning (or another Senior Director panel member)	Senior Director or Director Portfolio Planning and Alignment	Senior Director or Director Portfolio Planning and Alignment
Quorum	3 members (who must represent different business delivery areas), including at least 1 Senior Director who is a core member	3 members	3 members
Guests and advisors	May be invited	May be invited	May be invited

Source: ACT Audit Office, based on *Terms of Reference* 2019, 2021 and 2023.

August 2019 Panel membership

3.14 When the Program commenced in 2019, the Panel was composed of Senior Directors representing five teams from the Infrastructure and Contracts Branch (Asset Planning, Asset Delivery and Contract Management) and Client Services Branch (Tenant Experience and Relocation and Allocations). These teams were involved in the management of public housing homes as physical assets and in the management of public housing tenancies. A quorum was only reached when three Senior Directors representing three different teams were present.

November 2021 Panel membership

3.15 In 2021, the Panel composition was changed to consist only of members of the Portfolio Planning and Alignment team (formerly Asset Planning) in the Infrastructure and Contracts Branch. Housing ACT advised that this change was made to address the increased workload for Panel members arising from the high volume of decisions being made to deliver the Program. This change meant that, from November 2021, core Panel members were only drawn from the team responsible for managing public housing homes as a physical asset and not from teams in the Client Services Branch responsible for management of public housing tenancies.

August 2023 Panel membership

3.16 At the time of audit reporting the Panel is composed of three core members:

- Senior Director, Portfolio Planning and Alignment (Chair) (delegation to approve expenditure and disposal of assets up to $3 million);
- Director, Portfolio Planning and Alignment (delegation to approve expenditure and disposal of assets up to $2 million); and
- Assistant Director, Portfolio Planning and Alignment (delegation to approve expenditure and disposal of assets up to $2 million).

3.17 A quorum of three members is required for decision making. In the absence of one of the three core members, the Senior Director or Director, Contract Management may join the Panel.

3.18 Housing ACT's Asset Assessment Panel (Panel) is responsible for making decisions about the retention, sale or redevelopment of public housing homes. In the five financial years 2019-20 to 2023-24, the Panel made 699 decisions to sell or redevelop a public housing home. When the Program commenced, the Panel had representatives from five different teams from the Infrastructure and Contracts Branch (Asset Planning, Asset Delivery and Contract Management) and Client Services Branch (Tenant Experience and Relocation and Allocations). These teams were involved in the management of public housing homes as physical assets and in the management of public housing tenancies. Since November 2021, the Panel has consisted only of representatives from the team responsible for strategic management of the public housing asset portfolio; the Portfolio Planning and Alignment team (formerly Asset Planning), in the Infrastructure and Contracts Branch, and has not included a representative of the Client Services Branch as a core member. This introduces a risk that the perspective of teams managing public housing tenancies may not be included in Panel decision-making.

Client Services Branch input

3.19 Since November 2021, the Panel has not included a representative of the Client Services Branch as a core member. However, the Panel's *Terms of Reference* do allow for officers from the Client Services Branch to join the panel as guests or advisors.

3.20 The *Asset Assessment Form* prepared for each public housing home for which a decision is to be made is provided to various teams for input. The *Terms of Reference* state:

> Once the Asset Assessment forms are complete, they are distributed to the following business units for input prior to the meeting:
>
> - Tenant Experience
> - Gateway Services
> - Client Review and Response
> - Contract Management Team
> - Infrastructure Delivery
> - Program Management Office

3.21 The *Terms of Reference* further state:

> Subsequently, Client Review and Response and Tenant Experience are asked to provide further detail relating to tenancy sustainability within the neighbourhood, if there are any specific tenant considerations or sensitivities, and any additional demand information from the Housing and Transfer registers.

3.22 The intent of this consultation was to identify situations in which it would be inappropriate to relocate tenants from their homes. Housing ACT advised that formal input was not always received before the Panel met and made a decision about the home.

3.23 The Audit Office reviewed records for 50 decisions to sell or redevelop a public housing home made between July 2019 and March 2024. Thirty of the 50 decisions were about homes that were recorded as being tenanted at the time of decision-making. It was evident that information about the tenancy had been provided by the Client Services Branch for four of these 30 decisions.

3.24 Between 2019 and 2023, following the Panel's selection of tenanted homes for sale or redevelopment, the Tenant Relocations and Allocations team engaged with tenants to explore options for their relocation into a new public housing home. The process through which the Tenant Relocation and Allocation team engaged with tenants was not considered in this audit.

3.25 An *Asset Assessment Form* is prepared for each public housing home for which a decision is to be made. This form is provided to various teams for input, including teams from the Client Services Branch. The Asset Assessment Panel's *Terms of Reference* provide for the Client Review and Response and Tenant Experience teams 'to provide further detail relating to tenancy sustainability within the neighbourhood, if there are any specific tenant considerations or sensitivities, and any additional demand information from the Housing and Transfer registers'. Housing ACT advised that formal input from the Client Review and

Response and Tenant Experience teams is not always received before the Panel meets and makes a decision about a home. Of 17 decisions to sell or redevelop a tenanted public housing home that were reviewed for the purpose of the audit, only four recorded information about the tenancy that had been provided by the Client Services Branch.

Managing conflicts of interest

Community Services Directorate requirements

3.26 Housing ACT officers are subject to the broader integrity framework and associated processes of the Community Services Directorate, as provided for by the *CSD Fraud and Corruption Prevention Framework*.

3.27 Housing ACT officers are required to complete a disclosure of actual, potential or perceived conflicts of interest when they commence employment. These disclosures are filed in a centralised register, which is maintained by the Community Services Directorate.

Conflict of interest disclosure for Panel members

3.28 Prior to 2021, the *Terms of Reference* did not specifically mention practices for the management of conflicts of interest for Panel members. In November 2021, a requirement was added to the *Terms of Reference*:

> A Confidentiality Undertaking and Conflict of Interest Disclosure form is to be signed by all Panel members declaring any potential or actual conflicts.

3.29 A *Confidentiality and Conflict of Interest Undertaking* template was specifically developed for members of the Panel. It is addressed 'Attention: Secretariat for the Panel'. It provides for the Panel member to outline potential conflicts of interest, or assert that there are none, in relation to them, their partner or family members:

- having 'any ownership interest in any other Assets or Sites' in the Territory;
- having 'been employed by, or engaged to provide services to, or received any payment from, any organisation which may constitute a conflict';
- being 'a director, secretary, officer, or employee of any other organisation which may constitute a conflict'; or
- being 'a debtor or creditor of any other organisation which may constitute a conflict'.

3.30 It also provides for the Panel member to 'notify the chair of the Panel, should an asset/site in which I have an interest be within the immediate area of an asset being assessed'.

3.31 Neither the *Terms of Reference* nor the *Confidentiality and Conflict of Interest Undertaking* template state who is responsible for reviewing the Panel's *Undertakings* nor the timing with which these documents should be refreshed and re-reviewed. However, the

Undertaking template does direct any disclosures of newly identified conflicts of interest to 'the Executive Branch Manager, Housing ACT, or delegate'.

3.32 Housing ACT does not maintain a register of:

- officers who have served as Panel members;
- *Confidentiality and Conflict of Interest Undertakings* that have been made by Panel members;
- any additional disclosures made by officers in relation to their role on the Panel; or
- actions taken to manage disclosed conflicts.

3.33 Housing ACT advised that *Confidentiality and Conflict of Interest Undertakings* completed by members of the Panel have been reviewed by the Chair of the Panel and *Undertakings* made by the Chair have been reviewed by the Executive Branch Manager, Infrastructure and Contracts. Housing ACT has not maintained records of these review processes.

3.34 *Confidentiality and Conflict of Interest Undertakings* made by Panel members that were reviewed for the purpose of the audit:

- identified assets (homes) located within the Territory that Panel members or their 'partner or family member' had financial interests in; or
- asserted that the Panel member or their 'partner or family member' did not have an interest in any assets (homes).

3.35 None of the *Undertakings* reviewed for the purpose of the audit identified any other interests, such as those outlined in paragraph 3.29.

Meeting procedure

3.36 In relation to the conduct of each meeting, the *Terms of Reference* state:

> Subsequently, at the beginning of each meeting the Panel's secretariat will ask if there are any perceived conflict of interest with the properties listed for discussion. In the instance there is, the Panel member will be precluded from the decision-making process on an individual property basis.

3.37 This requirement is reiterated in the *Asset Assessment Framework*, which states:

> Upon commencement of a meeting, the Panel's Chair will read through the properties to be discussed and call for members to declare any actual or perceived conflicts of interest, prior to the start of deliberations – should a conflict arise, the property/ies in question will be excluded from the Panel's deliberations, until a suitable replacement for the member has been identified.

3.38 Records of Panel meetings (*Summary of Meeting Outcomes*) from March 2022 onwards that were reviewed for the purpose of the audit contained a positive statement in relation to freedom from conflicts of interest, for example:

> The Panel confirms that there is no conflict of interest with the above-mentioned properties.

3.39 However, many records of Panel meetings record only the name and position of the Panel Chair and do not record the other Panel members who were present in the meeting and took part in the decision-making process.

Actions in response to declared conflicts

3.40 Housing ACT advised that, if a Panel member disclosed a conflict of interest with a decision to be made by the Panel, then that member was required to be replaced for the purposes of making that decision.

3.41 Prior to 2021 the *Terms of Reference* for the Asset Assessment Panel did not specifically mention practices for the management of conflicts of interest. Since November 2021 Panel members have been required to complete a *Confidentiality and Conflict of Interest Undertaking*, which provides for the Panel member to outline potential conflicts of interest, or assert that there are none, in relation to them, their partner or family member and to 'notify the chair of the Panel, should an asset/site in which I have an interest be within the immediate area of an asset being assessed'. Neither the *Terms of Reference* nor the *Undertaking* template specify who is responsible for reviewing the Panel's *Undertakings* nor the timing with which these documents should be refreshed and re-reviewed. Housing ACT advised that *Undertakings* completed by Panel members have been reviewed by the Chair of the Panel and *Undertakings* made by the Chair have been reviewed by the Executive Branch Manager, Infrastructure and Contracts. However, Housing ACT has not maintained records of these review processes, records of all officers who have served as a Panel member, disclosures of conflicts of interest made by those officers during their period of service or actions taken to manage any disclosed conflicts.

3.42 At the commencement of each Asset Assessment Panel meeting, the *Terms of Reference* provide for the Panel secretariat to 'ask if there are any perceived conflicts of interest with the properties listed for discussion' and the *Asset Assessment Framework* provides for the Chair to 'read through the properties to be discussed and call for members to declare any actual or perceived conflicts of interest'. Should this be the case, both documents require the Panel member to be excluded from the Panel's deliberations about such identified homes. Records of Panel meetings (*Summary of Meeting Outcomes*) from March 2022 onwards that were reviewed for the purpose of the audit contained a positive statement in relation to freedom from conflicts of interest, although it is noted that the records include only the name and position of the Panel Chair and do not record the other Panel members who were present in the meeting.

Recommendation 2	**Asset Assessment Panel member conflict of interest declarations**

Housing ACT should maintain a register of Asset Assessment Panel members' *Confidentiality and Conflict of Interest Undertakings*.

Asset Assessment Panel decision-making processes

Keeping records of Panel decisions

Better practice in documenting decision-making

3.43 Well-documented decision-making:

- promotes the appropriate, transparent and ethical use of public resources; and
- demonstrates compliance with legislation, policy and procedural requirements.[4]

3.44 Key features of well-documented decision-making are:

- clear and logical explanation of the reasons for a decision (setting out the factors and considerations that were relevant and important for the decision);
- clear identification of the process for making the decision and the responsible and accountable decision-maker(s); and
- genuine, accurate, complete and accessible records of the decision.

Information about public housing homes

Asset Assessment Form

3.45 Information about public housing homes to be considered by the Panel is captured in an *Asset Assessment Form*. The format and content of this form evolved during the course of the Program. Key versions were:

- a one-page *Property Profile* generated from data held in Housing ACT's Homenet database and additional information added manually (used in 2019 and 2020);
- an expanded *Property Profile* with additional fields for recording input provided by the Client Review and Response team and Tenant Experience team and a summary of the rationale for the Panel's decision (used in 2021); and

[4] ACT Audit Office, *Insights on documenting decision-making*, June 2024.

- a multi-page report generated from data held in Fulcrum (referred to as a *Fulcrum Report*) which also provides fields for recording Client Review and Response team and Tenant Experience team input and the rationale for the Panel's decision (used from early 2022 onwards).

3.46 Housing ACT's digital infrastructure consists of a series of un-linked databases, with some information about public housing homes and tenants also stored in paper files. This means the Panel does not have immediate access to complete, integrated and current data about public housing homes and tenancies within a single digital business system. Instead, static datasets are extracted from multiple source systems, such as Homenet, and used to automatically populate the *Asset Assessment Form*. Other information, such as input received from the Client Review and Response team and Tenant Experience team is added to the *Asset Assessment Form* manually.

Accompanying documents

3.47 For public housing homes referred to the Panel because they require significant repairs or upgrades, the *Asset Assessment Form* may be accompanied by supporting documents, including Property Condition Audit Reports, Engineering Reports and estimated costs of works, if these are available.

3.48 For public housing homes where the land site has previously been identified as suitable for redevelopment, the *Asset Assessment Form* may be accompanied by supporting documents and information evidencing the potential yield from the land site, such as Redevelopment Concept Designs, if these are available.

3.49 For public housing homes considered by the Panel as part of a systematic review of the public housing portfolio, and for homes referred to the Panel because of vacancy or through other tenancy management processes, there may be limited additional information accompanying the *Asset Assessment Form*.

3.50 Table 3-2 shows the information recorded in *Asset Assessment Forms* and accompanying documents compared to the information required to be considered in making decisions about public housing homes by the *Asset Assessment Framework* and Panel *Terms of Reference*. The table is based on Audit Office review of records for 50 decisions to sell or redevelop a public housing home made by the Panel between July 2019 and March 2024. Appendix A shows the decisions selected for review.

Table 3-2 Information about public housing homes

Information required by the Panel's Terms of Reference and Housing ACT's Asset Assessment Framework		Type of Asset Assessment Form		
		Property Profile (2019 to 2020)	Expanded Property Profile (2021)	Fulcrum Report (2022 to 2024)
Characteristics of the land site and home	**Block size**	Y	Y	Y
	Block gradient	Y	Y	N
	Planning zone	Y	Y	Y
	Tree coverage	Y	Y	N
	Heritage value	Y	N	N
	Number of bedrooms	Y	Y	Y
	Floor size	Y	Y	N
	Age	Y	Y	Y
	Proximity to services	S	S	N
	Energy efficiency	N	N	N
	Book value	Y	Y	Y
	Last valuation date	N	N	N
Condition of the home and required maintenance and upgrades	**Recent maintenance expenditure**	Y	Y	Y
	Property Condition Audit Report	S	S	S
	Required scope of works	N	S	S
	Required disability modifications	N	S	S
	Existing disability modifications	N	N	N
Redevelopment or sale potential	**Site yield**	N	N	S
	Average suburb sales prices	N	N	S
	Costs of redevelopment	N	N	S
Predicted demand	**Holdings in suburb**	Y	Y	Y
	Proportion of housing in suburb	Y	Y	Y
	Demand (Housing Register)	Y	Y	N
	Demand (for tenancy transfer)	N	N	N
Tenant needs	**Tenancy term**	Y	Y	N
	Age of oldest tenant	Y	Y	Y
	Total occupants	Y	Y	Y
	Tenancy fatigue/complaints	N	S	S
	Tenant disability/special needs	N	S	S

Source: ACT Audit Office, based on Housing ACT information.

Key: Y, information usually recorded; S, information sometimes recorded, N, information usually not recorded.

3.51 The information captured in the *Asset Assessment Form* and accompanying documents has evolved and varied during the course of the Program. The full set of information about the home and the tenants living in the home that was required by the *Asset Assessment Framework* and Panel *Terms of Reference* was not recorded for any of the 50 decisions reviewed for the purpose of the audit. A review of the information captured in *Asset Assessment Forms* and accompanying documents shows:

- information about the proximity of homes to services, such as public transport, education and healthcare services, has only sometimes been recorded prior to 2022 and has been not recorded at all since 2022;
- information about the energy efficiency of the home has not been recorded;
- the last valuation date for the home or land site has not been recorded;
- information about the condition of the home, including a current Property Condition Audit Report, existing disability modifications and the scope of works or disability modifications required for the home, has only sometimes been recorded;
- information about the sale potential of the home or redevelopment potential of the land site was not recorded prior to 2022 and has only sometimes been recorded since 2022; and
- information about the tenants living in the home, including their individual needs, was not initially recorded (prior to 2021) and has only sometimes been recorded since 2021.

