

Managing Assets and Contracts at Parliament House

Department of Parliamentary Services

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Canberra ACT
26 February 2015

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Parliamentary Services titled *Managing Assets and Contracts at Parliament House*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the name and title of the Auditor-General.

Ian McPhee
Auditor-General

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

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Abbreviations

ANAO	Australian National Audit Office
BCAR	Building Condition Assessment Report
CEP	Chief Executive Procedure
CMP	Conservation Management Plan
CRD	Central Reference Document
CWP	Capital Works Plan
DPS	Department of Parliamentary Services
EAP	Expert Advisory Panel
HAB	Heritage Advisory Board
HMF	Heritage Management Framework
ICT	Information and communications technology
JHD	Joint House Department (former)
KPI	Key performance indicator
MMS	Maintenance Management System
PBS	Portfolio Budget Statements
PPCR	Procurement, Policy, Compliance and Reporting Section
SAMP	Strategic Asset Management Plan
SFPALC	Senate Finance and Public Administration Legislation Committee

Glossary

Asset management framework	An integrated set of arrangements to manage an entity's assets that includes plans, policies and guidelines for the acquisition, replacement, operation and maintenance of the asset portfolio.
Asset Management Strategy	Sets out how the asset portfolio will be managed to assist an entity to meet its objectives, and is documented in a strategic asset management plan
AusTender	AusTender provides a centralised publication of Australian Government business opportunities, annual procurement plans, multi-use lists and contracts that have been awarded.
Building Condition Assessment	An assessment of an entity's asset portfolio to ascertain performance information such as utilisation, functionality and expected lifecycle of assets. The Parliament House building condition assessment has been used to inform the development of a draft strategic asset management plan
Capital Works Plan	Specifies the allocation of resources to acquire, maintain or replace individual assets, or group of assets, in support of an entity's objectives.
Conservation Management Plan	A document that sets out the information that is significant about a place, including its heritage values, and provides policies and strategies to retain and manage its heritage significance into the future. The Parliament House Conservation Management Plan is intended to guide the planning and management of assets with cultural significance at Parliament House.
Contract Management Plan	Specifies how a contract should be managed, including the systems and processes to help ensure that the contractor complies with the terms and conditions during the performance of the contract.

Cultural heritage value	Cultural heritage value is given to those assets that are culturally significant. Cultural significance means aesthetic, historic, scientific, social or spiritual value for past, present and future generations. At Parliament House, cultural significance is embodied in the place and its fabrics, setting, use, associations, meanings, records, and related places and objects.
Heritage Management Framework	In operation from November 2011 to June 2012, the Parliament House Heritage Management Framework was to guide the development of strategies and plans to protect Parliament House for future generations.
Moral Rights	Moral rights in Australia are established by the <i>Copyright Act 1968</i> . The Act provides creators with three rights, namely the right: of attribution of authorship; not to have authorship of their work falsely attributed; and of integrity of authorship. This protects creators from their work being used in a derogatory way that may negatively impact on their character or reputation.
Strategic Asset Management Plan	Outlines an entity's asset management strategy, and provides high-level direction to guide asset acquisition, replacement, refurbishment and maintenance in coming years.
Parliament House	The primary function of Parliament House is as a meeting place for the Australian Parliament. Parliament House and its grounds also serve as a national venue for ceremonial functions, hosting of state and visiting dignitaries and a variety of other political, community and social events.
Presiding Officers	The Presiding Officers are the President of the Senate and the Speaker of the House of Representatives.

Summary and Recommendations

Summary

Introduction

1. The opening of the ‘new’ Australian Parliament House in 1988 was a landmark in Australia’s history. Recognised as a uniquely designed, functional building, Parliament House cost \$1.1 billion to complete and has an intended life span of 200 years. The Parliament House complex occupies a 35 hectare site, has a total floor area of 250 000 square metres, with around 4500 rooms, public areas and retail outlets across four levels. In addition to the building fabric, Parliament House contains over 100 000 maintainable assets, some of cultural and heritage significance, and 32 hectares of landscaped open space.

2. The Department of Parliamentary Services (DPS) has an important role in managing Parliament House as an operating building and a place of national significance. In doing so, DPS provides a range of services, including: broadcasting and Hansard¹; information and research; security; building and landscape maintenance; and information and communication technology (ICT). In 2013–14, the department had around 700 staff and an annual budget of \$137 million.² Under the *Parliamentary Service Act 1999*, the Presiding Officers (the President of the Senate and the Speaker of the House of Representatives) jointly administer DPS. The Secretary is responsible to the Presiding Officers for the efficient operation of DPS.

3. Effective asset and contract management practices are key elements in DPS managing Parliament House. To manage and maintain Parliament House and associated assets, which are collectively valued in excess of \$2 billion, DPS has an asset management framework that includes: asset acquisition and replacement planning³; operations and maintenance; and monitoring and reporting of asset condition. The department also has a computerised asset management system, including an asset register with some 16 500 groups of items.

1 Hansard is the official report of the proceedings and debates of the Australian Parliament.

2 DPS funding decreased by 23 per cent between 2010–11 (\$179 million) and 2013–14 (\$137 million) but then increased by 20 per cent in 2014–15 (to \$165 million).

3 In 2003, the then Joint House Department, which was responsible for managing the building, devised a maintenance plan for Parliament House that aimed to maintain the standard of the building at a level of 90 per cent of new. The expectation was that the building would initially require little in the way of major engineering change but from 20–30 years after occupation major plant would require replacement and substantial funding.

4. To meet its obligations to operate and maintain Parliament House, DPS also contracts the supply of many services to external providers and manages licence arrangements with several retail service providers that occupy space within Parliament House. In 2013–14, the department managed some 190 contracts, involving expenditure of \$62.8 million in that year. These contracts covered a range of activities, including: building maintenance, renovations and upgrades; security; telecommunications and utilities; catering; and cleaning.

Parliamentary interest

5. In recent years, many aspects of DPS' management of Parliament House have been the subject of parliamentary interest. In particular, in May 2011, Senators raised specific concerns regarding the disposal of Parliament House assets with potential cultural heritage value.⁴ The department's response to these matters led to an inquiry into the performance of DPS by the Senate Finance and Public Administration Legislation Committee (SFPALC).

6. SFPALC's final report was released in November 2012 and identified a wide range of issues relating to DPS' employment practices, management of assets and contracts, and arrangements for security and ICT. SFPALC has continued to focus on DPS' management of Parliament House during Senate Estimates hearings, particularly its asset (including heritage) and contract management practices.

Audit objective and criteria

7. The objective of the audit was to assess the effectiveness of the Department of Parliamentary Services' management of assets and contracts to support the operations of Parliament House.⁵

8. To form a conclusion against this objective, the Australian National Audit Office (ANAO) adopted the following high level criteria:

- governance and administrative arrangements for asset and contract management were effective;

4 DPS defines cultural heritage value as those places and objects that are culturally significant—that is, with aesthetic, historic, scientific, social or spiritual value for past, present and future generations.

5 The audit did not examine DPS' management of Parliament House beyond the building itself (such as the landscaped grounds).

- processes and procedures for the maintenance and disposal of assets (including cultural and heritage assets) were sound; and
- processes were in place to ensure legislative compliance, delivery of expected products and outcomes, and value for money from contracts.

Overall conclusion

9. In managing Parliament House, the Department of Parliamentary Services (DPS) is responsible for maintaining the building⁶, supporting the work of the Parliament, and providing access to the public. Over recent years, the department has been subject to considerable parliamentary scrutiny and criticism, particularly from the Senate Finance and Public Administration Legislation Committee (SFPALC) in relation to its management of Parliament House. The committee's report, following its 2012 inquiry, made 23 broad ranging recommendations encompassing aspects of DPS' asset and contract management arrangements, work practices, culture and systems.

10. In response to these recommendations, from mid-2012 the new Secretary commenced a process to 'transform' DPS. This process has involved an organisational restructure, the recruitment of senior executives to key leadership roles, and the conduct of reviews of capability, processes, practices and systems across many major functions of the department, including asset and contract management. At the time of the audit, however, a number of these reviews had yet to be completed and recommended changes implemented. Until such changes are embedded, the department's processes do not exhibit the discipline required to provide assurance that assets and contracts are being effectively managed.

11. The audit highlighted particular concerns in relation to: inadequate staff training and out-of-date guidance material; poor record keeping practices; weaknesses in DPS' systems underpinning both its asset management and contract management functions; and inconsistent work practices within these functions. These shortcomings are best addressed in the short term by stronger management attention and in the longer term as part of the broader program of changes being proposed by the department.

6 Parliament House covers a 35 hectare site, with around 4500 rooms and over 100 000 maintainable assets. In 2014, 26 years after its opening, the Parliament House building was valued at over \$2.0 billion, with DPS also managing associated assets valued at around \$300 million.

12. To address the strategic asset management considerations for Parliament House, and the other issues raised by SFPALC, the department is developing a strategic asset management plan. This plan is expected to guide asset acquisition, replacement, refurbishment and maintenance in coming years. To support the effective implementation of this plan, significant improvements are required to the department's asset management sub-plans, systems and processes. In addition, capital works need to be better integrated with replacement and maintenance activities.

13. DPS has also invested considerable resources in responding to SFPALC's concerns about the need for better heritage management through changes to management arrangements and assessment processes.⁷ However, these changes have lacked continuity, and the department was unable to demonstrate broad or systematic consideration of cultural or heritage value in making changes to the building through its capital works program or in storing or disposing of assets in 2013 and 2014. Notably, of 24 assets disposed of by DPS in 2013–14 and reviewed by the ANAO⁸, there was only clear evidence of two having been subject to a heritage evaluation before disposal.⁹

14. In relation to DPS' contract management arrangements, there has been little improvement in the department's contract management framework, processes or capability since the 2012 SFPALC report. DPS has not (as SFPALC recommended) implemented a sustainable training program for contract managers, with many contracting staff unsure of their contract management responsibilities. Guidance material, policies and procedures were also out of date. Reflecting these circumstances, there were inconsistent contract management practices, particularly in terms of preparing business cases, contract management plans, and end of contract evaluation reports, and in record keeping generally. There was also insufficient quality assurance mechanisms and management oversight to ensure the proper application of sound contract management practices.

7 DPS established a Heritage Management Framework and Heritage Advisory Board in November 2011 to guide heritage management in the department. However, these were subsequently discontinued (in June 2012 and June 2014, respectively). A Heritage Management Team and heritage Expert Advisory Panel were also established in April 2013 and are ongoing.

