

2016



**THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY**

**GOVERNMENT RESPONSE TO
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS
REPORT No 28.
*REVIEW OF AUDITOR-GENERAL'S REPORT NO. 2 OF 2016:
MAINTENANCE OF PUBLIC HOUSING***

**Presented by
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Introduction

The ACT Auditor-General conducted an audit of the management of Public Housing maintenance activities as part of the approved 2015-16 audit work program. The report on the Maintenance of Public Housing (Report No. 2/2016) was tabled in the Legislative Assembly on 14 April 2016. The Government's response to the Auditor-General's Report which was tabled on 9 June 2016 confirmed agreement to all 18 recommendations.

The Standing Committee on Public Accounts (PAC) reviewed the Auditor General's report and tabled report No. 28 (Review of Auditor-General's Report No. 2 of 2016: Maintenance of Public Housing) on 9 June 2016. The ACT Government is required to respond formally to the PAC report within four months and the Government Response is also required to be tabled in the ACT Legislative Assembly.

Background

The management and delivery of maintenance, repair and upgrades to ACT public housing properties has been outsourced to the private market since 2001-02 under a Total Facilities Management (TFM) contract model. The TFM is a best practice model of providing one point of responsibility for the provision of out sourced services. This model delivers an integrated management system and delivery of all support services associated with public housing assets.

As established by the TFM contract, the Joint Consultative Committee (JCC) comprises Government and the TFM provider (Spotless) and is the primary governance group that has oversight and responsibility for contract management. The JCC has overall responsibility to manage contract governance (including all subsidiary committees) and the strategic management of service delivery. The JCC actively manages the Performance Management System and considers proposed variations to the contract. The JCC is accountable and responsible for the escalation of all issues to the Commissioner for Social Housing.

Spotless was first awarded the contract in 2005 and, following an open procurement process, it was awarded a second contract in May 2012.

In 2014-15, the public housing maintenance budget was \$41.25 million and the management fee paid to Spotless was \$6.92 million. Over the five years of the current contract, total expenditure on maintenance of public housing and the management fee to Spotless is expected to reach \$242 million.

Spotless is responsible for the planning and management of maintenance and upgrades for HACS properties. It is also responsible for the management and performance of all sub-contractors. In 2015-16, more than 84,000 work orders were raised.

Auditor-General's Report

The audit focused on the timeliness, quality and cost of planned and responsive maintenance activities undertaken by Spotless and the suitability and effectiveness of the governance and contract management arrangements established by Housing and Community Services (HACS) within the Community Serviced Directorate (CSD). The audit found that HACS had positioned itself well to effectively manage the contract, particularly through the establishment of a sound governance framework. The audit found no evidence of financial mismanagement or impropriety.

However, the audit also found that management of the contract was not fully effective and the Auditor-General made 18 recommendations for improvement relating to quality assurance and performance management systems; work order audits; IT connectivity; contract management activities, especially around the management of contract variations and the enforcement of contractual obligations; risk management; work timeliness; and condition audits.

Public Account Committee Report

The ACT Government has agreed to 11 of the PAC recommendations, not agreed to 1, agreed-in-principle to 3 and noted 1. Details of the actions being taken in response to each of the recommendations are provided below.

Government Response to Recommendations

Recommendation 1

The Committee recommends that the ACT Government take appropriate steps to ensure that its response to Auditor-General Report No. 2 of 2016: Maintenance of Public Housing is either tabled by the 8th Legislative Assembly's first sitting day in August 2016 or made available prior to the commencement of the 2016 Caretaker period.

Government Position

Agreed

The Government tabled its response to the Auditor-General's Report No 2 of 2016 *Maintenance of Public Housing* on 9 June 2016. The Government will table its response to the PAC report No. 28 prior to the commencement of the 2016 Government caretaker period.

Recommendation 2

The Committee recommends that the ACT Government report to the ACT Legislative Assembly by the last sitting day in August 2017, on the progress of its implementation of the recommendations made in Auditor-General's Report No. 2 of 2016:

Maintenance of Public Housing, that have been accepted either in-whole or in-part. This should include: (i) a summary of action to date, either completed or in progress (including milestones completed); and (ii) the proposed action (including timetable), for implementing recommendations (or parts thereof), where action has not yet commenced.

Government Position

Agreed-in-principle

The Government agrees in principle with this recommendation. Housing and Community Services (HACS) is actively implementing and tracking progress of the recommendations contained in the Auditor-General's report. Consistent with whole of government annual report requirements, the Community Services Directorate (CSD) will include in their 2015-2016 Annual Report information about the Auditor-General report including summary details of the recommendations, the action(s) taken and the implementation status.

Recommendation 3

The Committee recommends that the ACT Government detail in its response to Auditor-General's Report No. 2 of 2016: Maintenance of Public Housing how it will ensure quality and timeliness of work orders.