3.52 The information about public housing homes recorded in *Asset Assessment Forms* and accompanying documents was inconsistent because:

- as discussed in paragraph 3.46, Housing ACT does not have a digital business system that acts as a single source of all current information about public housing homes and tenancies, meaning that the information in *Asset Assessment Forms* must be manually compiled from multiple sources; and
- as discussed in paragraphs 3.47 to 3.49, homes were considered by the Panel under a wide range of circumstances, for which different levels of information were available. For example, homes considered by the Panel because of requests for specific repairs or modifications were more likely to have detailed information available about the condition of the home and needs of the tenants than homes considered by the Panel through systematic desktop review or because of vacancy.

3.53 Information about public housing homes to be considered by the Asset Assessment Panel is captured in an *Asset Assessment Form* and accompanying documents. The quality and completeness of this information has evolved and varied during the course of the Program. The full set of information about the home and the tenants living in the home that was required by the *Asset Assessment Framework* and Panel *Terms of Reference* was not recorded for any of the 50 decisions reviewed for the purpose of the audit.

3.54 Information available to the Asset Assessment Panel about public housing homes and the tenants living in them has been inconsistent because:

- Housing ACT does not have a digital business system capable of providing complete, integrated, up-to-date information about public housing homes and tenancies; and
- homes were considered by the Panel under a wide range of circumstances, for which different levels of information were available.

Records of decisions

Property Profile (2019 to 2020)

3.55 For decisions made by the Panel in 2019 and 2020, when most homes for sale or redevelopment were identified through systematic desktop review, the *Property Profile* recorded:

- high-level data about the home, land site and tenancy; and
- the indicative intention assigned to the public housing home (i.e. retain, sell or redevelop).

3.56 If the reason for the Panel's decision was recorded, this was typically a brief sentence, for example:

> Works not supported. Tenancy to discuss relocation with the tenant.
>
> Dismods [disability modifications] not supported.
>
> Works not supported. Relocation under G&R [the Program] required.

3.57 The *Property Profile* and accompanying documents did not record:

- the nature of the systematic review used to identify the home;
- any other data or information considered by the Panel (outside of the *Property Profile*); or
- the specific criteria applied or the rationale for the Panel's decision.

Expanded Property Profile (2021 to 2022)

3.58 From 2021, more detailed records of the Panel's rationale for decisions to sell or redevelop public housing homes were recorded in an expanded version of the *Property Profile*. For example, the record of the Panel's meeting on 12 August 2021 included the following statement:

> Housing ACT has slightly above average holdings within the suburb and moderate supply of comparable stock (3-bedroom dwelling), on comparable sites within the area, however the average age of holdings in the area poses a need for asset renewal. With consideration given

> to the age of the property, lack of notable maintenance or upgrades undertaken within the last 5 years, and the site able to accommodate 2-for-1 renewal, the Panel agreed to redevelop the site with a dual occupancy …

Fulcrum Report (2022 to 2024)

3.59 In 2022, the *Property Profile* was replaced by a report generated from Fulcrum (*Fulcrum Report*). Initially, the *Fulcrum Report* included 'Decision notes' in the form of yes/no answers to a series of questions derived from the Framework. For example:

> 1. Does the scope include duplication from past works completed within a reasonable time period - no
>
> 2. Does the PCA present ratings and photographic evidence to support the scope – yes
>
> 3. Does the cost represent over 50% of the residual value of the dwelling – no
>
> 4. Does the as-if improvement value of the dwelling exceed more than 50% of the combined land and improvement market value post-works – no
>
> 5. Is the proposed special needs modification supported by specialist opinion - n/a
>
> 6. Is there a suitable property available for allocation – yes
>
> 7. Does the PCA give evidence to support any pre-emptive/preventative upgrades that are not included in the scope - n/a
>
> 8. Are there any other cost effective / time effective items that should be included in the proposed works that would improve the energy efficiency of the home, other high impact aspects of tenant experience, and the community perception of social housing - n/a
>
> 9. Are there any items that are of a high health and safety priority for our tenant and staff – no
>
> 10. Have we considered the tenants circumstances and tried to anticipate the likely compatibility with our asset intent – yes
>
> 11. Are we passing the common sense test, and the Canberra Times headline test - yes

3.60 From 2023 onwards, *Fulcrum Reports* continued to use the yes/no answer format and also provided a more detailed record of the Panel's rationale for decisions to sell or redevelop public housing homes in narrative form. For example:

> Housing ACT has high holdings within the suburb and a low supply of comparable stock (3-bedroom dwelling), on comparable sites within the area. With consideration given to the age of the property (63 years old), the site only able to accommodate 1-for-1 renewal upon redevelopment, and after reviewing the property condition report the property the decision to sell [home] is primarily due to its age, at 66 years old, and the growing maintenance liability, determining that it is no longer economical to continue to upgrade and/or maintain. Through sale, Housing ACT is able to release the substantial equity held in the land and directly reinvested into the delivery of new public housing.
>
> Housing ACT has above average holdings within the suburb and a high supply of comparable stock (3-bedroom dwelling), on comparable sites within the area. Given the property has been

> deemed beyond warranted repair with apparent source caused by foundation which would continue deterioration of the property, as a result of mould, the Panel agree to a knock-down-rebuild. The panel noted knock down and rebuild a 4 x bedroom class C property.

3.61 The rationale for many decisions made by the Asset Assessment Panel has not been effectively recorded. In the initial years of the Program (2019 to 2020), Housing ACT kept limited records about the rationale for decisions made by the Panel to sell or redevelop public housing homes. Reasons for decision that were recorded were very brief and uninformative and Housing ACT did not record all the information considered by the Panel in relation to each decision, the specific criteria applied, or the rationale for the decision. From 2021 onwards, Housing ACT improved the quality of records kept about decisions made by the Panel. For decisions made between 2021 and 2024, Housing ACT has typically completed a short paragraph, within an *Asset Assessment Form*, that explains the rationale for the decision.

Applying decision-making criteria

Definition of criteria

3.62 When the Program commenced, the criteria the Panel used to make decisions about public housing homes were not defined. The 2019 version of the *Terms of Reference* stated:

> The Panel assesses the future of each property using a multi-criteria analysis (as captured in the *Asset Assessment Form*), whilst being mindful of the requirements of the annual capital and sales program, and the financial resources of Housing ACT.

3.63 In 2021, a *Consideration Matrix* was attached to the *Terms of Reference*. This provides a list of criteria for making decisions about public housing homes, high-level guidance about usage of the criteria and a list of information sources for the purpose of decision-making.

3.64 In June 2022, Housing ACT implemented the *Asset Assessment Framework*. The framework describes in more detail than the *Consideration Matrix* the information and considerations to be used in making decisions about the sale and redevelopment of public housing homes.

3.65 Across the *Terms of Reference* and *Asset Assessment Framework*, the criteria by which public housing homes are to be assessed fall into six broad categories:

- characteristics of the land site and home (including redevelopment and disposal potential);
- condition of the home and required maintenance and upgrades;
- predicted demand for homes of different sizes in different locations;
- neighbourhood and community considerations;
- individual tenant needs; and

- media and public perception.

3.66 Appendix C shows a summary of the criteria and information the Panel is required to consider.

3.67 Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* considered the effectiveness of the *Terms of Reference* and *Asset Assessment Framework* in defining information and criteria to be used in making decisions about public housing homes. The audit found:

> The Framework and TOR require the Panel to consider a range of considerations and criteria for the purpose of making decisions about the retention, sale or demolition of public housing homes or the acquisition of new public housing homes. The Framework explains that standardised, numerical scores and weightings are not applied to the criteria used to make decisions and the relative weighting of criteria varies from property to property. Instead, members of the Panel are expected to use their professional expertise and judgement to apply the considerations specified in the Framework and TOR to each criterion. This increases the risk of inconsistent and inequitable decision-making.[5]

3.68 Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* recommended that:

> Housing ACT should consolidate all the criteria and information required to be used by the Asset Assessment Panel to make decisions about public housing homes into a single document. This document should:
>
> a) reflect better practice whole-of-lifecycle asset management for social housing; and
>
> b) provide explicit instructions about how criteria are to be applied and how decisions are to be made, including definitions of terms and, where applicable, ratings and/or thresholds.[6]

3.69 The ACT Government's response to the performance audit was tabled in the ACT Legislative Assembly on 5 September 2024. The recommendation was agreed to and the response noted that the 'Asset Assessment Panel documentation will be reviewed to consolidate all criteria, information, instructions, definitions, ratings and thresholds'.

3.70 Housing ACT has since advised, for the purpose of this audit, that the revision of Asset Assessment Panel documentation will occur following the completion of this audit, to allow any new recommendations to be considered and incorporated.

[5] Report No.3/2024 *Management of the Growing and Renewing Public Housing Program*, pg. 8.

[6] Report No.3/2024 *Management of the Growing and Renewing Public Housing Program*, pg. 10.

Use of criteria in decision-making processes

3.71 During the course of the Program, the Panel made decisions to sell or redevelop public housing homes in two ways:

- systematic desktop review of the public housing portfolio or parts of the portfolio to identify homes that could potentially be suitable for sale or redevelopment under the Program; and
- assessment of individual homes referred to the Panel because of vacancy, required repairs and upgrades or through other tenancy management processes.

3.72 Both systematic review and assessment of individual homes were used to identify:

- older public housing homes that required significant repair and upgrade for continued tenancy;
- land sites suitable for building new public housing homes (most commonly, single land sites that would allow for building two to four new homes or adjacent land sites that could be consolidated to allow for larger developments); and
- land sites and homes suitable for sale to generate revenue for the Program.

Systematic review of the portfolio

3.73 For systematic reviews of the public housing portfolio for which records were reviewed for the purpose of the audit, considerations that were apparent in the records included:

- age of the home;
- size, zoning and indicative redevelopment yield of the land site (number of homes that can be built on the site); and
- financial value of the home and land site.

3.74 Lists of homes identified through systematic review for sale or redevelopment were circulated to other teams (including Asset Delivery, Contract Management, Tenant Experience, Relocations and Allocation) to identify objections to the proposed decision.

Assessment of individual homes

3.75 For assessments of individual homes for which records were reviewed for the purpose of the audit, considerations that were apparent in the records included:

- age of the home;
- cost of required repairs and upgrades;
- size, zoning and indicative redevelopment yield of the land site;
- financial value of the land site and home; and

- challenges to management of current and future tenancies (for example, frequent complaints by neighbours about the behaviour of tenants).

Application of criteria in decision-making

3.76 The *Asset Assessment Framework* notes that standardised, numerical scores and weightings are not applied to the criteria used to make decisions about public housing homes:

> Due to the unique characteristics and circumstances of each individual asset, noting the variances in supply and demand at district/suburb level and asset demographics by region (age, configuration, distribution, etc), the relative weighting of these criteria will vary from property to property. As such, the following criteria will need to be considered for each individual asset with respect to its relative uniqueness, within the context of the broader portfolio.
>
> Subsequently, a more standardised/mathematical assessment and weighting procedure is not applied, with each asset being considered relative to its unique characteristics and circumstances.

3.77 As a result, members of the Panel are expected to use their professional expertise and judgement to apply the considerations specified in the *Asset Assessment Framework* and *Terms of Reference* to each criterion.

3.78 In the records reviewed for the purpose of the audit, the Asset Assessment Panel did not apply all the criteria specified in the *Asset Assessment Framework* and *Terms of Reference* to every decision.

3.79 Of the 50 Panel decisions reviewed for the purpose of the audit, a record of the rationale for the decision was available for 16 decisions. For these 16 decisions, the considerations most often cited were:

- the number of other public housing homes in the suburb (14 decisions);
- the extent of required or likely future repair and upgrade (15 decisions); and
- the redevelopment potential of the land site (12 decisions).

3.80 Considerations not cited in these 16 records included:

- proximity to essential services (such as healthcare, education, public transport);
- the long-term, future redevelopment potential or sale value of the land site (i.e. beyond the term of the Program); and

- the strategic planning approach to suburbs or districts (i.e. specific goals for provision of social housing now and into the future).[7]

3.81 For the reasons outlined in paragraphs 3.55 to 3.79, which discuss the limited documentation and record-keeping associated with the Asset Assessment Panel and its decision-making processes and the variable use of proforma documents and templates to record the rationale for decision-making, it is not possible to identify whether or how the Asset Assessment Panel has systematically or consistently applied the assessment criteria in its decision-making.

3.82 When the Program commenced, the criteria the Asset Assessment Panel used to make decisions about public housing homes were not defined. In June 2022, Housing ACT implemented the *Asset Assessment Framework* (alongside the Panel's *Terms of Reference*), which described in more detail the information and considerations to be used in making decisions about the sale and redevelopment of public housing homes. However, the criteria are inconsistently and imprecisely described and lack explicit instruction about how they are to be applied. Accordingly, members of the Panel are expected to use their professional expertise and judgement to apply the considerations specified in the *Asset Assessment Framework* and *Terms of Reference* to each criterion.

3.83 Because of the poor documentation and record-keeping associated with the Asset Assessment Panel and its decision-making processes and the inconsistent use of proforma documents and templates to support decision-making, it is not possible to identify whether the Panel has systematically or consistently applied assessment criteria in its decision-making. In the records reviewed for the purpose of the audit, however, it is apparent that the Panel did not apply all the criteria specified in the *Asset Assessment Framework* and *Terms of Reference* to every decision.

[7] Housing ACT does not have suburb or district-level strategic plans for distribution and composition of public housing, beyond a policy intent to distribute public housing equally across all suburbs and for public housing to constitute approximately seven and ten per cent of all housing per suburb.

Recommendation 3 Records of decisions

Housing ACT should ensure that records of decisions made by the Asset Assessment Panel about public housing homes include:

a) clear and logical explanation of the criteria on which the decision was based and how the home was assessed against these criteria (including all information and considerations that were relevant and important for the decision); and

b) clear identification of all Panel members present in the meeting and responsible for making the decision.

Escalating decisions for review

3.84 The *Asset Assessment Framework* allows for the escalation of sensitive and potentially controversial Asset Assessment Panel decisions:

> 1. Escalation to HACT Executive Committee when a sensitive relocation is met by a compelling case for sale or redevelopment which is Program critical (Rare case).
>
> 2. Escalation to HACT Executive Committee when total value involved exceed the financial delegation of the chair person of the panel.
>
> 3. Escalation to HACT Executive Committee when controversial circumstances involved other sensitivities that would warrant the DG/Minister be briefed on.

3.85 Housing ACT advised that no decisions made by the Panel were escalated for review between July 2019 and March 2024.

3.86 Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* noted:

> The Framework does not specify thresholds or trigger points for escalation or review of decisions. For example, the terms 'compelling case' or 'controversial circumstances' are not defined.[8]

3.87 Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* recommended that:

> Housing ACT should implement a quality assurance framework for decisions by the Asset Assessment Panel. The framework should:
>
> a) clearly define decisions that must be escalated internally for review; and

[8] Report No.3/2024 *Management of the Growing and Renewing Public Housing Program*, pg. 8.

b) identify a process for regular, external review of decisions made by the Panel.[9]

3.88 The ACT Government's response to the performance audit was tabled in the ACT Legislative Assembly on 5 September 2024. The recommendation was agreed to and the response noted 'A quality assurance framework for decisions by the Asset Assessment Panel will be developed and implemented'.

3.89 Housing ACT has since advised, for the purpose of this audit, that the development of the quality assurance framework for decisions made by the Asset Assessment Panel will occur following the completion of this audit, to allow any new recommendations to be considered and incorporated.

Referral of decisions to the Tenant Relocation Exemption Panel (TREP)

3.90 Some decisions made by the Panel to sell or redevelop a public housing home were subsequently referred to Housing ACT's *Tenant Relocation Exemption Panel* (TREP) because tenants did not want to relocate to a different public housing home. The process for referral of decisions to the TREP was not considered in this audit. Although some tenants were granted exemptions by the TREP, the asset management decision made by the Panel about the public housing home remains unchanged. For example, if a home was selected by the Panel for sale, Housing ACT will sell the home once tenants voluntarily exit their tenancy or relocate to another home.

3.91 The Asset Assessment Framework allows for the escalation of sensitive and potentially controversial Panel decisions. No decisions made by the Asset Assessment Panel were escalated for review between July 2019 and March 2024. Auditor-General's Report No.3/2024 *Management of the Growing and Renewing Public Housing Program* noted that thresholds or trigger points for escalation or review of decisions were not identified in the Framework and made a recommendation to implement a quality assurance framework that 'clearly [defines] decisions that must be escalated internally for review'. Housing ACT has not yet implemented this recommendation.

[9] Report No.3/2024 *Management of the Growing and Renewing Public Housing Program*, pg. 11.

4 Selling and buying public housing homes

4.1 To deliver the *Growing and Renewing Public Housing Program* (Program), Housing ACT aims to:

- sell 700 older, not fit-for-purpose public housing homes; and
- buy approximately 294 new, fit-for-purpose public housing homes.

4.2 This chapter considers Housing ACT's practices for:

- selling public housing homes to the general market; and
- buying public housing homes from the general market.