8 In 2013–14 DPS disposed of 629 assets, although the majority of these assets were in categories that do not require a heritage assessment prior to disposal. The 24 assets examined were timber office furniture, and therefore in an asset category that may require a heritage assessment prior to disposal.

9 The remaining 22 items were identified through DPS' annual stocktake process and removed from the asset register, and may not have had a required assessment of cultural heritage value.

15. Recognising that DPS is still in the early stages of organisational change, a number of key aspects of the department's administration require attention to better support the achievement of its change agenda. Improving fundamental administrative practices, particularly record keeping, quality control and oversight, would enable the department to better conduct business as usual activities, manage change and sustain performance over time. More work also needs to be done to build cohesion and engagement between DPS management and staff over the longer term, to encourage constructive working relations within an environment of ongoing parliamentary and public scrutiny. These improvements would also better support the services provided by DPS, notwithstanding general satisfaction with the operation of Parliament House by the limited number of parliamentarians who were able to respond to the joint ANAO/DPS survey undertaken as part of this audit.¹⁰

16. In this light, the ANAO has made six recommendations relating to strengthening the department's asset (including heritage) management and contract management arrangements.

Key findings by chapter

Asset Management (Chapter 2)

17. In response to the SFPALC inquiry in 2012, DPS' asset management framework has been subject to considerable review and change. In this context, in November 2014 the department received a building condition assessment report that provides a baseline for assessing the condition of Parliament House assets.¹¹ The report is being considered in the development of a strategic asset management plan, designed to bring together the main elements of DPS' asset management framework in an integrated manner.

18. The implementation of the strategic asset management plan requires a disciplined approach to align investment in asset renewal and maintenance with program requirements. While the strategic asset management plan can provide high-level direction for managing Parliament House assets, it is not currently supported by sound and integrated management practices. The

10 The survey in relation to DPS services was conducted in September 2014. All 226 parliamentarians were invited to participate in the survey and 33 responded—a response rate of 15 per cent.

11 This report was particularly important as many of the systems that support the operations of Parliament House, such as the heating, cooling and ventilation systems, are reaching a critical stage in their lifecycle.

strategic intent outlined in the plan should be evident in policies and procedures, risk management, capital works planning, maintenance activities and monitoring and reporting. Strong management attention is required to bring about improvements such as: further development of systems that provide information to support capital management plans; an enhanced capital works plan that clearly identifies relative priorities; and a more comprehensive reporting regime for key aspects of asset management.

Management of Heritage Assets (Chapter 3)

19. In recent years, DPS has introduced a range of initiatives to strengthen its management of heritage assets at Parliament House. However, there has not been a consistent, coordinated approach, and together with poor record keeping, this has not enabled the department to demonstrate the effective management of these assets.

20. In November 2011, DPS established a Heritage Management Framework and Heritage Advisory Board to guide heritage management in the department. However, following criticisms during the SFPALC inquiry¹², DPS ceased using the Heritage Management Framework in October 2012. In lieu, the department began developing a Conservation Management Plan with supporting design principles to improve the management of heritage values at Parliament House. As this plan is not scheduled for completion until mid-2015, there has not been an overarching framework guiding the management of heritage values in Parliament House since October 2012.

21. The Heritage Advisory Board had important responsibilities for heritage management at Parliament House¹³, but did not fulfil all these responsibilities prior to being disbanded in June 2014. DPS advised that consideration of the heritage implications of capital works had been fulfilled by the Heritage Management Team (following its establishment in April 2013) or by other areas of DPS. However, there is no documentation demonstrating that DPS has formally evaluated the heritage impact of capital works undertaken at Parliament House in recent years.

12 SFPALC commented that the framework was less than adequate, in particular its development lacked expert advice and adequate stakeholder consultation.

13 The primary function of the HAB was to provide advice to the Presiding Officers on the heritage management of Parliament House. Additionally the HAB was required to provide oversight of detailed heritage issues for Parliament House.

22. In considering the heritage impact of minor works, there was evidence of DPS undertaking 11 assessments in 2013–14, where advice had been sought from the Heritage Management Team. However, the results were not recorded in a central repository, and there would be value in DPS collating into a central repository all heritage assessments and moral rights¹⁴ consultations that have been completed to date. This would better position DPS to make informed and transparent decisions regarding the impact of changes to heritage values of Parliament House.

23. DPS' process for the disposal of assets with potential cultural or heritage value has improved in response to previous reviews. However, this process is not always followed. As at October 2014, DPS was again revising its disposal policy to include guidance on the storage of assets. Given this revision, it would be timely for DPS to again consider the training provided to staff regarding the disposal of assets. Greater management oversight is also required if the department is to gain assurance that processes are being properly implemented and that assets with potential heritage value are being afforded appropriate care.

Contract Management Arrangements (Chapter 4)

24. DPS fulfils its responsibilities for the operation and maintenance of Parliament House through a combination of in-house staff and contracts with private sector providers.

25. To encourage structured and consistent management of contracted activities, the department has established a contract management framework that includes a range of policies, procedures and systems. Nevertheless, several systemic gaps and weaknesses have led to inconsistent, and at times non-compliant, contracting practices across the entity. Out-of-date guidance material, inadequate training, poor record keeping practices, and weaknesses in DPS' systems underpinning its contract management functions have, collectively, adversely impacted on the department's contracting activities, and

14 Moral rights in Australia are established by the *Copyright Act 1968*. They aim to provide creators with three rights, namely the right: of attribution of authorship; not to have authorship of their work falsely attributed; and of integrity of authorship. This protects creators from their work being used in a derogatory way that may negatively impact on their character or reputation. The architect of Parliament House, Mr Romaldo Giurgola, has held and exercised the moral and intellectual property rights of the design of Parliament House since 1988.

ultimately its ability to demonstrate effectiveness of its contracting activities and financial accountability.

26. To improve compliance and consistency of contract management practices, DPS should give priority to establishing a structured program for contract management training, and monitor its effectiveness and impact on work practices over time. Clearly defining roles and responsibilities and developing and maintaining guidance material that is current and readily accessible to staff will also assist DPS to improve contract management arrangements.

27. Despite its substantial contract portfolio and annual budget, the DPS executive has limited visibility of contracting activity, with little structured monitoring or reporting in place. Improved management oversight and formal quality assurance activities would provide greater assurance that contracting processes meet government legal and policy requirements and are being properly implemented. To achieve greater accountability and transparency, there would also be merit in DPS taking further steps to improve the accuracy, completeness and functionality of its contract register.

Establishing and Managing Contracts (Chapter 5)

28. Given the shortcomings in DPS' broader contract management framework, there has also been considerable inconsistency in contract management practices. There is scope for the department to strengthen all stages of its contract management—developing, managing and ending contracts—to improve transparency and accountability.

29. In developing contracts, many of which are long standing arrangements, only around one-third of those examined¹⁵ had business cases which included a clear basis for assessing value for money. A similarly low proportion of contracts had evidence of considering risk during initiation, and less than half had developed contract management plans. To help ensure suitable contracts are used, DPS has a suite of model contracts. However, these required updating to include mandatory clauses.

15 The ANAO examined a sample of 51 contracts to determine the extent to which DPS contract management practice aligned with government's expectations. The sample also included nine licences, covering retail services and the press gallery.

30. The model contracts supported the inclusion of schedules for establishing contract payments and deliverables. DPS staff generally followed the appropriate payment process, including checking of invoices to assure that the correct services or products were supplied. Even so, ANAO analysis found payments that were not linked to the contract on payment systems, and issues with overpayments and underpayments. It was not possible to readily determine the extent of these payment issues due to difficulties in linking financial payments to individual contracts, because of weaknesses in DPS' ICT systems and inconsistent and incomplete record keeping.

31. DPS has made progress in introducing performance measures for some of the more substantial contracts, such as cleaning and catering. However, there would be benefit in DPS giving more emphasis to setting meaningful performance measures and clearer expectations for monitoring and reporting on contract performance. To better position the department to ensure desired contract outcomes and value for money are achieved, a more structured and consistent approach is required in relation to identifying key risks and entity reporting requirements, incorporating a suitable performance regime into contracts, and encouraging wider use of end-of-contract evaluation.

32. There is also scope for DPS to improve its management of retail licensing.¹⁶ There is no current retail strategy, clear policy or plan to give focus to, or to guide, DPS' management of retail licensing in Parliament House. Overall, program/policy objectives and intended outcomes need to be clearer to enable forward planning and a better informed process for licence renewal. In general, licences would be significantly strengthened if respective (DPS and provider) expectations were made clearer, and the goods and services to be provided were clearly set out in the licence agreements prior to signing.

33. Client satisfaction and provision of appropriate services are important aspects of the retail services. To enable DPS to assess the appropriateness and benefits of the retail activities, the department could further consider how to best match business hours to user demand and develop a defined policy concerning external activities and clients. Management of the licences would be assisted by developing risk plans with appropriate mitigation strategies, and a monitoring and reporting regime to provide assurance of service quality and compliance with licence terms and conditions. Capturing and analysing key performance

16 A retail licence is an arrangement under which a contractor (a licensee) is authorised to use certain premises for certain specified purposes.

information would provide greater transparency of retail operations and assist DPS in optimising the use of Parliament House retail space.

Management Arrangements in the Department of Parliamentary Services (Chapter 6)

34. DPS has a range of governance arrangements to support asset and contract management, including strategic planning, risk management and monitoring and reporting performance. There is scope, however, for the department to improve these arrangements, including through aligning higher level planning and external reporting documents, finalising the strategic risk framework, and improving performance measures.

35. From mid-2012, the Secretary of DPS commenced a process to 'transform' the department. Appointments to the new senior leadership team were made throughout 2012–13, and reviews covering its major functions were initiated. However, the change agenda is still in the relatively early phases, and DPS has only partially implemented the SFPALC recommendations relating to asset and contract management. Further improvements can be expected from 'bedding down' those initiatives and new processes. As for all change agendas, it is also important for the department to build cohesion between management and staff, as the reform processes introduced in recent years have affected staff morale and turnover.¹⁷

36. Notwithstanding the many opportunities for improving the management of Parliament House, the results from a joint ANAO and DPS survey undertaken during the audit indicated that the parliamentarians who responded are largely satisfied with DPS' activities to support the operation of the building and its grounds.

Summary of entity response

37. DPS provided the following comments to the audit report:

The Department of Parliamentary Services (DPS) thanks the ANAO for the thoroughness of the audit and agrees with the recommendations that will assist DPS in continuing its reform agenda and improving its procurement and contract management capabilities and practices.