Government Position

Agreed

The Government agrees with the recommendation and has initiated an independent audit of the Spotless conduct of Works Order audits. This audit is being coordinated by the CSD Internal Audit and Review team and conducted by audit firm Axiom Associates. The audit findings will be considered by the CSD Audit and Risk Management Committee which will monitor the implementation of all recommended actions.

Recommendation 4

The Committee recommends that the ACT Government clarify in its response to Auditor-General's Report No. 2 of 2016: Maintenance of Public Housing which area within the Community Services Directorate has primary responsibility for overseeing that the TFM contractor's (Spotless) quarterly performance evaluations (as required under the TFM contract) are routinely provided.

Government Position

Agreed

The Government agrees with the recommendation. HACS has primary responsibility for overseeing that evaluations are routinely provided. HACS has created a Compliance Register that details when obligations are due under the TFM contract, including all reporting requirements. The Compliance Register is in place and stipulated reporting requirements are being managed. The Compliance Register is a standing item on the Contract Management Group monthly meeting agenda and a formal report is provided to the JCC each quarter.

Recommendation 5

The Committee recommends that the ACT Government implement a regular and timely reporting system (for example, quarterly) in which the Total Facilities Management contractor (Spotless) must report to the Community Services Directorate's designated entity about work orders and other relevant indicators, that it has completed in that reporting period. This should include: (i) more information on how results are measured—in particular, explanations of differences between actual results and planned targets; and (ii) clear and informative explanations for material variances from the planned targets

Government Position

Agreed

The Government agrees with the recommendation. The TFM contract details Spotless reporting requirements, which cover the Performance Management System, performance against Key Performance Indicators, financial management, as well as quality assurance activities. Reports are routinely examined by HACS, the results of which form the basis of ongoing contract management discussions and audit activities.

To ensure that reporting is provided in a timely manner, HACS has created a Compliance Register that details when obligations are due under the TFM contract, including all reporting requirements. The Compliance Register is in place and stipulated reporting requirements are being managed. The Compliance Register is a standing item on the Contract Management Group monthly meeting agenda and a formal report is provided to the JCC each quarter.

Recommendation 6

The Committee recommends that the ACT Government review the policies and procedures for the Total Facilities Management (TFM) contractor's (Spotless) use of keys for Housing ACT properties, including the procedures surrounding the TFM contractor giving keys to individuals/organisations to access Housing ACT properties.

Government Position

Agreed

The Government agrees with the recommendation and HACS Services has reviewed the TFM contractor's use of keys for Public Housing properties. Spotless and its subcontractors do not access occupied properties without the tenant's expressed permission; the exception to this may be for the purpose of carrying out urgent repairs or for health and safety reasons in relation to the premises consistent with the *Residential Tenancies Act 1997*. Restricted access is available to undertake work on vacant properties.

Recommendation 7

The Committee recommends that the ACT Government clarify in its response to Auditor-General's Report No. 2 of 2016: Maintenance of Public Housing which area within the Community Services Directorate has primary responsibility for overseeing the reviews undertaken by Spotless' Works Supervisors for checking that work orders have been completed.

Government Position

Agreed

The Government agrees with the recommendation. The HACS Services Quality Assurance Team undertakes spot checks of Supervisor inspected Work Orders, as part of quality assurance activities under the annual Quality Assurance Plan. Importantly, these spot checks provide a further opportunity for HACS to receive feedback directly from tenants on the quality of the work undertaken by sub-contractors. These spot checks also supplement the on-line and paper surveys that can be completed by tenants at the time the work is carried out.

Findings from the spot checks are considered at the monthly Quality Assurance Group meetings and reported on quarterly to the JCC.

Recommendation 8

The Committee recommends that the ACT Government ensure that any variations to contracts it enters into on behalf of the Territory are effectively managed and adequately and contemporaneously documented.

Government Position

Agreed

The Government agrees with the recommendation and has taken steps to strengthen the processes used to amend records and monitor all contract variations. It should be noted that the intent of any contract variation is to ensure the delivery of quality services for tenants and value for money for the ACT Government.

HACS has formalised all contract variations that have been made to date and has developed a comprehensive register of all contract variations since 2012. Processes have been put in place to ensure the register is routinely updated to include any future contract amendments.

Recommendation 9

The Committee recommends that the ACT Government report to the ACT Legislative Assembly, by the last sitting day in September 2017, on the five-year outcomes of the 2012–2017 Total Facilities Management contract as they relate to contract management and performance (outputs and outcomes).

Government Position

Agreed-in-principle

The Government agrees-in-principle with the recommendation. Data relating to contract performance is routinely extracted from the Performance Management System and aggregated to analyse performance. This process could be applied to construct a summary of the five year period of the contract. In the event that there are active procurement processes underway at that time, the Government will not produce this information and report to the ACT Legislative Assembly in September 2017 so as not to influence the procurement outcome.