Summary

Conclusions

Housing ACT's management and administration of the sale and purchase of public housing homes in the general property market has not been fully effective.

Policy and procedural guidance for the sale and purchase of public housing homes has been inconsistent and poorly communicated. In the absence of clear and consistent procedural guidance, officers have adopted a range of approaches for the use of market valuations to establish sale and purchase prices and for recording delegates' approvals to set recommended auction reserve and first offer prices.

While all sales and purchase prices reviewed for the purpose of the audit complied with policy requirements in relation to selling and buying within negotiation ranges established by independent market valuation, lack of a consistent approach to the number of independent valuations obtained and lack of clear and complete records of decisions to recommend or approve prices compromises the integrity and transparency of the decision-making process.

Key findings

Selling public housing homes	Paragraph
In the five financial years 2019-20 to 2023-24, Housing ACT sold 610 public housing homes, which generated gross revenue of $490.4 million from the sale of 555 homes. This revenue is being used to build new public housing homes.	4.6
Policy and procedural guidance for the sale of public housing homes is provided by Housing ACT's *Auctions Standard Operating Procedure* and associated *Process Map*	4.22

and Housing ACT's *Valuation Guidelines*. The documents require officers to obtain two valuations for each home to be sold to establish a reserve price for auction. However, the documents establish different thresholds for acceptable variance between valuations (five percent in the *Auctions Standard Operating Procedure* and 15 percent in the *Valuation Guidelines*). The Infrastructure and Contracts Branch advised that it was either not aware of the *Valuation Guidelines* or understood these to apply only to acquisitions made through Housing ACT's open tender (EOI) mechanism. It advised that it had adopted a practice of obtaining two valuations for most sales and obtaining a third valuation if there was more than ten percent variation between the first two.

Housing ACT's use of valuation reports to establish reserve prices for auction has been inconsistent. For 30 sales of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: one sale had only one valuation recorded; 25 sales had two valuations recorded; and four sales had three valuations recorded. For some sales where three valuations were recorded it was not apparent why a third variation was obtained, and for some sales, where only two valuations were recorded, the variation between the valuations was of such magnitude that it appeared to warrant a third valuation. 4.28

The *Auctions Standard Operating Procedure* and *Valuation Guidelines* require that delegates approving the setting of auction reserve prices are provided with a *Reserve Price Form*, valuation reports, real estate agents' reports, the current book value of the home and the recommended reserve price. For the 30 sales reviewed for the purpose of the audit, use of the *Reserve Price Form* and provision of other required information to the delegate varied. A *Reserve Price Form* was only completed for six of the 30 sales reviewed. Records of delegates' approvals to set auction reserve prices otherwise consisted of emails containing a variety of information. For 12 of the 30 sales reviewed, these emails referenced only a suggested reserve price and did not include or otherwise refer to attached valuations data, real estate agents' reports or book values. 4.39

The *Valuation Guidelines* require that separation of duties and responsibilities is maintained in that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending reserve prices are to be separate from delegates responsible for setting reserve prices. For 28 of the 30 sales reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For 21 of these 28 sales the approvals were consistent with financial delegation limits. For the other seven sales only the delegate's name was recorded and not the position they held in Housing ACT. Compliance with financial delegation limits was not tested for these seven sales. 4.43

Review of the reserve and sale prices for 30 public housing homes compared to valuation ranges showed that all auction reserve prices were within or above corresponding valuation ranges and all sale prices were above the lowest limit of corresponding valuation ranges. For 16 of the 30 homes the sale price was below the reserve price that was set for the auction. The audit did not review Housing ACT's processes for approving a sale price below the reserve price that was set for auction. 4.47

Buying public housing homes

Housing ACT buys individual homes directly from the general market to meet specific needs and gaps in the public housing portfolio. Over the five financial years 2019-20 to 2023-24, Housing ACT acquired 146 new public housing homes from the general market, with a total value of $88.1 million. 4.52

Policy and procedural guidance for the acquisition of new public housing homes is provided by Housing ACT's *Acquisitions Standard Operating Procedure* and *Valuation Guidelines*. The *Acquisitions Standard Operating Procedure* does not identify how many valuations are to be obtained or the acceptable variance between valuations. The *Valuation Guidelines* require officers to obtain two valuations for each home to be acquired and allow for up to 15 percent variation between the first two valuations obtained before a third valuation or additional review is required. 4.69

Housing ACT's use of valuation reports to establish offer prices has been inconsistent. For ten acquisitions of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: six had two comparable valuations recorded; three had only one valuation recorded; and one had two valuations recorded that were only partially comparable. 4.70

The *Acquisitions Standard Operating Procedure* and *Valuation Guidelines* require the responsible officer to complete either an *Approval to Purchase Form* or *Purchase Offer Form* to obtain the delegate's approval to set a reserve price. The form is to be accompanied by key supporting information, including valuation reports, property condition reports, real estate agent recommendations and the officer's recommended purchase price. However, for the ten acquisitions reviewed for the purpose of the audit, only two used an *Approval to Purchase Form* or *Purchase Offer Form*. A record of the delegate's approval could not be located for one acquisition, and approvals for the remaining six acquisitions consisted of emails containing varying levels of information. 4.85

The *Valuation Guidelines* require separation of duties and responsibilities, so that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending offer and purchase prices are separate from delegates responsible for approving offer and purchase prices. For six of the ten acquisitions of public housing homes reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For the other four acquisitions either the identity of the recommending officer and/or the identity of the delegate was not recorded. 4.88

Six of the ten acquisitions reviewed for the purpose of the audit were of individual homes. For five of these six acquisitions, the delegate's identity was recorded and the approved first offer and purchase prices were consistent with the financial delegation of the approving officer. For the sixth acquisition, a record of the delegate's approval could not be located. Four of the ten acquisitions reviewed consisted of multiple units within multi-unit developments, or multiple adjacent land 4.92

sites. For these acquisitions, financial delegations were exercised in accordance with the contract values for individually titled units or sites, not for the total acquisition. That is, while the acquisition prices of individual units or sites were within the financial delegation of the approving officer, the total value of the acquisition exceeded their financial delegation.

Review of offer and purchase prices for acquisitions of ten public housing homes compared to corresponding valuation reports shows that all offer prices were within valuation ranges and eight purchase prices were within valuation ranges. The purchase prices for two of the ten acquisitions reviewed were above valuation ranges. For one of these two acquisitions, a suitable minute for approval to establish a purchase price threshold above valuation range was approved by the Executive Branch Manager, Infrastructure and Contracts. However, for the other acquisition, which was approved in August 2020 (before implementation of the *Valuation Guidelines*), there was no record of approval for a purchase price 11 percent above the valuation range. 4.96

Selling public housing homes

4.3 Under the *Growing and Renewing Public Housing Program*, public housing homes that have been selected for sale by Housing ACT's Asset Assessment Panel can be sold to public housing tenants or to the general market. Revenue from these sales is used to build new public housing homes.

4.4 Public housing homes that are not offered, and sold directly, to public housing tenants in the first instance are sold via auction.

4.5 In the five financial years 2019-20 to 2023-24, Housing ACT sold 610 public housing homes, which generated gross revenue of $490.4 million from the sale of 555 homes.[10]

4.6 In the five financial years 2019-20 to 2023-24, Housing ACT sold 610 public housing homes, which generated gross revenue of $490.4 million from the sale of 555 homes. This revenue is being used to build new public housing homes.

Key process steps

4.7 The process to be followed in selling public housing homes is described in the *Auctions Standard Operating Procedure* and associated *Process Map*. Table 4-1 shows the key process steps for selling public housing homes.

[10] Revenue from sales of an additional 55 public housing homes in 2019-20 and 2020-21 was used to offset Housing ACT's operating deficit.

Table 4-1 Process for selling public housing homes

Process step	Key activities	Housing ACT documents
Preparing the home for sale	Conducting cleaning, rubbish removal and minor works to bring home to saleable standard	Records of property condition and works performed
Obtaining valuations	Obtaining two independent valuation reports	Valuation Reports
Engaging a real estate agent	Selecting a Real Estate Agent from Housing ACT's supplier Panel	Records of engagement of agent
Conducting a marketing campaign	Agent supplying Marketing Plan and conducting marketing campaign	Marketing Plan Weekly Agent's Reports
Setting a reserve price	Seeking delegate's approval to set a reserve price for auction	Reserve Price Form (or equivalent documents)
Selling the home	Agreeing a sale price and selling home at auction or by private treaty (for homes that do not sell at auction)	Contract of sale

Source: ACT Audit Office, based on *Auctions Standard Operating Procedure* and associated *Process Map* and information provided by Housing ACT.

4.8 The audit reviewed Housing ACT's processes for setting the reserve price for auction. This includes:

- processes for obtaining valuations; and
- administrative processes for setting the reserve price for homes to be sold via auction, including delegate review and approval and documentation of decision-making.

4.9 The audit did not review Housing ACT's processes for agreeing sales prices (either at auction or by private treaty for homes that did not sell at auction).

Policy and procedural guidance

4.10 Policy and procedural guidance for the sale of properties is provided by Housing ACT's:

- *Auctions Standard Operating Procedure* and associated *Process Map*; and
- *Valuation Guidelines*.

4.11 The *Valuation Guidelines* were implemented in June 2022. Prior to June 2022, Housing ACT did not have a valuations policy.

4.12 The policy and procedural guidance provide for independent market valuation reports to be Housing ACT's primary source of information for setting reserve prices for auction.

Managing conflicts of interest

4.13 As discussed in paragraphs 3.25 and 3.26, Housing ACT officers are subject to the broader integrity framework and associated processes of the Community Services Directorate, as provided for by the *CSD Fraud and Corruption Prevention* Framework.

4.14 The *Auctions Standard Operating Procedure* and associated *Process Map* do not require, or provide for, any additional processes for the declaration or management of potential conflicts of interest for the sale of public housing properties. There is no requirement for officers conducting sales, or delegates setting reserve prices or approving sale prices, to make additional disclosures of conflicts of interest or declarations of independence in relation to public housing homes being sold.

Use of valuations

Requirements for obtaining valuations

Auctions Standard Operating Procedure

4.15 The *Process Map* accompanying the *Auctions Standard Operating Procedure* shows that two valuations are to be obtained for each public housing home being sold for the purpose of setting a reserve price for auction.

4.16 The *Auctions Standard Operating Procedure* identifies a threshold of five percent variance between the two variations as being a reason to obtain a third valuation:

> If valuations are outside 5% variance. Housing to query valuer's,
>
> If still outside 5% order another valuation may be Ordered. (sic)

Valuation Guidelines

4.17 The *Valuation Guidelines* also require two valuations to be obtained for each public housing home being sold.

4.18 The *Valuation Guidelines* identify a threshold of 15 percent variance between the two valuations as being a reason to obtain a third valuation, or seeking a resolution of the discrepancy between the two:

> … a 10 to 15 percent price variance between reports is considered a rational benchmark. Variances outside of 15 percent between two valuations may require:
>
> 1. The seeking of an additional valuation report; or
> 2. Peer review of the two valuation reports by a third party independent certified practicing valuer to support further investigation.

4.19 The *Valuation Guidelines* also require that

- valuers be selected from the *Whole of Government Valuation Services Scheme*; and
- valuation reports be subject to quality assurance, including;
  - reviewing the document to ensure accuracy, quality and consistency; and
  - applying professional judgement to assist in evaluating variances between valuation reports.

4.20 The Infrastructure and Contracts Branch advised the Audit Office that it was either not aware of the *Valuation Guidelines* or understood these to apply only to acquisitions made through Housing ACT's open tender (EOI) mechanism. It advised that the practice adopted during the course of the Program has been to obtain two valuations for any homes to be sold (or acquired). Exceptions to this requirement, for which only a single valuation was sought was for the sale of homes through the Sale to Tenant and Shared Equity Schemes (and the acquisition of homes through specific buy-back schemes).

4.21 Officers from the Infrastructure and Contracts Branch advised the Audit Office that their usual practice was to query valuations that vary by more than ten percent and obtain a third valuation if the initial two valuations could not be reconciled.

4.22 Policy and procedural guidance for the sale of public housing homes is provided by Housing ACT's *Auctions Standard Operating Procedure* and associated *Process Map* and Housing ACT's *Valuation Guidelines*. The documents require officers to obtain two valuations for each home to be sold to establish a reserve price for auction. However, the documents establish different thresholds for acceptable variance between valuations (five percent in the *Auctions Standard Operating Procedure* and 15 percent in the *Valuation Guidelines*). The Infrastructure and Contracts Branch advised that it was either not aware of the *Valuation Guidelines* or understood these to apply only to acquisitions made through Housing ACT's open tender (EOI) mechanism. It advised that it had adopted a practice of obtaining two valuations for most sales and obtaining a third valuation if there was more than ten percent variation between the first two.

Number of valuations recorded

4.23 The Audit Office reviewed valuation reports for the sale of 30 public housing homes made between July 2019 and March 2024. Appendix A shows the sales reviewed.

4.24 The number of valuation reports obtained for each home to be sold has varied. The review of valuation reports for the 30 sales showed that:

- one sale had only one valuation recorded;
- 25 sales had two valuations recorded; and
- four sales had three valuations recorded.

4.25 For the 25 sales that had two valuations recorded, the variance between the valuations ranged from 0 to 17 percent.

4.26 For four sales where a third valuation was recorded, the variation between the first two valuations ranged from 0 to 8 percent.

4.27 For four other sales, the variation between the first two valuations was more than ten percent and the valuation ranges did not overlap, but a third valuation was not recorded.[11]

4.28 Housing ACT's use of valuation reports to establish reserve prices for auction has been inconsistent. For 30 sales of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: one sale had only one valuation recorded; 25 sales had two valuations recorded; and four sales had three valuations recorded. For some sales where three valuations were recorded it was not apparent why a third variation was obtained, and for some sales, where only two valuations were recorded, the variation between the valuations was of such magnitude that it appeared to warrant a third valuation.

Setting reserve prices

Requirements for setting reserve prices

Valuation Guidelines

4.29 Housing ACT's *Valuation Guidelines* require:

- land sites not to be sold at prices less than their market value; and
- land and home sale prices to be at or above market value range established by valuation.

4.30 The *Valuation Guidelines* state:

> Other important points to note as part of this process include the Planning and Development Act 2007 requirement to sell land at a price that is not less than its market value. Financial delegates are also required as part of their delegated authority to confirm that land and property prices are at or above market value range established by the valuations, prior to exchanging contracts.

4.31 With respect to setting reserve prices, the *Valuation Guidelines* require:

> Senior Officers with the appropriate delegation, in terms of both financial capacity and delegated powers, should nominate the reserve prices for Housing ACT as close as reasonably

[11] For these four sales, reserve and sale prices were either in between the two valuation ranges, or above the highest range.

> practical to the intended auction due date. This is to ensure that the nominated reserve prices accurately reflect current market conditions and the unique nature of each property and marketing campaign, at the time of the sale, and to minimise the risk of nominated reserve prices becoming known by potential buyers in advance of the sale.
>
> For auctions, reserves should be set within one (1) to three (3) business days before the auction and provided to the relevant listing agent in writing.

4.32 The *Valuation Guidelines* do not provide an explicit formula for calculating prices, beyond stating that:

> Formulating a reserve [price] requires significant judgement and expertise.

Documenting the reserve price

Auctions Standard Operating Procedure

4.33 The *Auctions Standard Operating Procedure* requires the responsible officer to complete a *Reserve Price Form* to obtain the delegate's approval to set a reserve price.

4.34 The *Reserve Price Form* requires the recording of the following information:

- valuations and valuation ranges;
- book value;
- agent's recommended sale price; and
- officer's recommended reserve price.

4.35 The form allows for the recording of the authorising officer's signature.

Valuation Guidelines

4.36 The *Valuation Guidelines* require that delegates are provided with:

- *Reserve Price Form*;
- valuation reports;
- current book value;
- real estate agent reports; and
- a reserve price recommendation.

4.37 For the 30 sales reviewed for the purpose of the audit, records of approval for the setting of reserve prices and the use of the *Reserve Price Form* varied. A *Reserve Price Form* was only completed for six of the 30 sales. Records of approval otherwise consisted of:

- emails including the table from the *Reserve Price Form*;

- emails including some or all of the information required in the *Reserve Price Form* in various formats;
- emails with attached agents' reports and/or information taken from agent's reports, valuations data or other information;
- emails with an attached *Fulcrum Reserve Report*; and
- emails with no additional information beyond the recommended reserve price included.

4.38 For 12 of the 30 sales reviewed, the emails through which delegates approved reserve prices did not contain any of the information on which the prices were based (either in the body of the email or as attachments). The emails referenced only a suggested reserve price and did not include or otherwise refer to attached valuations data, agent's reports, or book values.