17 In 2013–14 there was relatively high staff turnover, with 150 employee separations (18.2 per cent of the workforce). DPS, *Annual Report 2013–14*, p. 144.

DPS notes that this audit follows on from the inquiry into the department conducted by the Senate Finance and Public Administration Legislation Committee (SFPALC) in 2011-12. The audit was conducted at a time when DPS was still implementing some of the findings of the SFPALC's 2012 report. As a result, a number of matters raised by the Report are in areas where DPS has been implementing change as recommended by the SFPALC 2012 Report.

Because of its ongoing transformation agenda, DPS had already taken, or was taking, a number of steps that will address the matters raised in this Report. While the department accepts all the recommendations in the report, it should be noted that DPS has been progressing a number of initiatives independent of the ANAO audit that will address many of the ANAO findings. These are detailed below.

Procurement and Contract Management

The audit highlighted particular concerns in relation to contract management and procurement such as inadequate staff training, out-of-date guidance material and a weakness of DPS' systems underpinning the contract management function.

In response to the recommendations in the SFPALC 2012 Report, DPS identified a number of initiatives to enhance its procurement and contract management capability. The implementation of these initiatives was originally hampered due to a lack of available funding and appropriately skilled staff. As part of the 2014-15 budget process it was acknowledged that DPS was operating with a structural deficit that was expected to continue through the Forward Estimates. In the 2014-15 Budget, an additional \$15 million was allocated from 2014-15 onwards. With these additional funds, DPS was able to commence action to identify and recruit appropriately skilled personnel (e.g. the Chief Finance Officer and Director of Procurement) to implement these initiatives. Recruitment for these roles was finalised October 2014.

Following the engagement of a suitably qualified Chief Finance Officer and Procurement Director, DPS commenced the organisational restructure of the central procurement team which is expected to be completed following recruitment action currently being finalised. The new procurement team, the composition of which is based on the recommendations made by Workplace Research Associates in their February 2014 review, will enable DPS to become a better practice organisation in regards to procurement and contracting.

In 2014, to comply with legislation (e.g. the Public Governance, Performance and Accountability Act 2013) and Government policy (e.g. the Commonwealth Procurement Rules) a revised set of Financial Delegations and Accountable

Authority Instructions were developed. These documents, which commenced on 1 January 2015, reflect the model instructions and guidance issued by the Department of Finance and strengthen the accountability of decision makers within DPS through the introduction of additional controls. For example, a new delegation relating to the disposal of assets was introduced, and a new instruction was issued that requires staff to obtain an “endorsement to proceed” through the central procurement Director for all procurements above \$80,000.

DPS has also reviewed its internal procurement and contract management policies, guidance and templates which are currently going through an internal consultation process with the new suite of documents to be issued by the end of March 2015. Legal advice has been requested from the Australian Government Solicitor to ensure that DPS’ contract templates are accurate and comply with current Commonwealth requirements.

As detailed in the ANAO report, a key aspect of achieving better practice in procurement and contract management is a sustainable training program for its staff. As part of an ongoing training program that commenced in late 2014, DPS arranged for the APSC to deliver foundation training to key staff with procurement and contracting responsibilities. To ensure that all DPS staff with procurement and contracting responsibilities will receive this training, additional courses have been scheduled for April 2015. While this training will provide DPS staff with the baseline knowledge and skills required to perform their roles, specialised training will also be provided to staff performing more complex procurement and contracting activities as part the ongoing training programme.

With regards to the ANAO’s concerns around the weaknesses in DPS’ systems, DPS is implementing a Procure to Pay SAP solution, which will be used for all procurement and contracting activities. This is scheduled to be completed in June 2015. This solution will automate a number of manual procedures in the procurement process as well as enhance procurement and contract related records management as all contracts will be stored in the system. This will create a complete electronic auditable and controlled record of the source to pay process for all DPS procurement activity and as such address the ANAOs concerns in this area.

Asset Management

In order to develop a robust, comprehensive and risk based asset management plan for the next 10 years and beyond, the Government provided funding in the 2014-15 Budget to allow the commissioning of a Building Condition Assessment Report (BCAR) and a Strategic Asset Management Plan (SAMP). Fundamental planning of this nature has not been done before in the

building's history. This work commenced in July 2014 and drafts of both documents have been delivered to DPS; these were made available to the ANAO during this audit. The plans will be finalised once Budget outcomes are known, allowing appropriate phasing of expenditure and prioritisation of the capital works drawing on the funding available and service continuity risk. These documents also provide the baseline information to allow the development and presentation of a Building Status Report to the Parliament in early 2015.

The BCAR and SAMP provide the foundations for developing a professional 10 and 25 year capital works programme for Parliament House including asset replacement, upgrading to meet relevant building standards and legislative requirements, maintenance and operating costs. As part of the SAMP, a comprehensive, risk assessed and prioritised work plan has been developed that underpins a detailed, independently cost assessed approach to Government for funding.

The SAMP and forward capital works programme are supported by ongoing work to revise project and asset management documentation and policies. Project management processes have been fully reviewed in 2014, with projects in flight re-assessed for scope, budget and timeframe validity, and a revised customer request process is already in place that requires two stage business case development for new projects not captured by the SAMP and approved capital works programme. This process ensures the consideration of, among other things, heritage advice in design development and delivery phases.

Management of Heritage Assets

Since the SFPALC inquiry, DPS has employed a team of heritage professionals that has significantly enhanced our in house heritage management capability. This team provides comprehensive advice on a range of matters, including on disposals and during project development.

To further bolster heritage management and awareness in the Parliament, a Conservation Management Plan and a Design Principles document have been commissioned. Work commenced in 2014 and continues on both of these seminal pieces of work. These will further inform and embed high quality heritage management practice across the department now and into the future, while capturing the principles articulated by the original architect and providing guidance on the appropriate evolution of the building over the coming decades. Once the Conservation Management Plan has been completed, DPS has publically stated that it will commission the completion of the Central Reference Document.

Recommendations

Recommendation No.1
Paragraph 2.49

To support the development of its Strategic Asset Management Plan, the ANAO recommends that the Department of Parliamentary Services takes a more integrated and disciplined approach and develops:

- (a) appropriate asset management policies and procedures, which are reviewed regularly;
- (b) a capital works plan that clearly identifies relative priorities; and
- (c) a tailored reporting regime that includes capital works projects and maintenance activities.

DPS response: *Agreed*

Recommendation No.2
Paragraph 3.60

To support proper consideration of heritage value when storing or disposing of assets, the ANAO recommends that the Department of Parliamentary Services develops and delivers an ongoing training program that provides guidance about these matters to relevant staff.

DPS response: *Agreed*

**Recommendation
No.3**

Paragraph 4.36

To improve its overall contract management and reporting capability, the ANAO recommends that the Department of Parliamentary Services:

- (a) reviews contract management policies and procedures to determine whether they are current and accessible to staff;
- (b) develops a suitable training program for contract managers and monitors its implementation to maintain capability levels and inform future development needs; and
- (c) strengthens and aligns systems and processes, to better support compliance, transparency and reporting of contracting activities.

DPS response: *Agreed*

**Recommendation
No.4**

Paragraph 5.49

To strengthen contract management arrangements, the ANAO recommends that the Department of Parliamentary Services:

- (a) implements consistent processes and practices for developing business cases, value for money assessments, contract management plans, and end-of-contract evaluation and reporting;
- (b) includes appropriate key performance indicators and tailored reporting requirements in contracts to assist the department to assess performance and determine value for money outcomes; and
- (c) improves record keeping to provide appropriate transparency over key decisions underpinning procurement options and contract terms and conditions.

DPS response: *Agreed*

**Recommendation
No.5**

Paragraph 5.52

To strengthen the management of retail licences, the ANAO recommends that the Department of Parliamentary Services develops a retail strategy and operational plan that clarifies priorities for revenue generating opportunities and establishes a clear basis for monitoring retailer performance.

DPS response: *Agreed*

**Recommendation
No.6**

Paragraph 6.20

To strengthen the monitoring and reporting framework, the ANAO recommends that the Department of Parliamentary Services:

- (a) aligns performance monitoring and reporting in key accountability documents, such as between the Portfolio Budget Statements and the department's corporate plan, and
- (b) develops and reports against appropriate performance measures for key activities such as asset and contract management.

DPS response: *Agreed*

Audit Findings

1. Introduction

This chapter provides an overview of the role of the Department of Parliamentary Services in managing Parliament House and associated assets. The chapter also outlines the audit approach, including the objective, criteria and scope.

Introduction

1.1 The opening of the ‘new’ Australian Parliament House in 1988 was a landmark in Australia’s history. At that time, it was the largest building constructed in Australia. Recognised as a uniquely designed, functional building, Parliament House cost \$1.1 billion to complete and had an intended life span of 200 years. Twenty-six years later, Parliament House, including its contents and surrounds, had an estimated value of \$2.3 billion.¹⁸

1.2 Parliament House is a place of national significance with considerable heritage value. Mr Romaldo Giurgola, the architect of Parliament House, has commented that his task during design and construction was to focus on clarifying the principles that define the character and meaning of the building. These principles included:

first, the significance of the building as a democratic forum for the nation of Australia; second, making the process of government visible and accessible to the public; third, the building design as a symbolic sequence of spaces with reference to Australia’s historical and cultural evolution over time; and, finally, the design of Parliament House as a workplace which was intended to enhance the health and wellbeing of all occupants, which I think is important because it becomes a model for everyone to look to.¹⁹

1.3 While its primary function is as the meeting place of the Australian Parliament, Parliament House and precincts, also serve as a national venue for ceremonial functions, hosting state and visiting dignitaries and a variety of other political, community and social events. Parliament House also contains many historic documents and artworks, and a large part of the building is open to the public.

18 Department of Parliamentary Services, *Annual Report 2013–14*, p. 170.

19 Senate Finance and Public Administration Legislation Committee, *The Performance of the Department of Parliamentary Services*, November 2012, p. 21.

Department of Parliamentary Services

1.4 The Department of Parliamentary Services (DPS) has an important custodial role in managing Parliament House. Its primary responsibilities are to support the work of the Parliament, maintain Parliament House, and make the building and parliamentary activity accessible to the public. DPS provides a range of services including: broadcasting and Hansard; information and research; security; building and landscaping; and information and communications technology (ICT). DPS contracts the supply of many of these services to external providers and manages licence arrangements with several retail service providers that occupy space within Parliament House. These services include catering, banking and postal, childcare and physiotherapy. The department is also responsible for developing new systems and infrastructure, refurbishing Parliament House and managing its assets.