Recommendation 10

The Committee recommends that, in advance of the expiry of the current contract, the ACT Government should undertake a comprehensive evaluation of the Total Facilities Management contract for the delivery of maintenance for public housing in the Territory. The Evaluation should include: (i) overall performance of the Contract (operation and outcomes); (ii) the acquiring entity's management of the Contract; and (iii) report to the ACT Legislative Assembly on the findings.

Government Position

Agreed-in-principle

The Government agrees-in-principle with this recommendation in relation to evaluation. Consistent with best practice for contract management, HACS continually evaluates the TFM contract performance through the Performance Management System and the Key Performance Indicators. This ongoing evaluation will inform any future procurement activities. A procurement process in a competitive market provides an opportunity to deliver advances in technology and innovation. Through a competitive process proposals are evaluated to ensure that the best outcomes and value for money are delivered to tax payers and tenants.

Recommendation 11

The Committee recommends that the ACT Government provide clearer demarcation of the roles of the Housing and Community Services Division and the Community Services Directorate in managing the Total Facilities Management contract.

Government Position

Agreed

The Government agrees with this recommendation. The TFM contract establishes the role of Housing and Community Services nominated officers as voting members of the prescribed committees that provide strategic management and direct service delivery oversight. The Community Services Directorate provides oversight of all aspects of Housing and Community Services operations through the Board of Management; moreover the Internal Audit and Risk Management team undertake audit functions as required.

Recommendation 12

The Committee recommends that the ACT Government review the policies and procedures for the Total Facilities Management contractor's (Spotless) allocation of work to subcontractors or to itself, including the criteria for allocation of work and how this meets its contractual obligations to the Government.

Government Position

Agreed

The Government agrees with the recommendation. Spotless is required to provide an annual program and a schedule of rates that outlines works and programs for the coming year, including the allocation of works. These are reviewed and approved by HACS prior to implementation.

Recommendation 13

The Committee recommends that the oversight role of the Joint Consultative Committee in relation to the management of the Total Facilities Management contract be extended to include consideration of all final reports of targeted audits as opposed to those designated 'high risk' only.

Government Position

Agreed

The Government agrees with the recommendation and has developed an annual Quality Assurance Plan that identifies quality assurance activity to be undertaken during the year including spot checks, investigations, reviews and target audits. The Plan identifies a number of joint audits that will also be undertaken with Spotless.

Further, the role of the HACS Quality Assurance Team has been strengthened by implementing independent reporting lines to both the Director, Business and Capital and the Executive Director Housing HACS. The HACS Quality Assurance Team has developed a number of audit tools and templates to improve internal monitoring of the outcomes and recommendations of quality assurance activities. This includes the development of a Quality Assurance Register that will be tabled at the quarterly JCC meetings along with all quality assurance activity reports completed in the previous quarter.

Recommendation 14

The Committee recommends that the ACT Government table in the ACT Legislative Assembly, by the first sitting day in August 2016, the follow-up review of the Spotless Call Centre expected to be finalised in early 2010 together with detail on progress with regard to implementation of identified recommendations.

Government Position

Not Agreed

The Government does not agree with the recommendation. The follow up review is not directly related to the current TFM contract; the Government will not be tabling the Call Centre review by the first sitting day in August 2016.

The Call Centre review was finalised in 2010 and made four recommendations that focused on training, emergency processes and documentation, all of which were implemented at the time.

As part of the quality assurance process of the current contract, HACS has undertaken further reviews and audits of the Call Centre operations, the most recent being completed in 2015 and all recommendations are completed.

The recommendations implemented following the 2010 Call Centre resulted in improved services to public housing tenants that continued through to the services provided under the current contract; for example Call Centre staff were provided additional training on property standards, which lead to improved information exchange between staff and tenants.

Recommendation 15

The Committee recommends that, where possible, the ACT Ombudsman give consideration to detailing in future annual reports a breakdown of complaints concerning public housing issues as received by the Office for the applicable reporting period.

Government Position

Noted

The Ombudsman notes the recommendation.

Recommendation 16

The Committee recommends that the ACT Government prioritise the development and implementation of a centralised comprehensive asset register of ACT public housing assets.

Government Position

Agreed

The Government agrees with the recommendation. HACS has commenced a review of existing asset management information records and systems and will assess these records and systems against the Australian National Audit Office (ANAO) Better Practice Guide. The outcomes of this review will inform future planning in this area.

A project is also being initiated to implement a long term solution for the management of asset information within HACS that meets the objectives of the ANAO Better Practice Guide. This project is scheduled to be completed by the end of the 2016-17 second quarter.