4.39 The *Auctions Standard Operating Procedure* and *Valuation Guidelines* require that delegates approving the setting of auction reserve prices are provided with a *Reserve Price Form*, valuation reports, real estate agents' reports, the current book value of the home and the recommended reserve price. For the 30 sales reviewed for the purpose of the audit, use of the *Reserve Price Form* and provision of other required information to the delegate varied. A *Reserve Price Form* was only completed for six of the 30 sales reviewed. Records of delegates' approvals to set auction reserve prices otherwise consisted of emails containing a variety of information. For 12 of the 30 sales reviewed, these emails referenced only a suggested reserve price and did not include or otherwise refer to attached valuations data, real estate agents' reports or book values.

Separation of duties and responsibilities

Valuation Guidelines

4.40 The *Valuation Guidelines* require that separation of duties and responsibilities is maintained in that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending reserve prices are to be separate from delegates responsible for setting reserve prices.

4.41 For 28 of the 30 sales reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For one sale, it was not clear which officer in the email chain was the approving delegate and for one sale there was no record of approval.

4.42 For the 28 sales for which the identity of the approving officer was clear in the record of approval:

- for 21 sales the approvals were consistent with financial delegation limits; and

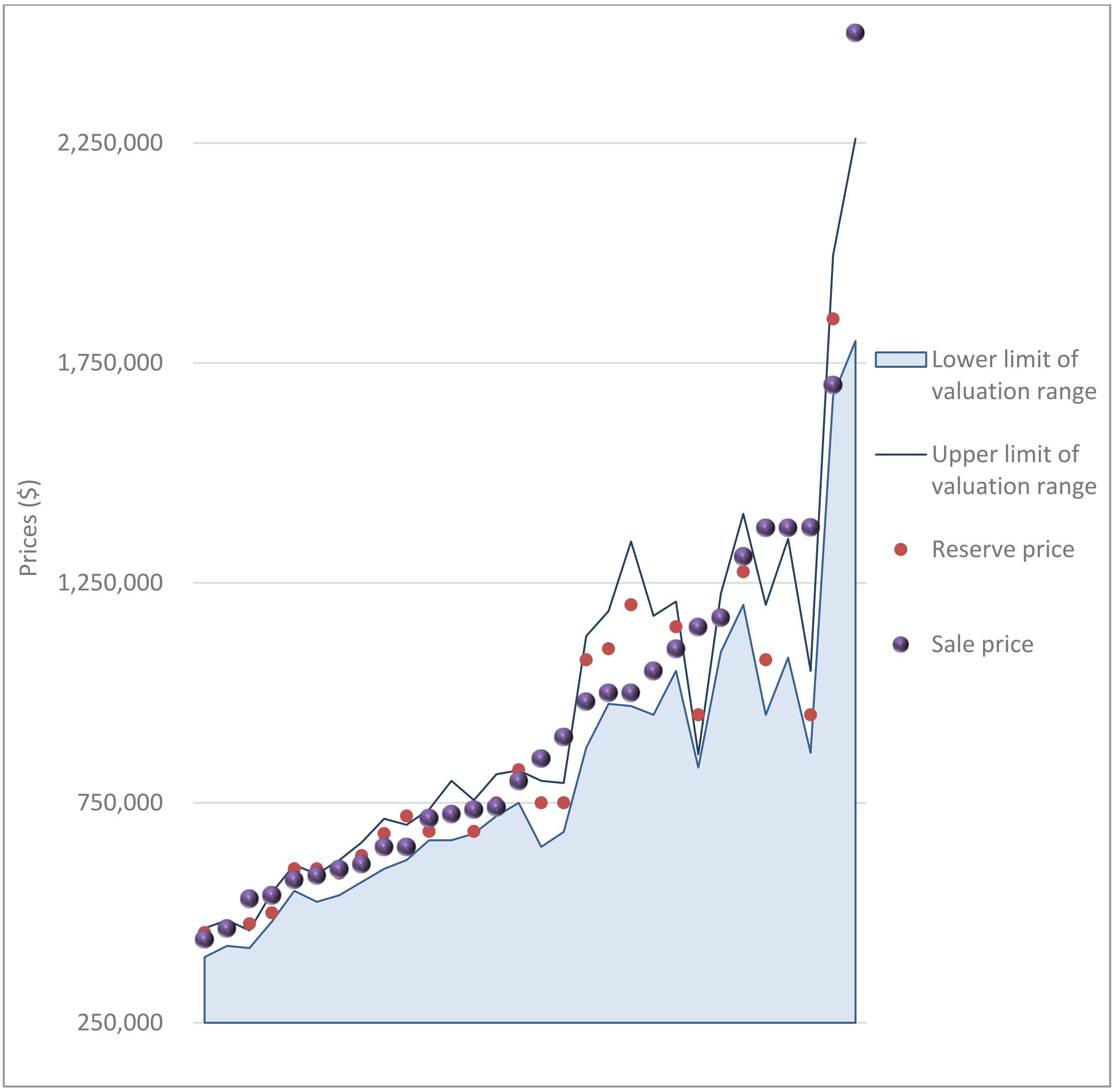
- for seven sales only the delegate's name was recorded and not the position they held in Housing ACT. Compliance with financial delegation limits was not tested for these sales.

4.43 The *Valuation Guidelines* require that separation of duties and responsibilities is maintained in that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending reserve prices are to be separate from delegates responsible for setting reserve prices. For 28 of the 30 sales reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For 21 of these 28 sales the approvals were consistent with financial delegation limits. For the other seven sales only the delegate's name was recorded and not the position they held in Housing ACT. Compliance with financial delegation limits was not tested for these seven sales.

Reserve and sale prices

4.44 Figure 4-1 shows reserve and sale prices compared to the upper and lower limits of valuation ranges for the 30 sales that were reviewed for the purpose of the audit.

Figure 4-1 Reserve and sale prices compared to valuation ranges



Source: ACT Audit Office, based on Valuation Reports, records of approval for reserve prices and contracts of sale.

4.45 Review of the reserve and sale prices for 30 public housing homes compared to valuation ranges showed that:

- all reserve prices were within or above valuation ranges;
- all sale prices were above the lowest limit of the valuation range;
- for eight homes the sale price was above the highest limit of the valuation range; and
- for 16 homes the sale price was below the reserve price that was set for the auction.

4.46 The audit did not review Housing ACT's processes for approving a sale price below the reserve price that was set for auction, as there was no requirement established by the Auctions Standard Operating Procedure or Valuation Guidelines for sales prices to reach reserve prices.

4.47 Review of the reserve and sale prices for 30 public housing homes compared to valuation ranges showed that all auction reserve prices were within or above corresponding valuation ranges and all sale prices were above the lowest limit of corresponding valuation ranges. For 16 of the 30 homes the sale price was below the reserve price that was set for the auction. The audit did not review Housing ACT's processes for approving a sale price below the reserve price that was set for auction.

Buying public housing homes

4.48 Housing ACT buys individual homes directly from the general market to meet specific needs and gaps, including for the purpose of:

- meeting specific tenant needs, such as the need to be located close to schools or healthcare services;
- providing suitable new homes for tenants being relocated under the Program;
- increasing the number of homes in suburbs with low holdings; and
- allowing for future developments by purchasing land sites adjacent to existing holdings.

4.49 Over the five financial years 2019-20 to 2023-24, Housing ACT acquired 146 new public housing homes, with a total value of $88.1 million.

4.50 The 146 homes consisted of:

- 122 acquired from the general property market;
- 14 acquired through equity buy-back arrangements; and
- 10 acquired through the Indicative Land Release Program.

4.51 Housing ACT has acquired an additional 30 new homes through the *Expression of Interest No. 1044.10: Opportunities for Land, Properties or Development Purchases Expression of Interest* mechanism (open tender mechanism). The acquisition of these 30 new homes is not considered in this report.

4.52 Housing ACT buys individual homes directly from the general market to meet specific needs and gaps in the public housing portfolio. Over the five financial years 2019-20 to 2023-24, Housing ACT acquired 146 new public housing homes from the general market, with a total value of $88.1 million.

Key process steps

4.53 The process to be followed in buying public housing homes from the general market is described in the *Acquisitions Standard Operating Procedure*. Table 4-2 shows the key process steps for buying public housing homes.

Table 4-2 Process for buying public housing homes from the general market

Process step	Key activities	Housing ACT documents
Identifying a suitable home to purchase	Identifying potential homes through ACT Government land release programs, online marketing sites and real estate agents Checking building reports, energy efficiency ratings, pest inspection reports and other compliance reports (as needed) Inspection by Total Facilities Management (TFM)	Building and other compliance reports TFM Inspection Reports
Obtaining valuations	Obtaining independent valuation reports	Valuation Reports
Seeking approval to make offers and accept a purchase price	Seeking delegate's approval to make offers	Approval to Purchase Form (or equivalent documents) Fulcrum Acquisition Property Checklist Email correspondence with real estate agents and delegates
Buying the home	Agreeing a purchase price, conducting pre-settlement inspections and finalising contracts of sale	Contract of sale

Source: ACT Audit Office, based on *Acquisitions Standard Operating Procedure* and information provided by Housing ACT.

4.54 The audit reviewed Housing ACT's processes for setting offer prices for purchase. This includes:

- processes for obtaining valuations; and
- administrative processes for setting the offer price, including delegate review and approval and documentation of decision-making.

4.55 The audit did not review Housing ACT's processes for identifying and assessing the suitability of homes for purchase.

Policy and procedural guidance

4.56 Policy and procedural guidance for setting offer prices for buying new public housing homes from the general market is provided by Housing ACT's:

- *Acquisitions Standard Operating Procedure*; and
- *Valuation Guidelines*.

4.57 The policy and procedural guidance provides for independent market valuation reports to be Housing ACT's primary source of information for setting offer and purchase prices.

Acquisitions Strategy

4.58 Housing ACT's annual *Acquisitions Strategy* describes the criteria that should be applied in selecting homes for acquisition, including:

- bedroom configurations;
- suburbs with low holdings; and
- land sites that provide future redevelopment opportunities.

4.59 The *Acquisitions Strategy 2022-23* identified the following principles that were expected to underpin the acquisitions for 2022-23 (these were unchanged from 2021-22):

> Acquisitions should be made to address the undersupply of smaller dwellings.
>
> Acquisition of larger dwellings should only be made to meet a specific tenant demand.
>
> Acquisitions should provide maximum flexibility for use within the portfolio (i.e. minimal one-bedroom units) and should be not create a future operating burden (i.e. minimising body corporate levies).
>
> Acquisitions should address the policy aspirations of the program, including realigning the portfolio to better match tenant needs and improving the distribution of public housing across the Territory, which would manifest in:
>
> - Purchases that provide future redevelopment opportunities (beyond 1:1 replacement)
> - Increasing holdings in suburbs with less that the Territory average of public housing.

4.60 The *Acquisitions Strategy 2022-23* also identified:

> Spot purchase acquisitions should be used to deliver upon underrepresented dwelling types (two-bedroom) opportunities that provide future redevelopment opportunities, or increase holdings in suburbs with less than the Territory average. Parameters should include:
>
> - Dwellings of any bedroom configuration in low holding suburbs (see list below)

- Two-bedroom dwellings in private complexes (depending on the annual body corporate levy) in low holding suburbs (see list below).
- Dwellings in any suburb on blocks of any size adjacent to existing public housing assets where the future redevelopment ratio exceeds 1:2.

Managing conflicts of interest

4.61 As discussed in paragraphs 3.26 and 3.27, Housing ACT officers are subject to the broader integrity framework and associated processes of the Community Services Directorate, as provided for by the *CSD Fraud and Corruption Prevention Framework*.

4.62 The *Acquisitions Standard Operating Procedure* does not require, or provide for, any additional processes for the declaration or management of potential conflicts of interest for the acquisition of public housing properties. There is no requirement for officers conducting acquisitions, or delegates approving purchase prices, to make additional disclosures of conflicts of interest or declarations of independence in relation to public housing homes being acquired from the general market.

Use of valuations

Requirements for obtaining valuations

Acquisitions Standard Operating Procedure

4.63 In relation to obtaining valuations, the *Acquisitions Standard Operating Procedure* simply states:

> Arrange valuation through the vendor portal - https://www.vendorpanel.com.au/ - you will need access to this system to proceed.
>
> Record valuation results and TFM report/recommendation in Fulcrum.

4.64 The *Acquisitions Standard Operating Procedure* does not specify:

- the number of valuations to be obtained; or
- an acceptable variance between valuations.

Valuation Guidelines

4.65 The *Valuation Guidelines* require two valuations to be obtained for homes being considered for acquisition.

4.66 As discussed in paragraph 4.18, the *Valuation Guidelines* allow for up to 15 percent variation between the first two valuations obtained before a third valuation or additional review is required.

Number of valuations recorded

4.67 The Audit Office reviewed valuation reports for the acquisition of ten public housing homes from the general market made between July 2019 and March 2024. Appendix B shows the acquisitions reviewed.

4.68 The number of valuation reports obtained for each home to be acquired has varied. The review of valuation reports for ten acquisitions showed that:

- six acquisitions had two comparable valuations recorded (the variance between valuations ranged from two to seven percent);
- three had only one valuation recorded; and
- one had two valuations that were only partially comparable because one valuation report was for a single home within a multi-unit development and the other valuation was for the whole development.

4.69 Policy and procedural guidance for the acquisition of new public housing homes is provided by Housing ACT's *Acquisitions Standard Operating Procedure* and *Valuation Guidelines*. The *Acquisitions Standard Operating Procedure* does not identify how many valuations are to be obtained or the acceptable variance between valuations. The *Valuation Guidelines* require officers to obtain two valuations for each home to be acquired and allow for up to 15 percent variation between the first two valuations obtained before a third valuation or additional review is required.

4.70 Housing ACT's use of valuation reports to establish offer prices has been inconsistent. For ten acquisitions of public housing homes made between July 2019 and March 2024 that were reviewed for the purpose of the audit: six had two comparable valuations recorded; three had only one valuation recorded; and one had two valuations recorded that were only partially comparable.

Setting offer prices

Requirements for setting offer prices

Acquisitions Standard Operating Procedure

4.71 The *Acquisitions Standard Operating Procedure* does not provide guidance about how offer prices should be determined but does describe administrative processes to be followed and records to be maintained.

4.72 The Procedure recognises the possibility that an initial offer may be rejected:

> If offer rejected – discuss with Director, the option to seek a counteroffer/make another offer.

Valuation Guidelines

4.73 The *Valuation Guidelines* do not provide an explicit formula for calculating offer prices, beyond stating that:

> Formulating … purchase offer prices requires significant judgement and expertise.

4.74 However, the *Valuation Guidelines* do require offer prices to be within valuation ranges established by valuation reports:

> As part of the due-diligence, the Project officer will commission valuation reports, to inform market value considerations and Housing ACT's negotiating position, should the due-diligence work identify the property is suitable for acquisition.
>
> …
>
> The appropriate delegate shall nominate purchase offer values, within the window for negotiation established by the valuation reports. All purchase offers must be communicated with the listing agent in writing, uniquely approved by the appropriate delegate, and stored with their response in the relevant Objective record.

4.75 The *Valuation Guidelines* also require purchase prices up to ten percent above valuation range to be approved by a delegate and purchase prices more than ten percent above valuation range to be approved by the Program's Steering Committee:

> Where a purchase price up to ten (10) per cent above the valuation range is considered necessary for a particular acquisition, Housing ACT will continue to seek approval from the appropriate delegate outlining the perceived financial and non-financial benefits for this departure.
>
> Where a purchase price more than ten (10) per cent above the valuation range is considered necessary for a particular acquisition, it is recommended Housing ACT seek endorsement through the Growing and Renewing Steering Committee before seeking approval from the appropriate delegate.

Documenting the offer price

Acquisitions Standard Operating Procedure

4.76 Housing ACT's *Acquisitions Standard Operating Procedure* requires an *Approval to Purchase* form be completed.

4.77 The *Approval to Purchase* form requires the documentation of a range of information about the home, including:

- valuations and valuation ranges; and
- asking price.

Valuation Guidelines

4.78 The *Valuation Guidelines* further describes the information required to support a delegate's decision to purchase a home. This includes:

- the *Purchase Offer Form*;
- valuation reports;
- a property inspection report;
- a Total Facilities Management Report;
- agent's feedback; and
- the recommended purchase offer.

4.79 For the ten acquisitions reviewed for the purpose of the audit, records of approval for setting offer prices varied and consisted of:

- one '*Spot Purchase Negotiations/Offer Sheet*';
- one *Approval to Purchase Form*;
- one minute seeking approval to purchase above valuation range;
- one minute seeking approval for a tenant to exit a lease licence scheme; and
- five emails containing a range of different information in different formats.

4.80 For one of the ten acquisitions, a record of approval could not be located.

4.81 Some records of approval included detailed information about the proposed acquisition, including valuations data, while others included more limited information, such as agent's feedback received after a first offer had been made.