Structure and funding

1.5 DPS was established in 2004 following the amalgamation of the Joint House Department, Department of the Parliamentary Library and the Department of the Parliamentary Reporting Staff.²⁰ Under the *Parliamentary Service Act 1999*, the Presiding Officers (the President of the Senate and the Speaker of the House of Representatives) jointly administer DPS. The Secretary is responsible to the Presiding Officers for the efficient operation of the department.

1.6 In 2014–15, the department had approximately 700 staff²¹, and an annual budget of \$165 million (comprising around \$150 million in departmental funding and \$15 million in administered funding).²² DPS funding decreased by 23 per cent between 2010–11 (\$179 million) and 2013–14 (\$138 million) but then increased by 20 per cent in 2014–15 (to \$165 million).

20 The Joint House Department had responsibility for operations, security and corporate. The Department of the Parliamentary Library's role was to provide information and research services, and resource management. The Department of the Parliamentary Reporting Staff provided client services, technical services, and corporate and strategic development.

21 DPS is categorised as a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. However, unlike most entities in the Australian Public Sector, DPS staff are not employed under the *Public Service Act 1999*. They are employed under the *Parliamentary Service Act 1999*.

22 Australian Government, *DPS Portfolio Budget Statements 2014–15*, p. 13.

1.7 DPS is one of four Parliamentary Departments, the other three being:

- Department of the Senate—provides the Senate, its committees, the President of the Senate and Senators with a broad range of advisory and support services related to the exercise of the legislative power of the Commonwealth. The parliamentary head of the Department of the Senate is the President of the Senate and the departmental head is the Clerk of the Senate.
- Department of the House of Representatives—provides services to support the conduct of the House of Representatives, its committees and certain joint committees, as well as a range of services and facilities for Members in Parliament House. The parliamentary head of the Department of the House of Representatives is the Speaker of the House of Representatives and the departmental head is the Clerk of the House of Representatives.
- Parliamentary Budget Office—established in July 2012 and provides independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.

Parliamentary and stakeholder interest

1.8 Over a number of years, various aspects of DPS' management of Parliament House have been the subject of parliamentary interest. In particular, in May 2011, Senators raised specific concerns regarding the disposal of Parliament House assets with potential heritage value, specifically two billiard tables from the staff recreation room. In response to the concerns raised by SFPALC, DPS conducted an internal audit in June 2011 and commissioned an external consultant to review asset disposal policies and practices within the department. The external review report of October 2011 noted improvements in departmental procedures for asset disposals, particularly in relation to assets or items of established or possible heritage value (referred to as the Tonkin Review).²³

1.9 The department's response to these matters led to a subsequent inquiry into the performance of DPS by the Senate Finance and Public Administration

23 Nevertheless, the review made 10 recommendations aimed at achieving clear, accountable and effective management and disposal of assets. Tonkin, R., *Review of Department of Parliamentary Services' Asset Disposal Policies and Practices*, October 2011, p. 9.

Legislation Committee (SFPALC). The committee presented an interim report to the Senate in June 2012, and a final report in November 2012. The final report identified a wide range of issues relating to DPS' employment practices, management of heritage assets and contracts, and arrangements for security and ICT.

1.10 SFPALC has continued to focus on the activities of DPS during Senate Estimates hearings, particularly its asset management (including heritage management) and contract management practices.

Asset management

1.11 As at 30 June 2014, DPS had responsibility for assets valued at around \$2.3 billion when accounted for on a depreciated basis, with the most significant asset being the Parliament House building (valued at over \$2 billion). The following aspects of asset management have been the subject of specific scrutiny by SFPALC: maintenance of Parliament House; heritage management; and disposal of assets.

Maintenance of Parliament House

1.12 In 2003, the former Joint House Department devised a maintenance plan for Parliament House. The objective of the plan was to maintain the standard of the building at a level of 90 per cent of new.²⁴ According to the former Secretary of the Joint House Department, the 'first 20 years or so of the building's life would require little in the way of major engineering change. But between 20–30 years after occupation, major plant would require replacement and substantial funding'.²⁵

Heritage management and disposal of assets

1.13 DPS is responsible for the protection and management of cultural and heritage assets, which were valued at \$84.1 million as at 30 June 2014.²⁶ While many of these assets, such as the rotational collection²⁷, gifts collection, historic

24 This was to be measured through the Building Condition Index. The Index measures the current condition of the building fabric of Parliament House, expressed as a percentage of the original condition, and is discussed in further detail in Chapter 2.

25 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, p. 45.

26 DPS, *Annual Report 2013–14*, p. 214.

27 The rotational collection is the largest part of the Parliament House Art Collection. Works from the rotational collection are displayed in the general circulation spaces of the building, as well as the offices of Members and Senators.

memorials collection and the architectural commissions²⁸ are registered on the Parliament House Art Collection database²⁹, some assets of cultural or heritage significance—referred to as moveable and semi-moveable assets—are not.³⁰ SFPALC identified issues in relation to the management of assets that are not registered, as outlined in the following example.

Incomplete registering of Parliament House assets—terracotta pots

The SFPALC inquiry outlined an example of the consequences of not having a comprehensive register of cultural and heritage assets. At the time of construction of Parliament House, around 1300 terracotta pots, which were an integral element of the global furniture collection, were acquired. Despite the significance of these pots, they were not listed on any asset register. In October 2011, following questioning during the SFPALC Estimates hearings, DPS identified that some 400 pots were missing from Parliament House. Subsequent anecdotal evidence from former employees suggested that they may have been disposed of by the former Joint House Department.³¹

1.14 In response to SFPALC's concerns, the department undertook a survey in July 2011 of moveable and semi-moveable items of possible heritage value located within DPS work areas and not already managed as part of the Parliament House Art Collection and Library catalogue. The survey and assessment of the DPS items of potential heritage significance was completed in April 2013 and identified 170 new items with cultural or heritage value.³²

1.15 In its final report in 2012, SFPALC indicated general satisfaction with the steps taken by DPS to implement the Tonkin Review's recommendations, but noted 'there is still some further work to be undertaken in relation to disposal practices and the recording of heritage and cultural assets in Parliament House'.³³

Contract management

1.16 In 2013–14, DPS managed some 190 contracts, involving expenditure of \$62.8 million in that year. These contracts covered a range of activities,

28 Consisting of artworks (including furniture) that were commissioned as an integral part of the architectural design of Parliament House.

29 A separate database (also referred to as a catalogue) is used to manage Library collections.

30 For example: a silver ceremonial spade; a set of carpet drawings; and teak outdoor furniture.

31 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, pp. 121–123.

32 Subsequent to the 2011 survey, a report from the consultant engaged to conduct the survey of potential heritage items in the chamber departments was also completed. The final report was received on 30 July 2014. The report has been provided to the Clerk of the Senate, and the Clerk of the House of Representatives.

33 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, pp. 124–125.

including: building maintenance, renovations and upgrades; security; telecommunications and utilities; catering; and cleaning. While these contractual arrangements are primarily for the provision of services by private commercial entities, DPS also has contractual arrangements with other Australian Government agencies, such as for security services provided by the Australian Federal Police (with an estimated annual value of \$10 million).

1.17 The SFPALC inquiry also raised a number of concerns regarding DPS' contract management practices, with the inquiry report including 22 recommendations that were designed to improve the department's performance. SFPALC's report made specific reference to the following two DPS contracts:

- the contract covering the internal cleaning of Parliament House (valued at \$3.8 million per year); and
- the contract for the catering of events, the staff dining room and Queen's Terrace Café (for which DPS pays the catering contractor an annual management fee of \$550 000).³⁴

1.18 SFPALC queried the circumstances under which these contracts were entered into and DPS' performance in monitoring and enforcing the contracts. The department accepted SFPALC's recommendations, which were directed at improving the training and skills of DPS staff and reviewing the processes for developing and managing contracts. DPS also advised the committee that it would review its procurement and contract framework in 2013.

Previous audit coverage

1.19 DPS was one of the entities included in the Australian National Audit Office's (ANAO) 2005–06 performance audit of *The Management of Infrastructure, Plant and Equipment*. This audit assessed whether selected Australian Government entities were effectively supporting their business requirements through planning and managing the acquisition, disposal and use of their infrastructure, plant and equipment assets.³⁵ The audit made five

³⁴ *ibid.*, p. 195.

³⁵ The Department of Parliamentary Services was one of four Australian Government entities audited. The other three were the: Australian Film, Television and Radio School; Australian Trade Commission; and Department of Immigration and Multicultural Affairs. The performance audit was a cross agency audit and the findings and recommendations were general in nature and not attributed to specific agencies.

recommendations aimed at improving: policies and procedures; asset planning; asset acquisitions; the management of performance; and disposal planning.

Audit objective, criteria, scope and methodology

Objective, criteria and scope

1.20 The objective of the audit was to assess the effectiveness of the Department of Parliamentary Services' management of assets and contracts to support the operations of Parliament House.

1.21 To form a conclusion against this objective, the ANAO adopted the following high level criteria:

- governance and administrative arrangements for asset and contract management were effective;
- processes and procedures for the maintenance and disposal of assets (including cultural and heritage assets) were sound; and
- processes were in place to ensure legislative compliance, delivery of expected products and outcomes, and value for money from contracts.

1.22 The audit scope did not include a review of assets related to ICT, broadcasting, art, the Parliamentary Library (such as Hansard), or the landscaped grounds. In assessing contracting, the audit focused on the management of contracts after they had been signed, but reviewed information on procurement to understand how DPS could achieve value for money when managing these contracts.

Methodology

1.23 In conducting the audit, the ANAO: reviewed DPS policy documents, guidelines, procedures and operational reports; and interviewed relevant DPS staff. A sample of contracts and assets from relevant registers and databases³⁶ was analysed, and a survey of parliamentarians’ satisfaction with DPS services conducted jointly with DPS.

1.24 The audit methodology drew on the ANAO’s better practice guides on *The Strategic and Operational Management of Assets by Public Sector Entities* (September 2010) and *Developing and Managing Contracts* (February 2012).

1.25 The audit has been conducted in accordance with the ANAO’s auditing standards at a cost of approximately \$615 000.

Report structure

1.26 The structure of the report is outlined in Table 1.1.

Table 1.1: Structure of the report

Chapter	Overview
2. Asset Management	Examines the processes and procedures established by DPS to manage the assets of Parliament House.
3. Management of Heritage Assets	Examines DPS’ management of heritage assets, including in considering heritage value when making changes to Parliament House and disposing of assets.
4. Contract Management Arrangements	Examines the arrangements established by DPS to support the management of contracts for the operation and maintenance of Parliament House.
5. Establishing and Managing Contracts	Examines DPS’ effectiveness in establishing and managing specific contracts.
6. Management Arrangements in the Department of Parliamentary Services	Examines management arrangements supporting DPS’ asset and contracting functions, including in respect of the department’s substantial change agenda of recent years.

36 The ANAO’s indicative sample of 60 contracting arrangements included: 29 standard contracts, eight panels, five standing deeds of offer and nine retail licences. An additional three contracts, five panels and one deed were not included in the final sample for the following reasons—one contract was not yet signed, one panel had no ongoing financial commitments for DPS and for the remaining seven, documentation on contract management practices was not readily available.

2. Asset Management

This chapter examines the processes and procedures established by DPS to manage the assets of Parliament House.

Introduction

2.1 The Parliament House complex occupies a 35 hectare site, has a total floor area of 250 000 square metres, with around 4500 rooms, public areas and retail outlets across four levels. In addition to the building fabric, Parliament House contains over 100 000 maintainable assets, including plant, fixtures and fittings and 32 hectares of landscaped open space. As the building operator (on behalf of the Australian Parliament) DPS is responsible for building management, which is undertaken using a combination of outsourced service contracts and in-house staff and resources.

2.2 To support the management of Parliament House assets, DPS has established a computerised asset management system that incorporates an assets register. This register contains details of some 16 500 groups of items. The largest single asset is the land on which Parliament House is sited (valued at \$50 million). The building structure and major supporting systems are the largest class of assets managed by DPS (with a combined total value of \$2.8 billion replacement basis and \$2 billion on a depreciated replacement basis).

2.3 The significant asset classes managed by DPS are outlined in Table 2.1 (on the following page). The table also demonstrates that the building structure represents around 85 per cent of the total value of DPS assets. The asset classes listed in Table 2.1 are supported by a number of different asset systems³⁷, with each asset system having a different life cycle.

37 An asset system is a group of components that interrelate, for example, mechanical and electrical equipment.

Table 2.1: DPS asset profile, 2013–14

Asset Class	Replacement Value (\$'000)	Depreciated Value (\$'000)	Per cent of Total (Replacement Value)
Building structure and major supporting systems	2 792.2	2 085.0	84.9
ICT equipment	155.4	52.4	4.7
Furniture and fittings	125.3	20.9	3.8
Art collection	84.5	84.5	2.6
ICT systems and software	65.4	20.8	2.0
Land	50.0	50.0	1.5
Library collection	11.8	4.3	0.4
Other (includes digitisation of Hansard records and low value portable items)	5.6	4.3	0.2
Total	3 290.2	2 322.2	100.0

Source: ANAO analysis of DPS information.

Note: Figures have been rounded.

2.4 Given the broad variation in the class, economic life and scale of assets managed, it is important for DPS to have in place an appropriate framework to track, manage, repair or replace each asset over time. Ideally, asset management will be incorporated into an organisation's corporate and strategic planning to assist in: planning expenditure for new assets; the repair and replacement of existing assets; and their operation.³⁸

2.5 The ANAO examined DPS' asset management arrangements including whether the department had:

- an asset management strategy that integrated its strategic objectives and asset portfolio to meet program delivery requirements;
- a sound framework and processes for conducting capital works;
- comprehensive asset management policies and procedures;
- monitored the condition of key assets; and
- arrangements for maintaining assets in good working order.

38 ANAO, *Better Practice Guide on the Strategic and Operational Management of Assets by Public Sector Entities*, September 2010, p. 48.

Asset management strategy

2.6 For those entities with specialist or high-value asset portfolios, such as DPS, an asset management strategy should describe how an entity's strategic intent will be implemented to meet the service delivery needs as it relates to the asset portfolio.³⁹ Managing the assets of Parliament House is one of DPS' primary program delivery requirements and represents one of two programs under the DPS Outcomes and Programs Framework (discussed in Chapter 6). It is also one of the department's five key results areas in its *Corporate Plan 2012–14*.

2.7 In 2003, the former Joint House Department developed an asset maintenance and replacement plan that would be required over the life of the building. The plan outlined, in five-year intervals, the expected life of each asset system of Parliament House, such as the electrical and heating, ventilation and cooling systems. Under the model developed by the Joint House Department, the building's main asset systems would require replacement after 25–30 years of occupation. At the time the plan was developed, the Joint House Department reported that:

The development of a 100-year plan provides...a long-term view of funding required to ensure parliamentary processes are not interrupted and to preserve the value of Parliament House throughout its life cycle. In particular, the plan identifies funding spikes and allows sufficient time for proper planning for these occurrences.⁴⁰

2.8 Notwithstanding the importance of this function, DPS is yet to develop an asset management strategy or to update the 2003 plan, nor does the departmental division responsible for the management and maintenance of the building have a current business or operational plan. While the 100-year asset maintenance and replacement plan provides a guide for when asset systems are likely to require replacing, it does not include detailed information on priorities, roles and responsibilities or the current condition of the asset systems. DPS has also developed a rolling five to 10 year maintenance and replacement plan but this plan also lacks the detailed information required for effective strategic asset management.⁴¹

39 *ibid.*, pp. 10–15.

40 Joint House Department, *Annual Report 2002–03*, p. 4.

41 The department also has separate capital management plans and maintenance plans, as discussed later in this chapter, but these do not represent an overarching asset management plan.

2.9 Within the context of the SFPALC inquiry, DPS commissioned a review of its Asset and Capital Management Framework. The review's report, provided in January 2013, concluded that considerable work was required to develop a capital management plan. The report made eight recommendations covering organisational structure, funding arrangements, governance, strategic capital planning, ICT assets, systems processes and procedures, and the capital 10-year rolling plan.

2.10 The review found 'significant deficiencies in each of the systems that would normally provide input into a robust strategic capital management plan'.⁴² The review also identified that:

Planned capital works are funded by an administered appropriation. The absence of engineering expertise from 2007 meant that the driver for project bids was the available funding rather than the strategic plan. Accordingly, approved projects during this period appear to be ad-hoc in nature with little or no robust engineering justification.

The replacement/refurbishment plans form the foundation of a capital management plan. With the exception of broadcasting assets, DPS has not developed robust asset replacement/refurbishment plans covering the short, medium and long term horizons.⁴³

2.11 Of the eight recommendations, six were related to Parliament House assets and the others related to ICT and broadcasting assets. DPS initially intended to implement these recommendations by December 2013, pending the successful recruitment of executives to key leadership positions following an organisational restructure in early 2013. These executive positions were not filled until early 2014, and DPS does not expect all recommendations to be implemented before the end of the 2014–15 financial year.

Developing a strategic asset management plan

2.12 When Parliament House was commissioned in 1988, it was planned that, from 2013, the custodians of Parliament House would need to undertake a program of substantial replacement and upgrading of key building infrastructure. While repair and maintenance work has been undertaken since inception, the replacement and refurbishment of assets and asset systems has

42 DPS, *Asset and Capital Management Framework Review for the Department of Parliamentary Services*, January 2013, p. 15.

43 *ibid.*, p. 13.

not occurred in line with initial expectations. DPS' asset register indicates that 90 per cent of the asset systems associated with the building structure have not been replaced since 1988.

2.13 DPS has recognised the need to undertake a program of repair and maintenance work and has sought to secure additional funding for this work. In 2013–14, the department put forward a funding proposal in two stages. The first stage involved a request for funding to develop a building condition assessment report (BCAR) and thereafter a strategic asset management plan (SAMP). In the 2014–15 Federal Budget, DPS was provided with \$1.67 million to undertake the first stage (which included the development of the BCAR and SAMP).⁴⁴ The extent of funding sought in the second stage was to be informed by the results of the BCAR and the SAMP.

2.14 In July 2014, DPS commissioned a contractor to conduct an assessment of the condition of the building and its elements and develop a SAMP for Parliament House.⁴⁵ In November 2014, DPS was provided with a draft BCAR, which included an assessment of the current physical condition and operating performance of building elements of Parliament House.⁴⁶ The draft report also included a projected 10-year and 25-year expenditure profile aimed at supporting the delivery of services. The profile includes projects to be undertaken through the capital works program from 2015–16, based on identified priority according to the condition of each of element.

2.15 The draft building condition assessment report indicated that many of the major structural or operational elements of Parliament House were within acceptable physical and operating performance levels. However, proactive actions, including renewals, upgrades and replacement works were required by DPS to prevent the assets from deteriorating and becoming ineffective in supporting Parliament's operations. Consequently, significant improvements are required in the department's asset management sub-plans (covering acquisition, operations, maintenance and disposals), systems and processes. Capital works also need to be better integrated with replacement and maintenance activities, to restore Parliament House to optimal condition.

44 The additional funding also included the development of a Conservation Management Plan, which is discussed in Chapter 3.

45 The contract specified a total cost of \$1 071 732.

46 The draft report is expected to be finalised in early 2015.

Capital works program

2.16 The initial planning and acquisition phases for Parliament House assets occurred in the 1980s when the building was constructed. To maintain the building to an appropriate standard, DPS is appropriated funds each financial year through the budget process, for an investment program in new and replacement assets. The Parliament House works program is intended to support the operation of Parliament into the future, while at the same time preserving the design integrity of the architecture, engineering systems, art collections and landscape that make up Parliament House.

2.17 DPS manages the administered appropriation for the Parliament House works program to fund an annual program of planned capital works, as shown in Table 2.2.

Table 2.2: Administered appropriation and annual expenditure on the Parliament House works program, 2010–11 to 2014–15

Year	Administered Appropriation (\$'000)	Amount Spent (\$'000)
2010–11	\$28 383 ⁽¹⁾	\$20 128
2011–12	\$24 432	\$34 825 ⁽⁴⁾
2012–13	\$12 896	\$11 635
2013–14	\$20 437 ⁽²⁾	\$9 468
2014–15	\$15 482 ⁽³⁾	—

Source: ANAO analysis of DPS portfolio budget statements and annual reports.

Note 1: Includes an additional \$18.3 million to upgrade physical security over two years.

Note 2: Includes an additional \$6.3 million for safety work and \$725 000 for disability access upgrade.