4.82 In five records the identity of the recommending officer was not clear.

4.83 In two records, consisting of complex email chains, although the identity of the delegate was clear, it was not clear which individual email constituted the actual record of the delegate's approval for the final purchase price.

4.84 For two acquisitions, the final purchase price approved by the delegate was different to the price in the contract of sale.

4.85 The *Acquisitions Standard Operating Procedure* and *Valuation Guidelines* require the responsible officer to complete either an *Approval to Purchase Form* or *Purchase Offer Form* to obtain the delegate's approval to set a reserve price. The form is to be accompanied by key supporting information, including valuation reports, property condition reports, real estate agent recommendations and the officer's recommended purchase price. However, for the ten acquisitions reviewed for the purpose of the audit, only two used an *Approval to Purchase Form* or *Purchase Offer Form*. A record of the delegate's approval could not be located for one acquisition, and approvals for the remaining six acquisitions consisted of emails containing varying levels of information.

Separation of duties and responsibilities

Valuation Guidelines

4.86 The *Valuation Guidelines* require that separation of duties and responsibilities is maintained in that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending offer prices are separate from delegates responsible for approving offer and purchase prices.

4.87 For six of the ten acquisitions reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For the other four acquisitions either the identity of the recommending officer and/or the identity of the delegate was not recorded.

4.88 The *Valuation Guidelines* require separation of duties and responsibilities, so that officers responsible for commissioning valuation reports, receiving advice from real estate agents and recommending offer and purchase prices are separate from delegates responsible for approving offer and purchase prices. For six of the ten acquisitions of public housing homes reviewed for the purpose of the audit, it was clear from the record of approval who the recommending officer and delegate were, and it was evident that these roles were held by different people. For the other four acquisitions either the identity of the recommending officer and/or the identity of the delegate was not recorded.

Compliance with financial delegations

Acquisitions of single homes

4.89 Six of the ten acquisitions reviewed for the purpose of the audit were of individual homes. For five of these six acquisitions, the delegate's identity was recorded and the approved first offer and purchase prices were consistent with the financial delegation of the approving officer. For the other acquisition, a record of the delegate's approval could not be located.

Acquisitions of multiple homes

4.90 Four of the ten acquisitions reviewed for the purpose of the audit were made as part of a multi-unit acquisition, i.e. multiple units within a multi-unit development, or adjacent land sites, were acquired at the same time.

4.91 When multiple units within multi-unit developments, or adjacent land sites, were acquired at the same time, delegations were exercised in accordance with the contract values for individually titled units or sites. For example:

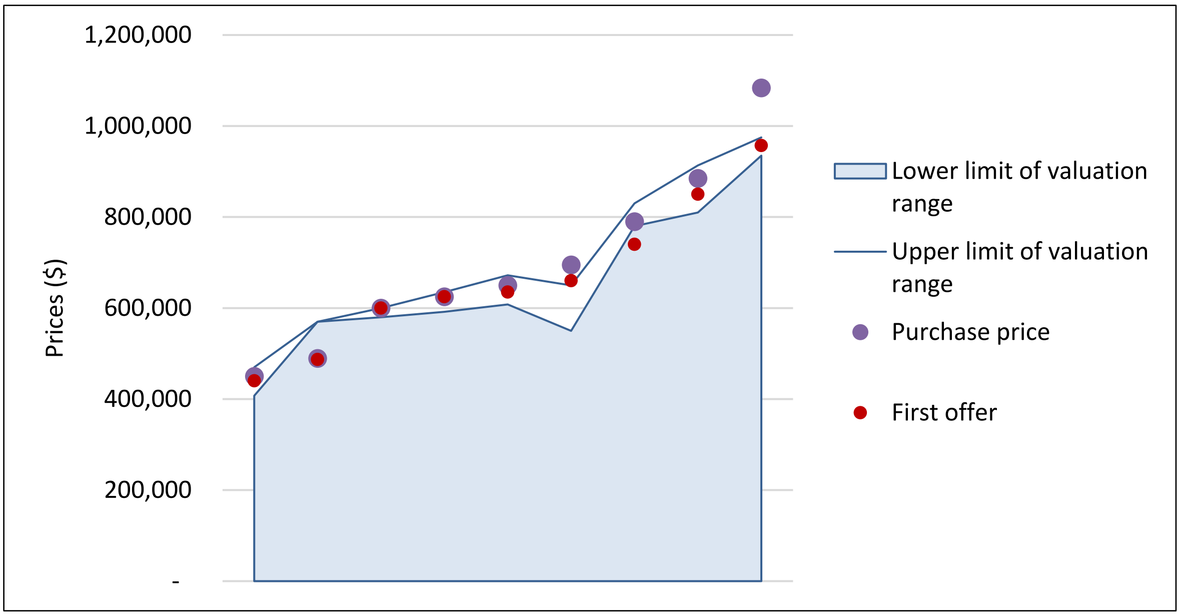
- in an acquisition of five adjacent homes, the individual contract values ($946,625 to $1,105,151) were within the delegated $5 million limit of the approving officer, but the combined value of the five contracts ($5.1 million) was outside this limit;
- in an acquisition of eight units within a new medium-density development, the individual contracts values ($459,900 to $613,400) were within the delegated $1.5 million limit of the approving officer, but the combined value of the eight contracts ($4.4 million) was outside this limit;
- in an acquisition of eight units within a high-density development, the individual contract values ($700,000) were within the delegated $5 million limit of the approving officer, but the combined value of the eight contracts ($5.6 million) was outside this limit; and
- in an acquisition of four homes within a multi-unit development, the individual contract values ($790,000) were within the delegated $1 million limit of the approving officer, whole the combined value of the four contracts ($3.16 million) was outside this limit.

4.92 Six of the ten acquisitions reviewed for the purpose of the audit were of individual homes. For five of these six acquisitions, the delegate's identity was recorded and the approved first offer and purchase prices were consistent with the financial delegation of the approving officer. For the sixth acquisition, a record of the delegate's approval could not be located. Four of the ten acquisitions reviewed consisted of multiple units within multi-unit developments, or multiple adjacent land sites. For these acquisitions, financial delegations were exercised in accordance with the contract values for individually titled units or sites, not for the total acquisition. That is, while the acquisition prices of individual units or sites were within the financial delegation of the approving officer, the total value of the acquisition exceeded their financial delegation.

Offer and purchase prices

4.93 Figure 4-2 shows offer and purchase prices compared to the upper and lower limits of valuation ranges for nine of the ten acquisitions reviewed for the purpose of the audit. One acquisition, which involved an exit payment from a lease licence scheme is not included in Figure 4-2.

Figure 4-2 Offer and purchase prices compared to valuation ranges



Source: ACT Audit Office, based on Valuation Reports, records of approval for offer and purchase prices and contracts of sale.

4.94 Review of the offer and purchase prices for ten public housing homes compared to valuation ranges showed that:

- eight purchase prices were within or below valuation ranges; and
- two purchase prices were above the upper limit of valuation ranges.

4.95 For two acquisitions where the purchase price was more than ten percent above valuation ranges:

- in one case a minute providing evidence for the value of the acquisition and rationale for acquisition above valuation range was approved by the Executive Branch Manager, Infrastructure and Contracts; and
- in another acquisition, approved in August 2020 (before implementation of the *Valuation Guidelines*), there was no record of approval for a purchase price 11 percent above the valuation range.

4.96 Review of offer and purchase prices for acquisitions of ten public housing homes compared to corresponding valuation reports shows that all offer prices were within valuation ranges and eight purchase prices were within valuation ranges. The purchase prices for two of the ten acquisitions reviewed were above valuation ranges. For one of these two acquisitions, a suitable minute for approval to establish a purchase price threshold above valuation range was approved by the Executive Branch Manager, Infrastructure and Contracts. However, for the other acquisition, which was approved in August 2020 (before implementation of the *Valuation Guidelines*), there was no record of approval for a purchase price 11 percent above the valuation range.

Recommendation 4 Procedural guidance

Housing ACT should review and update its procedural guidance for selling and buying public housing homes so that it provides clear and consistent guidance, including by:

a) updating the *Auctions Standard Operating Procedure* and *Acquisitions Standard Operating Procedure*; and

b) ensuring policies about price setting, including the use and applications of the *Valuation Guidelines* are widely communicated and applied.

Recommendation 5 Record keeping

Housing ACT should implement a consistent template to record officers' recommendations and delegates' approvals to set reserve, offer, sales and purchase prices for public housing homes. The template should contain:

a) the complete set of data and information on which recommended prices are based;

b) a checklist or similar information evidencing completion of required process steps;

c) a clear and dated record of officers' recommendations and delegates' approvals, including approvals for initial reserve and offer prices and final sale and purchase prices; and

d) the positions held by officers at the time of signature.

5 Procuring building services

5.1 To deliver the *Growing and Renewing Public Housing Program* (Program), Housing ACT aims to build 1,120 new, fit-for-purpose public housing homes.

5.2 This chapter considers Housing ACT's procedural guidance for procuring construction services for building new public housing homes and how effectively this has been implemented.

Summary

Conclusions

Housing ACT's processes for the procurement of construction services to build new public housing homes have been effective.

Roles and responsibilities in procurement processes were clearly identified and conflicts of interest were effectively managed. The evaluation of quotes or tenders was conducted with reference to Evaluation Plans and established criteria.

Key findings

Residential Construction Building Contractors Panel	Paragraph
Housing ACT procures construction services through the *Residential Construction Building Contractors Panel* (Contractors Panel), established by Major Projects Canberra. Suppliers on the Contractors Panel are pre-approved to supply residential construction services to Housing ACT. Between 2019-20 and 2023-24, Housing ACT awarded 115 contracts with a total value of $360.6 million to suppliers from the Contractors Panel. These contracts ranged in value from $0.6 million to $20.4 million.	5.13
Roles and responsibilities	
The *Tender Evaluation Plan* template describes in detail the roles and responsibilities of officers involved in procuring construction services from the Contractors Panel. For all ten of the procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* clearly identified the officers who would fill each role. In general, there was a clear separation of duties for the procurements. For all ten of the procurements reviewed, the delegate that approved the award of the contract to the recommended supplier was a different person to the Evaluation Team and	5.28

Advisors and to any Senior Directors who endorsed recommendations made by the Evaluation Team.

The *Capital Works Procurements Standard Operating Procedure* describes processes for the review of procurement documentation by senior officers and approval of procurement documentation by a delegate. For all ten of the procurements reviewed for the purpose of the audit, senior officer review, and delegate approval of, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender*, the *Tender Evaluation Plan* and the *Tender Evaluation Report* was consistent with the requirements of the *Capital Works Procurements Standard Operating Procedure*. For all ten of the procurements, approval to enter into contracts with preferred suppliers was given by a delegate in accordance with financial delegation limits. 5.35

The *Capital Works Procurements Standard Operating Procedure* and *Tender Evaluation Plan* template do not specify a minimum number of members for an Evaluation Team or minimum expertise or training requirements for Evaluation Team members. Housing ACT's current practice is for the Evaluation Team to be composed of three officers from the Infrastructure Delivery team, with representation from the team responsible for construction design and officers oversighting the construction project. If sufficient officers from the Infrastructure Delivery team are not available, the third member will be a representative from the procurement team. 5.46

Of the ten procurements reviewed for the purpose of the audit, seven had three-person Evaluation Teams and three had two-person Evaluation Teams. One of these procurements commenced with a two-person Team, while two of the procurements received approval to continue despite the unexpected absence of a Team member. Since 2020, when an Evaluation Team member needed to be replaced, the reason for their replacement and approval processes for their replacement were recorded in the *Tender Evaluation Report*. 5.47

The *Tender Evaluation Plan* template envisages Specialist and/or Additional Advisors to assist with the evaluation of tenders, including by preparing factual reports and providing advice for the Evaluation Team's consideration. Procurement Advisors were clearly identified in *Tender Evaluation Plans* and, when specialist advice was commissioned by an Evaluation Team, the Specialist Advisor and the advice provided was clearly recorded in the *Tender Evaluation Report*. Of the ten procurements reviewed for the purpose of the audit: two featured specialist advice that was sought from Housing ACT officers; and three featured independent Quantity Surveyor's reports to support an assessment of value for money. In each case, the *Tender Evaluation Report* effectively identified the Advisor and included an explanation of the advice received by the Evaluation Team. 5.55

The *Tender Evaluation Plan* template requires Evaluation Team members, advisors and officers handling tender documents to disclose any actual or apparent conflicts of interest through a *Conflict of Interest Disclosure* and to complete a *Confidentiality Undertaking*. For the ten procurements reviewed for the purpose of the audit, a *Conflict of Interest Disclosure* and *Confidentiality Undertaking* was recorded for all Evaluation Team members and Specialist Advisors, except for one instance where a 5.61

Specialist Advisor's completed forms could not be located. In two of the ten procurements reviewed, an Evaluation Team member was replaced due to a declared conflict. In both instances there was a record of the delegate approving the change and the changed composition of the Evaluation Team was also recorded in the *Tender Evaluation Report*.

Selecting suppliers

The *Panel Management Plan* identifies criteria, and the *Capital Works Procurements Standard Operating Procedure* identifies considerations to be taken into account, for selecting suppliers to receive a *Request for Quotation* or *Request for Tender*. Since 2021, Housing ACT has used data held in Fulcrum to generate a monthly *Builders Capacity Report* that shows financial data for suppliers on the Contractors Panel to assist with its decision-making. However, Housing ACT has not developed formal procedural guidance that clearly documents the complete set of considerations and information required to be used in the selection process. This creates a risk that different officers may apply considerations and information differently when selecting suppliers to receive requests. 5.74

For the ten procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* showed that there were at least three suppliers selected to receive each Request. However, the authorising documents did not explain how or why the three suppliers had been selected. 5.75

For nine of the ten procurements reviewed for the purpose of the audit, between three to five suppliers received requests and at least two quotes or tenders were received. In one procurement, which was conducted in 2019, three suppliers received the request, one tender was received and was evaluated without seeking tenders from additional suppliers. The reasons for not seeking tenders from additional suppliers were not documented in the *Tender Evaluation Report*. 5.79

Conducting the evaluation

The *Tender Evaluation Plan* template describes the process to be followed in evaluating tenders and preparing the *Tender Evaluation Report*. For the ten procurements reviewed for the purpose of the audit, there was evidence that key process steps were correctly followed including: 5.84

- suppliers approached and tenders evaluated in accordance with procurement authorisations;
- key content, such as scopes of work and evaluation criteria, being consistent across the *Request for Quotation* or *Request for Tender*, the *Evaluation Plan* and *Tender Evaluation Report*;
- the *Tender Evaluation Report* being prepared and signed by the Tender Evaluation Team; and

recommendations made in the *Tender Evaluation Report* being approved by an appropriate delegate.

The *Tender Evaluation Plan* template requires tenders to be evaluated against the *Request for Quotation* or *Request for Tender* requirements including Threshold Assessment Criteria, Weighted Assessment Criteria and Non-weighted Assessment Criteria. The *Tender Evaluation Reports* reviewed for the purpose of the audit demonstrated compliance with these requirements. In doing so the reports provided an appropriate quality of narrative for assessments against the Weighted Assessment Criteria, including an outline of the strengths and weaknesses of the tenders with reference to the key elements of the assessment criteria and the numerical scores assigned, and identified and rated key risks for each tender received. The level of detail provided by *Tender Evaluation Reports* improved during the course of the Program. 5.99

The *Tender Evaluation Plan* template requires a pricing assessment based on variation between tendered prices and the average of all tendered lump sum prices and the project budget. The *Tender Evaluation Reports* reviewed for the purpose of the audit did not take a consistent approach to documenting pricing assessments. Although different methods and information were used, in each case where there were multiple tenders the pricing assessment allowed for comparison between tendered prices. 5.104

The *Tender Evaluation Plan* template requires that a value for money assessment be made based on scores against the Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and identified risks. All *Tender Evaluation Reports* reviewed for the purpose of the audit included an overall value for money assessment that made reference to Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and risks. 5.113

Tender Evaluation Reports for the ten procurements reviewed for the purpose of the audit did not take a consistent approach to demonstrating value for money when tendered costs were above project budgets. Independent Quantity Surveyors Reports were used to evidence value for money for three procurements that had tendered costs five percent or more above budget, whereas *Tender Evaluation Reports* for three other procurements did not reference independent Quantity Surveyors Reports and attributed costs five percent or more above budget to market conditions. 5.114

Residential Construction Building Contractors Panel

5.3 The procurement of construction services for the Growing and Renewing Public Housing Program (Program) is achieved through the whole-of-government *Residential Construction Building Contractors Panel* (Contractors Panel). Suppliers on the Contractors Panel are pre-qualified to supply residential construction services to Housing ACT.

5.4 ‘Pre-qualification’ means that suppliers have met ACT Government requirements for supplying construction services for:

- construction projects of specific types, e.g. a supplier may meet requirements to undertake residential construction projects up to two storeys in height; and
- construction projects under threshold financial values, e.g. a supplier may meet requirements to undertake projects up to a value of $15 million.