Note 3: Includes an additional \$1.7 million for Parliament House maintenance and asset replacement assessment and strategic review.

Note 4: The additional expenditure in 2011–12 was of unspent funding from 2010–11 relating to upgraded physical security. While planning to spend \$30.7 million in 2010–11, DPS spent \$20.1 million.

2.18 DPS advised the ANAO that the significant underspend in 2013–14 was ‘primarily related to a considered slow-down of capital expenditure, to review and reset the capital prioritisation process.’ DPS further advised that responsibility for building management was assigned to a senior executive officer in January 2014 and one of the primary objectives upon their commencement in the newly established role was to evaluate the program of work being undertaken through the capital works plan to:

ensure DPS' administered capital budget was efficiently and effectively utilised in maintaining the building, through scheduled maintenance and new capital works. The review lead [sic] to an immediate reprioritisation of capital works and maintenance, and also to an assessment of the workforce capability used to deliver such works. The review of this workforce meant the reprioritisation of works to focus on urgent and unavoidable projects...This mode of operation remained through the second half of 2013–14, meaning DPS' administered capital budget remained underspent in that year, but remained available to the department in 2014–15 when an effective and efficient staff model could actively pursue the department's strategic programme of works.

Identification and approval of projects

2.19 Prior to July 2013, all projects on the capital works plan (CWP) were subject to the DPS request approval process. This process required a business case and project proposal (using a standard template) to be submitted for consideration and approval by the Strategy and Finance Committee. Approved proposals were subsequently included on the CWP.

2.20 In July 2013, the Strategy and Finance Committee was disbanded and DPS commenced a process of reviewing all capital works projects. The request approval process was also reviewed. For the 2013–14 and 2014–15 CWPs, all requests for new projects were considered by the Building Management Division Head and the Secretary.

2.21 In September 2014, DPS released a revised process for considering requests for work to be undertaken for maintenance of, or upgrades to, Parliament House.⁴⁷ Combined with the strategic direction and information gained from the BCAR and SAMP, the revised request process has the potential to provide DPS with greater control over the asset acquisition process and allocation of capital funds. However, it will also be important for the department to strengthen its risk management to ensure that it formally assesses and manages the associated risks of the projects, both individually, and as a whole, to support the achievement of DPS program objectives.⁴⁸

47 As the revised process was released after audit fieldwork had been completed, it was not examined by the ANAO.

48 DPS' risk management framework is discussed further in Chapter 6.

Determining priorities for the 2013–14 and 2014–15 capital works plans

2.22 To inform the development of the 2013–14 CWP, DPS reviewed all projects that had been included on the 2012–13 CWP. As a result, 19 of the 76 projects included on the 2013–14 CWP were either re-prioritised, consolidated or placed on-hold pending the outcome of the BCAR and the SAMP. This trend was accentuated in 2014–15, when 41 projects were on hold, 17 were underway and five projects were completed by October 2014.⁴⁹ Further, no additional or new projects were listed on the 2013–14 CWP or the draft 2014–15 CWP.

2.23 The projects listed on both the 2013–14 and draft 2014–15 CWPs included a priority rating of critical, important or discretionary, and are outlined in Table 2.3.

Table 2.3: Capital works project priorities, 2013–14 and 2014–15

Project Priority	2013–14		2014–15	
	On hold (No.) (%)	Total on CWP ⁽¹⁾	On hold (No.) (%)	Total on CWP
Critical	1 (5%)	5	5 (12%)	16
Important	4 (21%)	21	18 (44%)	23
Discretionary	14 (74%)	42	17 (41%)	25
Completed	0 (0%)	6	0 (0%)	6
Unknown	0 (0%)	2	1 (2%)	6
Total	19 (100%)	76	41 (100%)¹	76

Source: ANAO analysis of DPS information.

Note 1: Does not add to 100 due to rounding.

2.24 However, the basis for determining the priority was not documented and it was not apparent from departmental records why some projects listed as critical had been placed on hold or had their implementation extended. DPS advised the ANAO that the project priority was determined ‘by the relevant project officers as they arose. Upon commencement of the First Assistant Secretary, Building Management Division, all items were subject to review and reprioritisation, which is reflected in the 2014–15 CWP’.

49 Another 13 projects that were listed on the 2014–15 CWP as completed had been completed prior to the commencement of that year. This brought the total 2014–15 CWP listing to 76.

Future capital works programs

2.25 The draft BCAR indicates that the average yearly expenditure on capital works over the next 10 years is expected to be around \$28.9 million⁵⁰, with the peak of the expenditure being in the first five years (\$187.7 million). The draft BCAR and SAMP include information that will better inform the development of future capital works programs and, as a result, have the potential to bring greater rigour to DPS' planning and delivery of works projects. Nevertheless, throughout the remainder of 2014–15, a key consideration for the department will be to progress those projects assessed as having a higher priority (critical and important).

Asset management policies and procedures

2.26 In April 2010, DPS prepared a discussion paper to inform the development of a systematic approach to the ongoing management of Parliament House assets and associated capital investment programs. In July 2011, the discussion paper became the basis for a governance paper, which outlined DPS' policy and high-level procedures for maintaining Parliament House assets.

2.27 The document has not, however, been updated to reflect DPS' changed organisational and administrative arrangements, including roles and responsibilities for the development and approval of the capital works plan.⁵¹ The paper also refers to the *Strategic Plan 2010–13*, rather than the *Corporate Plan 2012–14* and makes limited reference to risk management responsibilities, service level expectations, specific asset maintenance plans or asset replacement (for example, there is no reference to the 100 year asset replacement plan). While the governance paper may provide an overarching policy for managing and maintaining Parliament House assets, it does not provide an appropriate basis to inform the management of the significant range of assets for which DPS is responsible.

50 Of the \$289 million funding over the period, 29 per cent is associated with replacing and upgrading various heating, ventilation and air-conditioning plant and equipment, followed by architectural features (21 per cent) and electrical services installations (15 per cent).

51 For example, approvals for capital works plans were still allocated to a committee that ceased in 2013.

Supporting guidelines, policies and procedures

2.28 In April 2014, DPS commenced a review of its governance documents, which includes guidelines, policies and procedures relating to governance generally and human resources and finance more specifically. The review identified that:

- 58 per cent of documents were not current or had expired;
- 16 per cent of documents were due for review; and
- 25 per cent of documents were current.

2.29 The ANAO identified that DPS' governance documents relating to asset management included links to 21 supporting policies and procedures. However, only three of these were current. The remaining 18 (or 86 per cent) had either expired, would benefit from updating⁵² or were being withdrawn. DPS has subsequently allocated responsibility for updating and reviewing specific governance documents to relevant departmental branches, and outlined the requirement to update and review all policies and procedures.

Monitoring the condition of assets

2.30 DPS has four asset custodian indexes that were designed to monitor the condition of Parliament House assets. Each index is supported by a defined methodology and performance targets that were developed by consultants and the former Joint House Department. The results are included in detailed reports provided to the DPS executive, and an annual score for each index is calculated and reported in the DPS annual report. Each index measures the condition of aspects of Parliament House assets and is based on the condition of the assets over time compared to the original condition or from when Parliament House was new. The indices, target, and a description of the measure and methodology are outlined in Table 2.4.

52 An example of a governance document that would benefit from updating is the Chief Executive Instructions. DPS' Chief Executive Instructions were developed in 2010, with a published review date of 2012. As at November 2014, the instructions had not been reviewed, notwithstanding the passing of the nominated review date and arrival of a new chief executive in May 2012.

Table 2.4: Parliament House asset condition indices

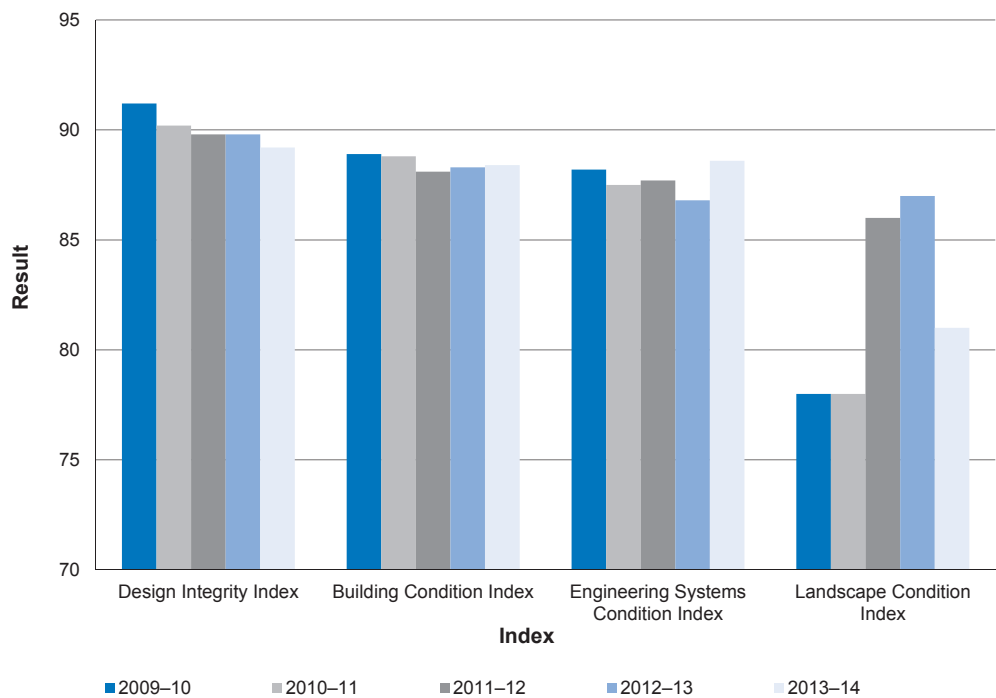
Index	Target	Description
Design Integrity Index	90%	<p>Developed in 2001, the index measures the current condition of Parliament House and the precincts expressed as a percentage of the original built form. In particular, it measures the extent to which change within Parliament House and the precincts impacts upon the original design intent.</p> <p>Procedures to calculate the annual index include:</p> <ul style="list-style-type: none"> collect and analyse data for all changes made at Parliament House over a financial year to provide a score for each change, and measure the extent to which key design integrity principles have been integrated into the new work; tabulate the individual area scores and tally all scores to achieve a global score that is defined as the index; and make observations regarding trends or anomalies. These observations are used to assist with future decision-making regarding physical change at Parliament House.
Building Condition Index	90%	<p>Developed in 1993, the index measures the current condition of the building fabric of Parliament House, expressed as a percentage of the original condition.</p> <p>All eight zones of the building are inspected over a 12-month period with the exception of high-profile areas (for example special suites and public areas) that are inspected every six months.</p>
Engineering Systems Condition Index	90%	<p>Developed in 2000 the index measures the current operation and condition of the engineering systems in Parliament House against the expected decline of those systems through their life cycles. The system of scoring has been designed so the target is achieved if all systems are ageing as expected.</p> <p>The results are based on data and reports collected over the course of the year. The reports are prepared by external contractors or industry specialists, for example, monthly fire system testing reports. The data are referred to an external consulting engineer for review and the provision of a report and score for each element from which the overall score is derived.</p>
Landscape Condition Index	90%	<p>Developed in 2000, the index measures the current condition of the landscape surrounding Parliament House, expressed as a percentage of the total possible condition.</p> <p>The score is a result of inspections and assessments of the landscape by in-house gardening staff each October.</p>

Source: DPS, Portfolio Budget Statements, 2014–15.

2.31 The ANAO reviewed the results for the indices reported in annual reports since 2009–10. All of the indices have been below their 90 per cent target since 2010–11, as demonstrated in Figure 2.1. The Building Condition Index and Design Integrity Index have both been gradually declining, in part due to the ageing of the assets as well as changes in work practices (such as

increases in the number of photocopiers and multi-function devices located throughout the circulation spaces).

Figure 2.1: Parliament House asset condition indexes, 2009–10 to 2014–15



Source: ANAO analysis of DPS annual reports.

2.32 In 2012–13, the Design Integrity Index report made 12 recommendations aimed at improving the condition of Parliament House compared to the design intent. To date, DPS has not tracked whether recommendations arising from design integrity inspections have been implemented.

2.33 The results from the Building Condition Index (which is reported quarterly) have been used to inform decisions on major capital projects for renewal and replacement of assets, as well as maintenance activities. Between July 2008 and April 2014 there were 81 recommendations aimed at improving the building condition. Of these 81 recommendations:

- fourteen led to major projects. For example, the repairs to the plaster ceiling and walls in the Great Hall skylight;

- twenty-one were reported as being addressed and consequently contributed to improvements in the Building Condition Index;
- thirty-one were uncertain, as there was no detail in the assessment reports about their implementation; and
- fifteen had only recently been identified and no outcome had been recorded at the time of the audit.

2.34 The results from the Engineering Systems Condition Index have also been used to identify systems for replacement.⁵³

2.35 As at October 2014, DPS advised that it was reviewing all the indexes to assess the validity of the existing process and the relative value of each index methodology. This work was being undertaken together with other initiatives (such as the SAMP and development of a Conservation Management Plan) to improve DPS' asset management framework.

Maintaining assets

2.36 Maintenance is a critical activity in the life cycle of an asset, with poor maintenance often leading to a shorter useful life than that envisaged in design specifications.⁵⁴ The Building Management Division within DPS is responsible for appropriately maintaining Parliament House. This includes repairs and maintenance to the building structure, fabric and finishes and all engineering services such as air conditioning, lighting, plumbing, hydraulic services, movement systems (such as elevators) and waste disposal. The annual cost of maintenance for Parliament House (from 2008–09 to 2013–14) is outlined in Table 2.5 and has increased considerably over this period.

53 The Landscape Condition Index was not within scope of this audit as it pertains to the landscape surrounding Parliament House. However, the ANAO notes that changes in landscaping approaches such as altering the types of grass and reducing the use of water features in response to environmental constraints such as water restrictions, affect the index.

54 Poorly maintained assets and equipment may reduce functionality, decrease utilisation, pose increased risks to the safety of individuals, and/or contribute to legislative breaches.

Table 2.5: Parliament House maintenance costs, 2008–09 to 2013–14

Year	Maintenance Expenditure
2008–09	\$18 696 900
2009–10	\$22 811 273
2010–11	\$23 435 118
2011–12	\$21 680 522
2012–13	\$23 217 730
2013–14	\$25 647 274

Source: ANAO analysis of DPS information.

2.37 The former Joint House Department and DPS have conducted various reviews over the years to determine the efficiency and effectiveness of maintenance activities for Parliament House.⁵⁵ Broadly the findings and recommendations have been consistent across these reviews, including:

- concerns of senior managers and maintenance staff about ensuring the Parliament House building and its surrounds are effectively maintained and are fit-for-purpose for the next 200 years;
- the importance of enhancing and developing leadership and management skills as well as clear, transparent and consistent communication;
- strengthening maintenance planning and scheduling and possible integration with the building information function; and
- enhancing risk-based maintenance management and aligning this to maintenance priorities, focusing more on areas of genuine risk.

2.38 The approach adopted by DPS to respond to the findings and recommendations from the various reviews has, however, been variable. The department was unable to provide documentation to demonstrate the actions that it had taken to address review findings and recommendations. Further, there was limited documentation to demonstrate whether the costs and benefits of outsourcing compared to the delivery of services in-house had been considered on a systematic basis.

⁵⁵ The reports included: a comparison of salary costs for maintenance services business units (1999); an internal continuous improvement review covering structure, operations, culture and people management (2008); and a review of maintenance services to identify opportunities for improvements (2010).

2.39 DPS' April 2014 contract register attributed 22 contracts to 'maintenance'. These contracts include services such as the provision of: painting maintenance; fire systems maintenance and monitoring systems; maintenance and repair of the lifts; cleaning; gas and electricity; furniture conservation; and carpet storage and transportation. The basis on which decisions were taken to outsource services was not clear, while others continued to be delivered by in-house staff. The absence of a clear process to inform maintenance decision making, in particular when determining the merits of contracting out services, means that DPS is not in a position to clearly demonstrate that it is making optimal use of available resources to meet program delivery requirements.

2.40 The draft BCAR provides an indication of the expected costs involved in updating all elements of the building to maintain the delivery of services and operation of Parliament House, however, it does not include a consideration of the costs involved in regular maintenance. The findings of the BCAR also indicate that a significant amount of maintenance is required to repair and address wear and tear on the building fabrics, such as the timber floor finishes, paintwork and carpet. Other elements are likely to require maintenance further into their lifecycle if they are subject to regular attention from DPS. A focus on maintaining elements that require non-urgent updating will provide DPS with the opportunity to efficiently phase the capital works and replacement activities.

2.41 In addition to the capital works program that will be undertaken as a result of the BCAR, there would also be merit in DPS reviewing the maintenance function as part of a reassessment of its responses to previous reviews. Such reassessment should include the mix of in-house and contracted-out services, to determine whether these arrangements represent value for money and identify opportunities for additional efficiencies.

Maintenance management system

2.42 DPS uses a maintenance management system (MMS) for its building maintenance. This database is used to manage the asset master data, maintenance task lists, plans, notifications and work orders.

2.43 Maintenance work orders are used to carry out maintenance tasks and to capture information about the condition of the asset and maintenance performance. Maintenance work orders are grouped into the following three categories: preventative; planned; and unplanned. Preventive maintenance

work orders are created for specific dates via maintenance plans and their scheduling functions. Planned maintenance work orders are created as a result of inspections and from maintenance plans. Unplanned maintenance work orders result from unforeseen plant or system failure, which require a maintenance task to be performed immediately. The ANAO analysed the data from the MMS for 2013–14 to determine the number of completed work orders by category, and these are outlined in Table 2.6.

Table 2.6: Work orders scheduled and completed, 2013–14

Type	Scheduled	Completed	% of scheduled completed
Preventative	21 884	18 689	85
Planned	3 548	3 264	92
Unplanned	3 911	3 875	99
Total	29 343	25 828	88

Source: ANAO analysis of DPS information.

2.44 As outlined in Table 2.6, the significant majority of maintenance activities scheduled by DPS are preventative (75 per cent). A focus on preventative maintenance is important when the tolerances for unscheduled maintenance and its impact are low, which would be expected in a working parliamentary complex.

2.45 The ANAO’s analysis of DPS data identified some limitations in the recording of actual completion (closure) dates for maintenance activities. In particular, a review of MMS data records for 2013–14 revealed that, for 12 per cent of maintenance activities, an end date had not been determined. The failure to close off work orders in a timely manner increases the risk of duplicated effort where tradespeople are assigned to undertake maintenance work that has already been completed, but not reported. It also impacts on DPS’ ability to accurately monitor maintenance that is being undertaken as planned, and reduces the quality of the data in departmental systems and the value of this data for management reporting.

Monitoring and reporting of maintenance activities

2.46 DPS advised the ANAO that management reporting was prepared in relation to the acquisition and maintenance of Parliament House assets. While DPS is using the MMS to underpin its planning and delivery of maintenance activities for Parliament House assets, it is not using the system to generate

useful management information that has the potential to better inform both strategic and operational maintenance activities. There would be value in DPS developing regular reporting to inform management on the efficiency and effectiveness of current maintenance arrangements and to determine whether current approaches to maintenance are sufficiently robust to maintain Parliament House to the required standard. The information generated would also better position DPS to determine future maintenance needs.

Conclusion

2.47 DPS' asset management framework has been subject to considerable review and change in response to the SFPALC inquiry. To bring together the key elements required for effective asset management, the department is developing a SAMP, following the completion of the BCAR. These processes should provide a useful baseline for assessing the condition of Parliament House assets, particularly as many engineering assets are reaching a critical stage in the asset management lifecycle. These processes should also provide a way forward in managing Parliament House assets and prioritising acquisition, replacement, refurbishment, and maintenance expenditures.

2.48 While the BCAR and SAMP can provide the high-level direction for managing Parliament House assets, they will need to be supported by more robust and integrated management practices than are currently in place, to ensure effective asset management. In this regard, there is scope for significant improvements in the department's asset management policies, procedures, sub-plans (including capital works plan), systems and reporting arrangements.

Recommendation No.1

2.49 To support the development of its strategic asset management plan, the ANAO recommends that the Department of Parliamentary Services takes a more integrated and disciplined approach and develops:

- (a) appropriate asset management policies and procedures, which are reviewed regularly;
- (b) a capital works plan that clearly identifies relative priorities; and
- (c) a tailored reporting regime that includes capital works projects and maintenance activities.

DPS response: *Agreed.*

3. Management of Heritage Assets

This chapter examines DPS' management of heritage assets, including in considering heritage value when making changes to Parliament House and disposing of assets.