5.5 Major Projects Canberra was responsible for establishing the Contractors Panel in 2019. During the course of the Program, Major Projects Canberra was responsible for regularly reviewing the pre-qualification levels of suppliers. Major Projects Canberra is expected to review the pre-qualification levels and financial viability of all suppliers biannually. Major Projects Canberra provides Housing ACT with monthly Panel listings to facilitate its access to, and use of, the Panel.

Risk and probity management

5.6 The July 2019 Strategic Procurement Plan Minute for the establishment of the Contractors Panel identified:

- risks associated with establishment and use of the Contractors Panel;
- controls for the identified risks; and
- an overall risk rating of ‘medium’ for procurement of $560 million worth of construction services through the Contractors Panel.

5.7 In relation to the establishment and use of the Contractors Panel, the principle of probity was outlined in a Probity Statement:

> … officers … involved in purchasing activities are to act with honesty and maintain the highest ethical standard in all business dealings.

5.8 The Probity Statement provided for:

- confidentiality and conflicts of interest to be managed; and
- independent probity advice or probity audit to be sought where probity issues are identified by any person connected with a procurement process.

5.9 The Procurement Risk Management Plan also identified the use of probity advisors or auditors as a control to manage the risk of non-adherence to legislation, policy, and procedure.

Summary of procurement activity

5.10 Between July 2019 and March 2024, Housing ACT awarded 115 contracts with a total value of $360.6 million to suppliers from the Contractors Panel. The 115 contracts consisted of:

- three contracts with a value of $10.0 million or more ($10.0 million, $16.7 million and $20.4 million);
- 12 contracts with a value between $5.3 million and $8.8 million; and
- 100 contracts with a value under $5 million ($0.6 million to $4.9 million).

5.11 The number of land sites provided for by each contract ranged from one to eight and the number of public housing homes to be built ranged from one to 33. There were seven medium-density developments of 15 or more homes on a single site with contract values from $6.0 million to $20.4 million.

5.12 Contracts were awarded to 15 different suppliers, with an average of eight contracts awarded to each supplier.

5.13 Housing ACT procures construction services through the *Residential Construction Building Contractors Panel* (Contractors Panel), established by Major Projects Canberra. Suppliers on the Contractors Panel are pre-approved to supply residential construction services to Housing ACT. Between 2019-20 and 2023-24, Housing ACT awarded 115 contracts with a total value of $360.6 million to suppliers from the Contractors Panel. These contracts ranged in value from $0.6 million to $20.4 million.

Key process steps

5.14 The processes to be followed in procuring services from the Contractors Panel are outlined in Housing ACT's:

- *Capital Works Procurements Standard Operating Procedure*; and
- *Tender Evaluation Plan* template.

5.15 Table 5-1 shows the key process steps in procuring services from the Contractors Panel.

Table 5-1 Process for procuring building services from the Contractors Panel

Process step	Key activities	Housing ACT documents
Preparing a scope of works	Identifying the scope of works	Scope of Works
Selecting suppliers to receive *Requests for Quote* or *Requests for Tender*	Selecting three suppliers with prequalification and financial capacity	Capital Works Tender Schedule Report Builders Capacity Report
Preparing to issue a Request and conduct an evaluation	Identifying officers to fill required roles and managing confidentiality and conflicts of interest Preparing a Request and Evaluation Plan and seeking review and endorsement to proceed from: Senior Director or Director Procurement; Senior Director Infrastructure Delivery; and the officer responsible for managing the building project	Confidentiality Undertaking Conflict of Interest Disclosure Request for Quote or Tender Tender Evaluation Plan
Seeking authorisation to issue a Request	Seeking approval from two Senior Directors to issue the Request	Procurement and Contract Authorisation Minute Part A
Evaluating quotes and tenders	Conducting a compliance check Evaluating quotes or tenders and identifying a preferred supplier Preparing a draft Tender Evaluation Report for endorsement by Procurement Senior Director/Director Preparing a final Tender Evaluation Report	Tender Compliance Check Tender Evaluation Report Requests for clarification from tenderers Requests for specialist advice Clarifications and advice received
Seeking authorisation to award a contract	Seeking approval from the delegate to award a contract	Procurement and Contract Authorisation Minute Part B
Awarding a contract and advising unsuccessful tenderers	Completing the procurement and managing relationships with suppliers	Letters of Award Letters of Decline Contracts

Source: Audit Office, based on *Capital Works Procurements Standard Operating Procedure, Tender Evaluation Plan Template* and information provided by Housing ACT.

Scope of audit review

5.16 The Audit Office reviewed ten procurements of construction services from the Contractors Panel. The procurements were for a total value of $43.7 million. The procurements ranged in value and were for construction projects of different sizes across five years of Program activity. The procurements reviewed are shown in Appendix A.

5.17 The review assessed Housing ACT's processes for the:

- selection of suppliers to receive a *Request for Quotation* or *Request for Tender*; and
- evaluation of quotes or tenders to identify preferred suppliers.

5.18 The review did not consider Housing ACT's activities to:

- develop and document scopes of work or building designs; or
- manage the contract, and the construction services, once the contract had been awarded.

5.19 The review did not review the merits of the decision to award the contract.

Policy and procedural guidance

Panel Management Plan

5.20 A *Panel Management Plan* outlines the governance and administrative arrangements for Housing ACT's use of the Contractors Panel. It provides guidance on how the panel is to be managed and the circumstances in which it is to be used.

Standard Operating Procedure and Evaluation Plan

5.21 The processes to be followed in procuring services from the Contractors Panel are outlined in Housing ACT's:

- *Capital Works Procurements Standard Operating Procedure*; and
- *Tender Evaluation Plan for a Residential Construction Building Contractors Panel Procurement Template* (the *Tender Evaluation Plan* template).

5.22 The identified purpose of the *Capital Works Procurements Standard Operating Procedure* is to 'identify a suitable contractor from the Residential Construction Building Contractors Panel to undertake redevelopment works as part of the Growing and Renewing program'. It identifies administrative and procedural steps, and relevant documents to be prepared, in procuring construction services for the purpose of the Program. It describes processes to be followed from developing the scope of works through to evaluating responses and executing the contract.

5.23 The *Tender Evaluation Plan* template was prepared by Major Projects Canberra. It is intended to be 'the reference document outlining the roles, responsibilities and process of an evaluation process for the nominated Tender Evaluation Team (TET)'.

Roles and responsibilities

5.24 The *Tender Evaluation Plan* template describes in detail the roles and responsibilities for the conduct of the procurement including:

- the Delegate;
- the Tender Evaluation Team (including the specific responsibilities of the Chair); and
- Advisors, including Specialist Advisors, Procurement Advisors and Additional Advisors.

5.25 For all ten of the procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* clearly identified the officers who would fill each role.

Separation of duties

5.26 In general, there was a clear separation of duties for the procurements reviewed for the purpose of the audit. However, in two of the ten procurements, an officer was recorded as filling more than one role, including:

- an officer identified as a Procurement Advisor was also a member of the Evaluation Team; and
- a Senior Director identified as the Chair of the Evaluation Team also acted as the delegate that endorsed the Evaluation Plan. This Senior Director was, however, not the delegate who approved awarding of the contract to the preferred supplier.

5.27 In all ten of the procurements reviewed for the purpose of the audit, the delegate that approved the award of the contract to the recommended supplier was a different person to the Evaluation Team and Advisors and to any Senior Directors who endorsed recommendations made by the Evaluation Team.

5.28 The *Tender Evaluation Plan* template describes in detail the roles and responsibilities of officers involved in procuring construction services from the Contractors Panel. For all ten of the procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* clearly identified the officers who would fill each role. In general, there was a clear separation of duties for the procurements. For all ten of the procurements reviewed, the delegate that approved the award of the contract to the recommended supplier was a different person to the Evaluation Team and Advisors and to any Senior Directors who endorsed recommendations made by the Evaluation Team.

Delegates

Approval for the conduct of the procurement

5.29 The *Capital Works Procurements Standard Operating Procedure* describes processes for the review of procurement documentation for release, including that:

- a draft *Scope of Work* and associated supporting documents be reviewed by Directors or Senior Directors in the Procurement and Infrastructure Delivery teams; and
- the *Tender Evaluation Plan* be endorsed by two Senior Directors.

5.30 The *Capital Works Procurements Standard Operating Procedure* notes that:

> … some political or high risk procurements may require the Executive Branch Manager or Executive Group Manager to be the Delegate.

5.31 The *Capital Works Procurements Standard Operating Procedure* does not provide further guidance on what might be 'political' or 'high-risk' nor does it provide for a risk assessment step to be undertaken in the procurement process that might provide a basis for assessing the risk of the procurement.

5.32 For all ten of the procurements reviewed for the purpose of the audit, senior officer review, and delegate approval of, authorisation minute(s), the *Tender Evaluation Plan* and the *Tender Evaluation Report* was consistent with the requirements of the *Capital Works Procurements Standard Operating Procedure*, although some records of approval were incomplete, due to:

- signatures not being recorded;
- signatures not being dated; and
- the action recommended to be taken (Approved/Not Approved/Requires Clarification) not being indicated.[12]

Approval to enter into a contract with preferred supplier

5.33 Housing ACT's *Procurement and Contract Authorisation Minute (PCAM) Part A*, which is used to authorise the commencement of a procurement process, requires a delegate with appropriate financial delegation to authorise the issuing of a contract to the preferred supplier. Although the delegate is identified in the minute, the delegate does not review the minute at this point. Instead, the minute is approved by two Senior Directors in the Infrastructure and Contracts Branch. The delegate subsequently receives Part B of the minute, which seeks approval to award the contract to the preferred supplier.

[12] Housing ACT advised that, for documents approved within the record management system TRIM, there may also be comments against either the document or the TRIM container recording delegates' approvals.

5.34 For all ten of the procurements reviewed for the purpose of the audit, approval to enter into contracts with preferred suppliers was given by a delegate in accordance with financial delegation limits.

5.35 The *Capital Works Procurements Standard Operating Procedure* describes processes for the review of procurement documentation by senior officers and approval of procurement documentation by a delegate. For all ten of the procurements reviewed for the purpose of the audit, senior officer review, and delegate approval of, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender*, the *Tender Evaluation Plan* and the *Tender Evaluation Report* was consistent with the requirements of the *Capital Works Procurements Standard Operating Procedure*. For all ten of the procurements, approval to enter into contracts with preferred suppliers was given by a delegate in accordance with financial delegation limits.

Tender Evaluation Teams

Composition of Tender Evaluation Teams

5.36 For the ten procurements reviewed for the purpose of the audit, the minute or equivalent document authorising the commencement of the procurement included the names of Tender Evaluation Team (Evaluation Team) members, with the Chair clearly identified. Evaluation Team members were recorded as names only, without reference to the position they held in Housing ACT.

5.37 Since 2020, when an Evaluation Team member has needed to be replaced, the reason for their replacement and approval processes for their replacement have been recorded in the *Tender Evaluation Report*.

Number of members

5.38 The *Capital Works Procurements Standard Operating Procedure* and *Tender Evaluation Plan* template do not specify a minimum number of members for an Evaluation Team. Housing ACT advised that Evaluation Teams are typically initially formed with three people. However, if a member is unavailable, an evaluation may proceed with a two-member Evaluation Team, with approval from the delegate.

5.39 Of the ten procurements reviewed for the purpose of the audit:

- seven had three-person Evaluation Teams; and
- three had two-person Evaluation Teams (contract values of $1.3 million, $2.3 million and $16.7 million).

5.40 Of the three procurements conducted with two-person Evaluation Teams:

- one commenced with a two-person Team; and
- two were approved to proceed with a two-person Team to accommodate the unexpected absence of a Team member.

Expertise of members

5.41 The *Capital Works Procurements Standard Operating Procedure* and *Tender Evaluation Plan* template do not specify the minimum expertise or training requirements for Evaluation Team members.

5.42 The authorisation minute currently in use by Housing ACT (*Procurement and Contract Authorisation Minute (PCAM) Part A*) includes a brief statement in relation to the composition of the Evaluation Team:

> The Tender Evaluation Team is composed of experienced officers who are familiar with the requirements of undertaking tender evaluations, the Growing and Renewing program and the Design Brief.

5.43 Housing ACT advised that early in the Program, Evaluation Team members were drawn from across the agency. However, it was found to be difficult for staff without construction expertise to effectively assess tenders. Consequently, Housing ACT's current practice is for the Evaluation Team to be composed of officers from the Infrastructure Delivery team only. No officers from other Directorates are involved.

5.44 Housing ACT advised that a typical Evaluation Team includes:

- officers from the team responsible for construction design;
- officers who will be oversighting the construction project; and
- if no other officers from the Infrastructure Delivery team are available, an officer from the procurement team.

5.45 Housing ACT advised that all staff take part in mandatory procurement training and new starters are provided opportunities to observe an Evaluation Team in action before joining one.

5.46 The *Capital Works Procurements Standard Operating Procedure* and *Tender Evaluation Plan* template do not specify a minimum number of members for an Evaluation Team or minimum expertise or training requirements for Evaluation Team members. Housing ACT's current practice is for the Evaluation Team to be composed of three officers from the Infrastructure Delivery team, with representation from the team responsible for construction design and officers oversighting the construction project. If sufficient officers from the Infrastructure Delivery team are not available, the third member will be a representative from the procurement team.

5.47 Of the ten procurements reviewed for the purpose of the audit, seven had three-person Evaluation Teams and three had two-person Evaluation Teams. One of these procurements commenced with a two-person Team, while two of the procurements received approval to continue despite the unexpected absence of a Team member. Since 2020, when an Evaluation Team member needed to be replaced, the reason for their replacement and approval processes for their replacement were recorded in the *Tender Evaluation Report*.

Recommendation 6	**Composition of Tender Evaluation Teams**

Housing ACT should formally document its requirements for the formation of Tender Evaluation Teams for the procurement of construction services by specifying:

a) the minimum number of team members;

b) requirements for professional learning and experience; and

c) expertise to be represented in a Team.

Additional Advisors

Specialist and Additional Advisors

5.48 The *Tender Evaluation Plan* template envisages Specialist and/or Additional Advisors to assist with the evaluation of tenders, including by preparing factual reports and providing advice for the Evaluation Team's consideration. The template notes that Specialist Advisors must not engage in providing scoring or assessment ratings.

5.49 Of the ten procurements reviewed for the purpose of the audit:

- two featured specialist advice that was sought from Housing ACT officers; and
- three featured independent Quantity Surveyor's reports to support an assessment of value for money.

5.50 In each case, the *Tender Evaluation Report* effectively identified the Advisor and included an explanation of the advice received by the Evaluation Team.

Procurement Advisors

5.51 The *Tender Evaluation Plan* template requires a dedicated Procurement Officer to assist with the evaluation of tenders by:

- facilitating evaluation discussions;
- conducting communications with tenderers; and
- assisting with the preparation of the *Tender Evaluation Report*.

5.52 For all ten procurements reviewed for the purpose of the audit, the names and positions of officers from the Procurement Services team in the Infrastructure and Contracts Branch who assisted with the procurement were recorded in the minute or equivalent documents authorising the commencement of the procurement. There was evidence to indicate that the Procurement Officers conducted communications with tenderers, e.g. requests for clarification.

Probity Advisors

5.53 The *Tender Evaluation Plan* template states that the Tender Evaluation Team is responsible for seeking probity or legal advice, if required.

5.54 A Probity Advisor was not engaged for any of the ten procurements reviewed for the purpose of the audit.

5.55 The *Tender Evaluation Plan* template envisages Specialist and/or Additional Advisors to assist with the evaluation of tenders, including by preparing factual reports and providing advice for the Evaluation Team's consideration. Procurement Advisors were clearly identified in *Tender Evaluation Plans* and, when specialist advice was commissioned by an Evaluation Team, the Specialist Advisor and the advice provided was clearly recorded in the *Tender Evaluation Report*. Of the ten procurements reviewed for the purpose of the audit: two featured specialist advice that was sought from Housing ACT officers; and three featured independent Quantity Surveyor's reports to support an assessment of value for money. In each case, the *Tender Evaluation Report* effectively identified the Advisor and included an explanation of the advice received by the Evaluation Team.

Managing conflicts of interest

5.56 The *Tender Evaluation Plan* template requires Evaluation Team members, advisors and officers handling tender documents to disclose any actual or apparent conflicts of interest using a *Conflict of Interest Disclosure* and to complete a *Confidentiality Undertaking*. Declared conflicts of interest are required to be managed through the removal of the officer from the evaluation or parts of the evaluation process.

5.57 For the ten procurements reviewed for the purpose of the audit, a *Conflict of Interest Disclosure* and *Confidentiality Undertaking* was recorded for all Evaluation Team members and Specialist Advisors, except for one instance where a Specialist Adviser's completed forms could not be located. Forms were completed before the assessment processes commenced.

5.58 Enduring *Conflict of Interest Disclosures* and *Confidentiality Undertakings* are recorded for Procurement Advisors in relation to suppliers on the Contractors Panel. The Undertakings are refreshed when new suppliers join the Panel.

5.59 In two of the ten procurements reviewed for the purpose of the audit, an Evaluation Team member was replaced due to a declared conflict. In both instances there was a record of the delegate approving the change and the changed composition of the Evaluation Team was also recorded in the *Tender Evaluation Report*.

5.60 *Tender Evaluation Reports* also contain a positive statement in relation to the management of conflicts of interest, for example:

> Members of the TET were asked to disclose any conflict of interest or association they might have with the Tenderers for the Project. No member has disclosed a conflict of interest or association with any of the Tenderers. All documents and proceedings of the TET have been treated as confidential.

5.61 The *Tender Evaluation Plan* template requires Evaluation Team members, advisors and officers handling tender documents to disclose any actual or apparent conflicts of interest through a *Conflict of Interest Disclosure* and to complete a *Confidentiality Undertaking*. For the ten procurements reviewed for the purpose of the audit, a *Conflict of Interest Disclosure* and *Confidentiality Undertaking* was recorded for all Evaluation Team members and Specialist Advisors, except for one instance where a Specialist Advisor's completed forms could not be located. In two of the ten procurements reviewed, an Evaluation Team member was replaced due to a declared conflict. In both instances there was a record of the delegate approving the change and the changed composition of the Evaluation Team was also recorded in the *Tender Evaluation Report*.

Selecting suppliers

5.62 The *Panel Management Plan* allows Housing ACT to select one or more suppliers to receive a *Request for Quotation* or *Request for Tender* based on:

> … suitability of work type and equitable project distribution and work allocation between panel members …

5.63 The *Panel Management Plan* identifies criteria to be used in selecting suppliers to receive a *Request for Quotation* or *Request for Tender*, including inter alia:

- panel members’ financial prequalification;
- ‘the capacity and availability of the panel member’s resources (including availability of any special equipment, expertise or products required)’;
- ‘the panel members’ areas of specialty’;
- ‘the panel members’ ability to respond and complete performance of the work within the required timeframe (including in light of its current workloads)’; and
- ‘attempt to balance workloads between the panel members’.

5.64 The *Capital Works Procurements Standard Operating Procedure* requires the following considerations be taken into account in selecting suppliers to receive a *Request for Quotation* or *Request for Tender*:

- interest in receiving the request;
- prequalification status and financial capacity;
- number of requests previously received;
- number of contracts previously awarded; and
- ‘Secure Local Jobs Code Certification’.

5.65 The *Capital Works Procurements Standard Operating Procedure* does not explain how these considerations are to be taken into account.

Process for selecting suppliers

2019 to 2021

5.66 Prior to the introduction of the Fulcrum business system in 2021, Housing ACT used an Excel spreadsheet (the *Capital Works Tender Schedule Report*) to record information about suppliers on the Contractors Panel. This spreadsheet recorded information on supplier prequalification levels and facilitated:

- tracking of requests issued to each supplier; and
- tracking of requests declined, responses received and successful responses.

5.67 A version of this spreadsheet that was reviewed for the purpose of the audit did not include information about the financial value of contracts in progress, although Housing ACT advised that this information was available and was also considered when suppliers were selected.

2021 onwards

5.68 Since 2021, Housing ACT has used data held in Fulcrum to generate a monthly *Builders Capacity Report* that shows financial data for suppliers on the Contractors Panel. This report includes information on:

- supplier prequalification levels;
- supplier Secure Local Jobs Code certification status; and
- the value of all contracts with Housing ACT held by each supplier, and milestones paid and pending against these contracts.

5.69 The *Builders Capacity Report* also shows suppliers who do not wish to respond to further Requests or who are at or over financial capacity.

5.70 In addition to the *Capital Works Tender Schedule Report* and *Builders Capacity Report*, Housing ACT also considers suppliers' expressed preferences for projects of different sizes and types, e.g. medium to high-density developments or single site developments.

5.71 Housing ACT advised that the information is intended to be used to ensure all suppliers within the same pre-qualification category are offered an equal opportunity to tender for projects within that range.

5.72 While Housing ACT has written instructions explaining how to generate a *Builders Capacity Report*, there is no formal procedural guidance for how the information and considerations are to be applied when selecting suppliers to receive a *Request for Quotation* or *Request for Tender*.

Records of supplier selection

5.73 Minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* (i.e. the *Procurement Plan Minute*, *Evaluation Plan* or P*rocurement and Contract Authorisation Minute*) for the ten procurements reviewed for the purpose of the audit showed that there were at least three suppliers selected to receive each Request. However, the authorising documents did not explain how or why the three suppliers had been selected.

5.74 The *Panel Management Plan* identifies criteria, and the *Capital Works Procurements Standard Operating Procedure* identifies considerations to be taken into account, for selecting suppliers to receive a *Request for Quotation* or *Request for Tender*. Since 2021, Housing ACT has used data held in Fulcrum to generate a monthly *Builders Capacity Report* that shows financial data for suppliers on the Contractors Panel to assist with its decision-making. However, Housing ACT has not developed formal procedural guidance that clearly documents the complete set of considerations and information required to be used in the selection process. This creates a risk that different officers may apply considerations and information differently when selecting suppliers to receive requests.

5.75 For the ten procurements reviewed for the purpose of the audit, minutes or equivalent documents authorising the issuing of a *Request for Quotation* or *Request for Tender* showed that there were at least three suppliers selected to receive each Request. However, the authorising documents did not explain how or why the three suppliers had been selected.

Quotation and tender responses

5.76 Housing ACT advised that the practice during the course of the Program has been to approach at least three suppliers wherever practicable and to seek to evaluate multiple comparable quotes or tenders.

5.77 Table 5-2 shows the numbers of suppliers approached and the number of quotes or tenders received for the ten procurements reviewed for the purpose of the audit.

Table 5-2 Numbers of suppliers approached and quotes and tenders received

Procurement	Estimated value of contract when commencing procurement	Value of contract awarded	Number of suppliers selected to receive a request for quote or tender	Number of comparable quotes or tenders received and evaluated
1 (2019)	$1,602,633	$1,638,275	3	1
2 (2019)	not stated	$593,121	3	3
3 (2020)	$2,035,000	$2,224,549	3	3
4 (2020)	$2,322,000	$3,237,015	4	4
5 (2021)	$4,506,000	$4,580,807	3	3
6 (2022)	$1,262,591	$1,587,680	5	2
7 (2022)	$13,421,272	$16,691,500	5	3
8 (2023)	$4,676,387	$4,927,248	3	2
9 (2023)	$2,753,356	$2,273,763	3	3
10 (2024)	$5,396,096	$5,995,000	3	3

Source: ACT Audit Office, based on authorising documents and *Tender Evaluation Reports*.

5.78 For the ten procurements reviewed for the purpose of the audit:

- in eight procurements, between three to five suppliers received requests and at least two quotes or tenders were received;
- in one procurement, two of the three suppliers initially selected to receive the request declined to respond within the identified timeframe and two additional suppliers were selected, resulting in two submitted quotes; and

- in one procurement, which was conducted in 2019, three suppliers received the request, one tender was received and was evaluated without seeking tenders from additional suppliers. The reasons for not seeking tenders from additional suppliers were not documented in the *Tender Evaluation Report*.

5.79 For nine of the ten procurements reviewed for the purpose of the audit, between three to five suppliers received requests and at least two quotes or tenders were received. In one procurement, which was conducted in 2019, three suppliers received the request, one tender was received and was evaluated without seeking tenders from additional suppliers. The reasons for not seeking tenders from additional suppliers were not documented in the *Tender Evaluation Report*.

Recommendation 7 **Selecting suppliers to receive requests for quote or tender**

Housing ACT should develop procedural guidance that identifies:

a) the complete information and considerations required to be used to select suppliers on the Residential Construction Building Contractors Panel to receive requests for quotation or tender; and

b) requirements for documentation of the considerations in the *Procurement and Contract Authorisation Minute (PCAM) Part A*.

Conducting the evaluation

Implementation of evaluation process

5.80 The *Tender Evaluation Plan* template describes the process to be followed in evaluating tenders and preparing the *Tender Evaluation Report*.

5.81 For the ten procurements reviewed for the purpose of the audit, there was evidence that key process steps were correctly followed, including:

- the *Request for Quotation* or *Request for Tender* opening and closing in accordance with published dates;
- suppliers being approached and tenders being evaluated in accordance with procurement authorisations;
- key content, such as scopes of work and evaluation criteria, being consistent across the *Request for Quotation* or *Request for Tender*, the *Evaluation Plan* and *Tender Evaluation Report*;
- compliance checks being conducted;

- the *Tender Evaluation Report* being prepared and signed by the Tender Evaluation Team;
- recommendations made in the *Tender Evaluation Report* being approved by an appropriate delegate; and
- Letters of Award, Letters of Decline and contracts being completed in accordance with delegates' approvals.

5.82 Key documents evidencing process steps and authorisations were maintained on file including:

- scopes of work;
- the *Tender Evaluation Plan*;
- *Conflict of Interest Disclosures* and *Confidentiality Undertakings*;
- results of compliance checks;
- the *Tender Evaluation Report*;
- specialist advice provided to the Tender Evaluation Team;
- requests for clarification sent to tenderers and clarifications received from tenderers;
- Letters of Award and Letters of Decline; and
- executed contracts.

5.83 The procurement documents were securely stored by the procurement team and access restrictions were tested, confirming that only procurement staff can access the procurement records.

5.84 The *Tender Evaluation Plan* template describes the process to be followed in evaluating tenders and preparing the *Tender Evaluation Report*. For the ten procurements reviewed for the purpose of the audit, there was evidence that key process steps were correctly followed including:

- suppliers approached and tenders evaluated in accordance with procurement authorisations;
- key content, such as scopes of work and evaluation criteria, being consistent across the *Request for Quotation* or *Request for Tender*, the *Evaluation Plan* and *Tender Evaluation Report*;
- the *Tender Evaluation Report* being prepared and signed by the Tender Evaluation Team; and
- recommendations made in the *Tender Evaluation Report* being approved by an appropriate delegate.

Application of evaluation criteria

5.85 The *Tender Evaluation Plan* template outlines requirements for tenders to be evaluated against the *Request for Quotation* or *Request for Tender* including:

- Threshold Assessment Criteria;
- Weighted Assessment Criteria; and
- Non-weighted Assessment Criteria.

5.86 Tenders are also required to be subject to a risk assessment and value for money assessment.

5.87 The *Tender Evaluation Plan* template describes evaluation steps that are required to be conducted sequentially and states that the *Tender Evaluation Report* is required to include:

- detailed justifications (comments and scores) against each Weighted Assessment Criterion;
- a summary of risks and required risk treatments;
- a summary value for money assessment; and
- a ranked order for tenders.

Compliance with requirements and Threshold Assessment Criteria

5.88 A *Compliance Check* template is used to assess whether tenders comply with the requirements of the *Request for Quotation* or *Request for Tender* and Threshold Assessment Criteria, including being submitted on time and having:

- correct financial prequalification status;
- a current Secure Local Jobs Code certification;
- a *Labour Relations Training and Workplace Equity Plan*;
- an *Ethical Suppliers Declaration*; and
- appropriate insurance cover.

5.89 The *Compliance Check* is expected to be approved and signed by two procurement officers and the Evaluation Team Chair.

5.90 A *Compliance Check* was recorded for all ten procurements reviewed for the purpose of the audit. However, one *Compliance Check* was not signed by any officers and another was not signed by the Evaluation Team Chair.

5.91 The *Compliance Check* template and information recorded in the Compliance Check have improved over time. Early in the implementation of the Program *Compliance Check* documents did not include all the Threshold Assessment Criteria listed in the *Tender Evaluation Plan* and only facilitated the recording of a yes/no response. *Compliance Checks* completed since December 2020 have included significantly more relevant details.

Weighted Assessment Criteria

5.92 The Weighted Assessment Criteria has varied across the ten procurements reviewed for the purpose of the audit. Pricing has been a weighted criterion since 2021.

5.93 *Tender Evaluation Reports* clearly explained Evaluation Teams' assessments of tenders against the Weighted Assessment Criteria. This has included considerations such as:

- identification of suitable nominated personnel (including internal personnel, external consultations and sub-contractors);
- the proposed construction program approaches and timelines;
- identified risks and mitigation approaches; and
- use of local workers.

5.94 In general, the *Tender Evaluation Reports* provided an appropriate quality of narrative for assessments against the Weighted Assessment Criteria, including an outline of the strengths and weaknesses of the tenders with reference to the key elements of the assessment criteria and the numerical scores assigned. The level of detail provided by *Tender Evaluation Reports* improved during the course of the Program. Most recent reports provided the most thorough and detailed descriptions of the Evaluation Teams' assessments.

5.95 *Tender Evaluation Reports* also included an explanation of:

- requests for clarification that were issued to tenderers and the responses that were received; and
- any specialist advice that was received and how this was used in the evaluation process.

Non-weighted Assessment Criteria

5.96 In general, assessments against Non-weighted Assessment Criteria were recorded in *Tender Evaluation Reports* as short statements.

5.97 Since 2022, Non-weighted Assessment Criteria have been based on the ACT Government's *Charter of Procurement Values Direction 2020*, which has required that at least one of the six Procurement Values has been demonstrated by the preferred supplier. The most referenced value was the *Employment of Aboriginal and Torres Strait Islander Peoples'*

Economic Participation Procurement Value. *Tender Evaluation Reports* commented on tenderers direct employment of Aboriginal and Torres Strait Islander people and use of Aboriginal and Torres Strait Islander-owned businesses as subcontractors.

Risk assessment

5.98 The *Tender Evaluation Reports* for the ten procurements reviewed for the purpose of the audit identified and rated key risks for each tender received. Risk mitigation measures were also described, if applicable, for the highest ranked tender.

5.99 The *Tender Evaluation Plan* template requires tenders to be evaluated against the *Request for Quotation* or *Request for Tender* requirements including Threshold Assessment Criteria, Weighted Assessment Criteria and Non-weighted Assessment Criteria. The *Tender Evaluation Reports* reviewed for the purpose of the audit demonstrated compliance with these requirements. In doing so the reports provided an appropriate quality of narrative for assessments against the Weighted Assessment Criteria, including an outline of the strengths and weaknesses of the tenders with reference to the key elements of the assessment criteria and the numerical scores assigned, and identified and rated key risks for each tender received. The level of detail provided by *Tender Evaluation Reports* improved during the course of the Program.

Value for money assessment

Pricing assessment

5.100 The *Tender Evaluation Plan* template requires a pricing assessment based on variation between tendered prices and:

- the average of all tendered lump sum prices; and
- the project budget.

5.101 Table 5-3 shows how pricing assessments were recorded in *Tender Evaluation Reports* for the ten procurements reviewed for the purpose of the audit.

Table 5-3 Recording of pricing assessments

Procurement	Variation from average of all tendered lump sums	Comparative costs per square metre	Comparative variation from budget	Comparison of lump sums only	Information presented allowed comparison between tenders
1 (2019) [(1)]	-	-	-	-	NA
2 (2019)	-	-	-	Yes	Yes
3 (2020)	-	Yes	-	-	Yes
4 (2020)	-	Yes	-	-	Yes
5 (2021)	-	Yes	-	-	Yes
6 (2022)	-	Yes	-	-	Yes
7 (2022)	-	-	-	Yes	Yes
8 (2023)	-	-	Yes	-	Yes
9 (2023)	-	-	Yes	-	Yes
10 (2024)	Yes	-	Yes	-	Yes

Source: Audit Office analysis based on *Tender Evaluation Reports*.

Note 1: A single tender was evaluated for this procurement.

5.102 Pricing assessments included in *Tender Evaluation Reports* varied in their approach:

- one report considered variation from tendered lump sum averages;
- three reports considered comparative price per square metre;
- three reports considered comparative variation from budget; and
- two reports compared only tendered lump sums.

5.103 Although different methods and information were used, in each case where there were multiple tenders, the assessment did allow for comparison between tendered prices.

5.104 The *Tender Evaluation Plan* template requires a pricing assessment based on variation between tendered prices and the average of all tendered lump sum prices and the project budget. The *Tender Evaluation Reports* reviewed for the purpose of the audit did not take a consistent approach to documenting pricing assessments. Although different methods and information were used, in each case where there were multiple tenders the pricing assessment allowed for comparison between tendered prices.

Value for money assessment

5.105 The *Tender Evaluation Plan* template requires a value for money assessment to be made based on:

- scores against the Weighted Assessment Criteria and Non-weighted Assessment Criteria;
- pricing assessments; and
- identified risks.

5.106 All *Tender Evaluation Reports* reviewed for the purpose of the audit included an overall value for money assessment that made reference to Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and risks.

Consideration of variation from budget

5.107 Table 5-4 shows budgets, contract values and variations from the budget for the ten procurements reviewed for the purpose of the audit.

Table 5-4 Contract value variation from budget

Procurement	Budget ($)	Contract value ($)	Variation ($)	Support for variation as explained in Tender Evaluation Report
Tender pricing less than budget				
2 (2019)	763,386	593,121	-170,265 (-22%)	-
9 (2023)	2,753,356	2,273,763	-479,593 (-17%)	-
Tender pricing within 5 percent variance from budget				
1 (2019)	1,602,633	1,638,275	35,642 (2%)	Benchmark construction costs for comparable homes
5 (2021)	4,506,000	4,580,807	74,807 (2%)	Variance is considered within tolerance
Tender pricing 5 percent or more variance from budget				
8 (2023)	4,676,387	4,927,248	250,861 (5%)	Increased costs attributed to market conditions
3 (2020)	2,035,000	2,224,549	189,549 (9%)	Increased costs attributed to initial budget not including topography -related costs
10 (2024)	5,396,096	5,995,000	598,904 (11%)	Independent Quantity Surveyor Assessment
7 (2022)	13,421,272	16,691,500	3,270,228 (24%)	Independent Quantity Surveyor Assessment
6 (2022)	1,262,591	1,587,680	325,088 (26%)	Increased costs attributed to market conditions
4 (2020)	2,322,000	3,237,015	915,015 (39%)	Independent Quantity Surveyor Assessment
Total	**38,738,721**	**43,748,957**	**5,010,236 (13%)**	**-**

Source: ACT Audit Office, based on *Tender Evaluation Reports*.

5.108 For the ten procurements reviewed for the purpose of the audit:

- for eight of the procurements, the value of the contract that was awarded was higher than the budget that was established when the procurement was authorised;
  - for two of these procurements the variation in amount was minimal (two percent);

  - for three of these procurements the variation in amount was between five percent and 11 percent; and
  - for three of these procurements the variation in amount was significant (24 percent to 39 percent); and
- for two of the procurements, the value of the contract that was awarded was lower than the budget that was established when the procurement was authorised (22 percent and 17 percent).

5.109 Three *Tender Evaluation Reports* referred to independent Quantity Surveyor reports to demonstrate that increased costs (39 percent, 24 percent and 11 percent variation from budget) were consistent with market conditions and were within effective tender ranges.

5.110 Three *Tender Evaluation Reports* did not reference independent Quantity Surveyor reports and attributed increased costs (5 percent, 9 percent and 26 percent variation from budget) to market conditions (including impacts of the Covid-19 pandemic on supply chains and labour).

5.111 Several *Tender Evaluation Reports* also noted that original budgets did not include all topography-related costs, e.g. groundworks and retaining walls.

5.112 One procurement included contract negotiations that sought reduced costs. Negotiations with the preferred supplier resulted in adjusting the scope of work and a small reduction in price.

5.113 The *Tender Evaluation Plan* template requires that a value for money assessment be made based on scores against the Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and identified risks. All *Tender Evaluation Reports* reviewed for the purpose of the audit included an overall value for money assessment that made reference to Weighted Assessment Criteria and Non-weighted Assessment Criteria, pricing assessments and risks.

5.114 *Tender Evaluation Reports* for the ten procurements reviewed for the purpose of the audit did not take a consistent approach to demonstrating value for money when tendered costs were above project budgets. Independent Quantity Surveyors Reports were used to evidence value for money for three procurements that had tendered costs five percent or more above budget, whereas *Tender Evaluation Reports* for three other procurements did not reference independent Quantity Surveyors Reports and attributed costs five percent or more above budget to market conditions.

Appendix A: Decisions, sales, acquisitions and procurements reviewed

Assessment Panel decisions

Table A1 shows the number of decisions to sell or redevelop a public housing home made by the Asset Assessment Panel in each calendar year, by decision type. The table also shows the number of decisions that were reviewed for the purpose of the audit.

Table A1 Decisions made by the Asset Assessment Panel to sell or redevelop a public housing home between July 2029 and March 2024

	2019	2020	2021	2022	2023	2024	Total
Tenanted homes							
Sale	39	367	26	52	6	0	**490**
Redevelopment		88	17	12	1		**118**
All tenanted homes	**39**	**455**	**43**	**64**	**7**	**0**	**608 (87%)**
Vacant home							
Sale		1	18	32	14	9	**74**
Redevelopment			9	1	5	2	**17**
All vacant homes		**1**	**27**	**33**	**19**	**11**	**91 (13%)**
All decisions	**39**	**456**	**70**	**97**	**26**	**11**	**699**
Decisions reviewed	4	23	11	6	4	2	**50**
	10%	5%	16%	6%	15%	18%	**7%**

Source: ACT Audit Office, based on information provided by Housing ACT.

Decisions to be reviewed were selected randomly within each calendar year. The selected decisions include:

- homes that were tenanted and homes that were vacant;
- homes that were referred to the Panel and homes that were assessed as part of systematic review of the portfolio;
- homes that were selected for sale and homes that were selected for redevelopment; and
- decisions made during each calendar year from 2019 to 2024.

Sales of public housing homes

Table A2 shows the number of sales of public housing homes made by Housing ACT in each calendar year. The table also shows the 30 sales that were reviewed for the purpose of the audit.

Sales to be reviewed were selected randomly within each calendar year.

Table A2 Sales of public housing homes made between July 2019 and May 2024

	2019	2020	2021	2022	2023	2024	Total
Total sales	21	82	139	150	92	34	**518**
Sales reviewed	2	5	8	8	6	1	**30** (6%)
Audit Office sample number and value ($ '000)	**1** 650	**2** 440	**6** 585	**13** 715	**20** 1,000	**26** 800	
	27 465	**3** 540	**7** 1,150	**14** 735	**21** 611		
		4 600	**8** 851	**15** 1,100	**22** 980		
		5 900	**9** 1,310	**16** 1,000	**23** 1,375		
		28 532	**10** 650	**17** 1,171	**24** 575		
			11 1,377	**18** 725	**25** 1,375		
			12 2,500	**19** 1,700			
			30 740	**29** 1,050			

Source: ACT Audit Office, based on information provided by Housing ACT.

Acquisitions of public housing homes

Table A3 shows the number of acquisitions of new public housing homes from the general market made by Housing ACT in each calendar year. The table also shows the acquisitions that were reviewed for the purpose of the audit.

Acquisitions to be reviewed were selected randomly within each calendar year.

Table A3 Acquisitions of new public housing homes from the general market made between July 2019 and April 2024

	2019	2020	2021	2022	2023	2024	Total
Total acquisitions	9	47	20	13	32	5	**126**
Acquisitions reviewed	1	4	1	2	2	0	**10** (8%)
Audit Office sample number and value ($ '000)	**1** 885	**2** 625	**10** 489	**6** 438	**8** 600		
		3 650		**7** 695	**9** 790		
		4 1,084					
		5 450					

Source: ACT Audit Office, based on information provided by Housing ACT.

Procurement of building services

Table A4 shows the ten procurements of building services from the Residential Construction Building Contractors Panel that were reviewed for the purpose of the audit.

Table A4 Procurements of building services reviewed by the Audit Office

Audit Office and Housing ACT Identifiers	Scope of works	Request type	Value of contract awarded ($)[13]
1 (2019) **2019.1025.210**	Demolish, design and build, 3 home, 3 sites	Request for Tender	1,638,275
2 (2020) **2019.1034.210**	Design and build, 2 homes, 1 site	Request for Tender	593,121
3 (2020) **2020.1067.110**	Demolish, design and build, 6 homes, 3 sites	Request for Tender	2,224,549
4 (2021) **2020.1093.110**	Demolish, design and build 6 homes, 6 sites	Request for Quote	3,237,015
5 (2021) **2021.1112.110**	Design and build, 8 homes, 8 sites	Request for Quote	4,580,807
6 (2022) **HCP-2122-42**	Demolish, design and build, 2 homes, 2 sites	Request for Quote	1,587,680
7 (2022) **HCP-2122-43**	Design and build, 30 homes, 1 site	Request for Tender	16,691,500
8 (2023) **HCP-2223-13**	Design and build, 9 homes, 5 sites	Request for Tender	4,927,248
9 (2023) **HCP-2324-03**	Design and build, 4 homes, 4 sites	Request for Tender	2,273,763
10 (2024) **HCP-2324-08**	Demolish, design and build, 10 homes, 1 site	Request for Tender	5,995,000
Total	-	-	**43,748,957**

Source: ACT Audit Office, based on Tender Evaluation Plans, Tender Evaluation Reports, Letters of Award and Work Orders.

[13] Based on Letters of Award or Work Orders.

Appendix B: Probity risk indicators

Procurement ACT's *Probity in Procurement Guide* provides guidance with respect to probity risk indicators and suggested risk treatments.

Probity risk indicators and suggested treatments

Probity risk rating	Probity risk indicators	Suggested risk treatments
Low	The procurement process complies with the minimum quotation or tender threshold requirements set out in the Regulation or an appropriate exemption has been approved under the Regulation Clearly defined requirement or off-the-shelf product Standard procurement process (e.g. single-stage RFQ [Request for Quotation]) Individuals undertaking the procurement have sound breadth and depth of skills and expertise	All probity principles are considered and compliance with or variation from them are properly documented Individuals participating in the procurement process have received probity training This guide, including appendices, is used to assist in observing probity A probity advisor is generally not required
Medium	Estimated total cost of the procurement is high relative to the types of procurement normally undertaken by the Territory Entity Requirements of the procurement may be novel or complex Procurement process has a level of complexity (e.g. multi-stage or interactive, best and final offers) Territory Entity is expecting to make a profit or generate an income stream from the procurement Potential for bias or inappropriate disclosure of information (e.g. because of an incumbent Supplier)	All probity principles are considered and compliance with or variation from them are properly documented Individuals participating in the procurement process have received probity training A probity plan is recommended to ensure an appropriate level of governance and application of this guide and address any specific probity risks An internal or external probity advisor is recommended. The probity advisor may or may not be a lawyer
High / Extreme	Consider the following probity risk indicators in addition to the probity risk indicators under 'medium' risk rating Political sensitivities or area of keen public interest The procurement involves significant intellectual property Procurement process involves a significant negotiation phase High level of supplier engagement through the procurement process	All probity principles are considered and compliance with or variation from them are properly documented Individuals participating in the procurement process have received probity training A more detailed probity plan is strongly recommended to ensure an appropriate level of governance and application of this guide and address any specific probity risks A probity advisor who is a lawyer is strongly recommended. This is because there are likely to be legal consequences for the

Probity risk rating	Probity risk indicators	Suggested risk treatments
	Incumbent supplier with access to data or information not publicly available Potential for an ACT Government agency to submit a response Potentially litigious category of procurement e.g. where the nature of the marketplace makes complaints more likely, including due to fierce competition, or where commercial secrets are commonplace Delegate does not agree with the recommendations of the evaluation team	process where a probity risk rating is high or extreme A probity auditor may also be appropriate Independent probity advice must be sought prior to decision being made

Source: Procurement ACT's *Probity in Procurement Guide*.

Appendix C: Criteria for making decisions about public housing homes

The *Asset Assessment Panel Terms of Reference Consideration Matrix* and *Asset Assessment Framework* (Framework) identify the information and considerations to be used in determining the redevelopment or sale potential of a public housing home, including the:

- characteristics of the land site and home (including redevelopment and disposal potential);
- condition of the home and required maintenance and upgrades;
- predicted demand for homes of different sizes in different locations;
- neighbourhood and community considerations;
- individual tenant needs; and
- media and public perception.

Characteristics of the land site and home

The *Consideration Matrix* (Land and property characteristics) and Framework (4.1 Land and Property Characteristics) require the following data to be used to 'understand the nature of the building and land asset':

- block size (potential for increasing yield from the land site through redevelopment);
- gradient (whether slope of the land site may impact redevelopment potential);
- zoning (planning controls);
- tree coverage (potential impact on redevelopment potential of the land site);
- heritage (potential impact on demolition/redevelopment of the home);
- proximity to services (distance to essential services, such as schools and healthcare);
- number of bedrooms and floor area of the home;
- age and energy efficiency of the home; and
- book value.

Redevelopment or disposal potential

The *Consideration Matrix* (Redevelopment and disposal potential) and Framework (4.3 Financial/Capital) require the following data to be used to 'determine the benefit of sale or redevelopment to the portfolio either through possible revenue for reinvestment or improved and/or increased yields on site':

indicative yield; and

average suburb sales price.

Condition of the home and required maintenance and upgrades

The *Consideration Matrix* (Maintenance condition and upgrades) and Framework (4.2 Condition, Maintenance and Upgrades) require the following data to be used to 'determine the condition of the property in the context of tenant requirements relative to recent and future maintenance and upgrade spending':

- 5-year maintenance history;
- Property Condition Audit Report;
- scope and cost of immediate and future works to maintain the home in a suitable condition for tenancy;
- the extent and cost of prior, recent works;
- the maintenance and upgrade budget; and
- requirement for/presence of bespoke modifications to support individual tenant needs and their relative scarcity (for example, disability accessibility modifications).

Consideration of predicted demand

The *Consideration Matrix* (Portfolio considerations and demand information) and Framework (4.4 Supply and Demand Information) require the following data to be used to 'determine whether holdings in the suburb should be increased, decreased or kept at a similar level and balance the portfolio consideration in the context of current and future tenant needs':

- number of public housing homes per suburb;
- proportion of housing that is public housing per suburb;
- demand for public housing homes, expressed as demand for homes by bedroom number and suburb (Housing and Transfer Registers and other tenants awaiting relocation).

Size of public housing homes

Appendix 2 of the Framework provides information about the demand for public housing. It is expressed as current demand for 1 and 2, 3 or 4+ bedroom homes as represented by Housing ACT's Housing Register and Transfer Register. The main consideration that is expressed in Appendix 2 is the need to reduce holdings of 3-bedroom homes and increase holdings of 2-bedroom and 4-bedroom homes.

The *Terms of Reference* requires the Panel to consider the housing needs of tenants being relocated under the Program who are awaiting suitable public housing homes, as well as applicants on the Housing Register and Transfer Register.

Spatial distribution of public housing homes

The Framework and the *Terms of Reference* require the Panel to consider whether the number of public housing homes in a suburb should be increased, decreased or kept at a similar level, to ensure that public housing constitutes between seven and ten percent of homes in each suburb.

Neighbourhood and community considerations

The *Consideration Matrix* (Neighbourhood information) and Framework (Appendix 1 Asset Assessment Panel Decision Guide) require the following data to be used to 'determine whether holdings in this location are negatively impacting the community or the local community is negatively impacting tenants':

- fatigue; and
- complaints.

Tenant needs

The *Consideration Matrix* (Tenant information) and Framework (4.8 Tenancy Details) require the following data to be used to 'determine the suitability of the property to current tenant needs in the context of realigning the portfolio to effectively and efficiently utilise stock to meet the requirements of the broader existing prospective tenant cohorts':

- the length of the current tenancy in the home;
- the number and age of tenants; and
- the specific needs of tenants (for example, the needs of tenants with disability or illness).

Media and public perception

The Framework identifies 'Is the proposed decision likely to carry any media/public perception implications' as a key consideration in approving works, establishing or changing an asset intent.

Audit reports

Reports Published in 2024-25	
Report No. 14 - 2024	Facilities management and support services for ACT Courts
Report No. 13 - 2024	Invoicing and payments for Digital Health Record hosting services
Report No. 12 - 2024	2023-24 Financial Audits Financial Results and Audit Findings
Report No. 11 - 2024	Governing boards of selected ACT Government entities
Report No. 10 - 2024	Safer Families Levy
Report No. 09 - 2024	2023-24 Financial Audits - Overview
Report No. 08 - 2024	Annual Report 2023-24
Report No. 07 - 2024	Reusable Facility Services Procurement
Report No. 06 - 2024	Business Transformation Program: ICT renewal activities
Reports Published in 2023-24	
Report No. 05 - 2024	Management and oversight of ACT Policing services
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Report No. 03 - 2024	Management of the Growing and Renewing Public Housing Program
Report No. 02 - 2024	Management of key contracts under A Step Up For Our Kids
Report No. 01 - 2024	Urban Tree Management
Report No. 11 - 2023	2022-23 Financial Audits – Financial Results and Audit Findings
Report No. 10 - 2023	Human Resources Information Management System (HRIMS) Program
Report No. 09 - 2023	2022-23 Financial Audits Overview
Report No. 08 - 2023	Supports for students with disability in ACT public schools
Report No. 07 - 2023	Annual Report 2022-23
Report No. 06 - 2023	Implementation of the ACT Aboriginal and Torres Strait Islander Agreement
Report No. 05 - 2023	Activities of the Government Procurement Board

These and earlier reports can be obtained from the ACT Audit Office's website at http://www.audit.act.gov.au.