Introduction

3.1 Parliament House was built to a design process that considered not only the day-to-day requirements of the building, but also its symbolism and cultural significance. DPS includes heritage management under one of the five key result areas of its *Corporate Plan 2012–14*. Specifically, the department aims to be an effective custodian of Parliament House by caring for and respecting Parliament's heritage assets. A measure of success is that the 'functional and heritage intent of the building [Parliament House] is maintained' and a priority for DPS is a comprehensive approach to heritage management. To inform its heritage management activities, DPS has adopted the following definition of cultural heritage value:

Cultural heritage value is given to places and objects that are culturally significant. Cultural significance means aesthetic, historic, scientific, social or spiritual value for past, present and future generations. Cultural significance is embodied in the place and its fabrics, setting, use, associations, meanings, records, related places and related objects. Cultural heritage may change as a result of the continuing history of a place.

3.2 As previously mentioned, DPS' management of heritage assets at Parliament House has also been subject to SFPALC scrutiny. In 2011, the committee raised concerns about the disposal of two billiard tables from the staff area in Parliament House. SFPALC concluded that the tables were sold without proper assessment of their heritage value and were not identified as being from Parliament House, even though this may have increased their sale value.

3.3 To assess DPS' management and disposal of heritage assets⁵⁶ at Parliament House, the ANAO examined DPS':

- approach to managing heritage assets;

⁵⁶ In assessing the management of heritage assets at Parliament House, the audit considered the: heritage management of the building; and management of individual items with cultural heritage value. In relation to individual items, the audit focused on those assets that are not on the Parliament House Art Collection and Integrated Library Management System databases.

- oversight of heritage matters;
- engagement with stakeholders on heritage issues;
- processes to evaluate the impact of change on heritage assets and to monitor items with heritage or cultural significance; and
- processes for the disposal of heritage assets.

Managing heritage assets

3.4 In 1990, in consultation with the original architect, the then Joint House Department developed the Central Reference Document (CRD) to inform the long-term management of Parliament House. The CRD was to provide a record of the original architect's design intent and provide a reference point for the ongoing management of any changes to Parliament House, especially with regard to the impact on the heritage value of assets.

3.5 The CRD was updated in 1995 and, in 1998, a project to revise the CRD to comprise 'a series of detailed descriptions of each space in the original architect's own words'⁵⁷ commenced. However, because of delays arising from the broad scope, complexity, cost of the review and competing priorities, the CRD revision project was not completed. In November 2011, DPS requested a consultant to provide a quotation for completing the CRD. The consultant subsequently quoted a cost of around \$225 000 over a 27-month timeframe. In June 2012, the project and expected cost to complete the CRD were discussed by the HAB, which proposed not to progress the project to complete the CRD at that time, given the scale of the proposal, size of the estimate and the extended timeframe. The Secretary of DPS advised SFPALC on 17 November 2014 that the department had set aside sufficient funds to complete the CRD in 2015.⁵⁸

3.6 Although it remains incomplete, DPS' guidance states that it uses the draft elements of the CRD as a reference when considering changes to the Parliament House building or its contents, and any impacts the changes may have on the design integrity of the building.⁵⁹

57 This was in contrast to the 1990 and 1995 versions, which were abstract principles underlying the design intent of the building.

58 Ms Carol Mills, Secretary, DPS, *SFPALC Hansard*, 17 November 2014, p. 9.

59 Parliament House Heritage Management Framework, p. 26.

Parliament House Heritage Management Framework

3.7 The Parliament House Heritage Management Framework (HMF), was designed to assist the department to protect Parliament House for future generations. The framework outlined 12 actions to support effective heritage management. While the document was approved by the Presiding Officers in November 2011 and placed on the DPS intranet, the department advised that it has not been used by DPS staff since June 2012.

3.8 In June 2012, SFPALC commented on the development of the HMF, outlining its concerns that the framework was less than adequate, in particular its development lacked expert advice and adequate stakeholder consultation.⁶⁰ In response to these concerns, in July 2012, DPS decided to progress the development of a Conservation Management Plan (CMP) for Parliament House to provide greater confidence in relation to heritage issues and a more robust process for long-term planning.

Conservation management plan and design principles

3.9 In October 2012, following the interim report from SFPALC, the Heritage Advisory Board (HAB)⁶¹ endorsed the development of a CMP, based on the Burra Charter⁶² principles to manage heritage at Parliament House, and a set of design principles to document the design intent of Parliament House. DPS advised that the HMF will be superseded by the CMP when it is finalised in mid-2015. The aims of the CMP and supporting design principles are presented in Table 3.1.

60 SFPALC, *The Performance of the Department of Parliamentary Services*, Interim Report, June 2012, p. 53.

61 HAB was established in November 2011 to provide oversight for heritage management at Parliament House. It was disbanded in June 2014, and is discussed at paragraphs 3.14 to 3.20.

62 The Burra Charter provides guidance for the conservation and management of places of cultural significance. It was developed in 1979 and is periodically updated to reflect contemporary theory and practice in relation to cultural heritage management.

Table 3.1: Objectives of the Conservation Management Plan and design principles

The Conservation Management Plan will aim to:
<ul style="list-style-type: none"> • identify and assess the cultural heritage significance of Parliament House; • prepare policies and a framework to maintain the cultural heritage significance of the building, its contents and surrounds and to consider proposals for change; • consider the key drivers for change and risks to the building and surrounds in developing policies and frameworks; • provide definitive and focussed policy statements wherever possible; and • include a process for review of the CMP and maintenance programs at Parliament House.
The design principles will aim to:
<ul style="list-style-type: none"> • outline the vision and key concepts in the design of Parliament House and its surrounds; • provide a concise, accessible and useable standalone document for DPS managers; • provide guidance for change; and • aid in the development of appropriate management policies and strategies through the CMP process.

Source: ANAO analysis of DPS information.

3.10 To provide high-level and independent advice to aid the development of the CMP, HAB established an Expert Advisory Panel (EAP) in April 2013.⁶³ Nominations for potential members of the EAP were sought from DPS, the Department of the Senate, the Department of the House of Representatives, Old Parliament House and the then Department of Sustainability, Environment, Water, Population and Communities. As a result, thirty-six potential experts were put forward for consideration. HAB, assisted by an independent consultant, considered the expertise of those nominated, and developed a short-list of experts. The members of the EAP were then selected by HAB⁶⁴, and engaged by DPS through a limited tender process.⁶⁵ The EAP has focused on the requirements for the CMP and design principles, and DPS advised that the panel will be disbanded when these are finalised and approved by the Presiding Officers.

63 The EAP includes individuals with expertise in the following: architecture; constitutional and political history; landscape design; cultural heritage management; and social history.

64 As discussed in the following section, HAB is not a decision-making entity, and its role is to provide advice to the Presiding Officers, who make any necessary decisions. In the case of the EAP, however, HAB did not seek the approval of the Presiding Officers for the selection of members, and only advised the Presiding Officers of the identity of the members after they had been appointed.

65 A limited tender process involves an agency approaching one or more potential suppliers. Potential suppliers are invited to submit proposals which outline the reasons why they should be chosen for a contract.

3.11 In May 2014, DPS entered into a contract with an external consultant to develop the design principles and in June 2014, with a second consultant to develop the CMP, with both processes expected to be completed in mid-2015.

3.12 DPS acknowledges that the lack of a CMP has created challenges for the effective protection of heritage assets at Parliament House and also the ability to make changes and improvements in a timely and cost effective manner. By adopting the CMP, DPS aims to reduce the time, cost and contentiousness of managing heritage values in the conduct of capital and minor works. SFPALC has indicated that it supports the development of the CMP and the approach proposed by the Secretary of DPS.⁶⁶

3.13 In December 2014, DPS was provided with the first draft of one element of the CMP and the second draft of the design principles. Both draft documents provide statements of intent for the preservation of the heritage and cultural significance of Parliament House. The next steps for DPS will be to develop supporting governance structures, processes and procedures, to provide guidance on how the concepts outlined in the CMP and design principles will be practically applied. The development of these processes and procedures will also need to complement the work being conducted through the strategic asset management plan.

Heritage management oversight

3.14 As previously noted, HAB was established in November 2011 to oversee heritage management at Parliament House. HAB included three permanent members: Secretary of DPS; Sergeant-at-Arms (the Department of the House of Representatives); and Usher of the Black Rod (the Department of the Senate). HAB was also assisted by the Department of the Environment and the National Capital Authority⁶⁷, as well as other internal and external stakeholders as necessary.

3.15 A primary focus for HAB was to provide advice to the Presiding Officers⁶⁸ on heritage management at Parliament House. The terms of reference also included that the:

66 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, p. 44.

67 The National Capital Authority was established to manage the Commonwealth's interest in the planning and development of Canberra as the capital of Australia.

68 HAB was not a decision making group. The Presiding Officers are the ultimate decision makers with regard to heritage management at Parliament House.

- HAB was required to provide oversight of detailed heritage issues for Parliament House; and
- overall objective of the HAB was to protect the Commonwealth and National Heritage values of the Parliament House precinct, as described in the HMF.

3.16 HAB's role also included tracking implementation of the 12 Parliament House HMF actions and overseeing the CMP project and approving the final document.⁶⁹

3.17 The ANAO reviewed the minutes of the 17 HAB meetings held between May 2012 and June 2014. Fifty-nine action items were developed from these meetings. Action items and issues discussed at these meetings related to: the development of the CMP and design principles project documentation; the implementation of the findings from relevant reviews; heritage listing of Parliament House; consultations with the moral rights holder (discussed later) and other stakeholders; and heritage considerations around individual assets.

3.18 At the October 2013 meeting (18 months after the first HAB meeting in May 2012), it was noted that HAB had not briefed the Presiding Officers since its establishment. At this meeting, HAB members agreed that the Presiding Officers would be briefed every six months on heritage matters. Following the HAB meeting of December 2013, a briefing was presented to the Presiding Officers on the: development of the CMP and design principles; and implementation of recommendations from relevant reviews.

3.19 In February 2014, DPS proposed and the Presiding Officers agreed that HAB had substantially fulfilled its roles and, given that the work of HAB would be completed in the near future, the Presiding Officers agreed that it should be disbanded in June 2014.

3.20 HAB minutes, including the action items, indicate that the board only partially fulfilled its roles. As noted above, HAB only provided limited advice to the Presiding Officers on heritage matters and was disbanded before the development of the final CMP and design principles. With the HAB disbanded, the board's roles were reallocated within DPS to the Building and Maintenance Division, with the final CMP to be approved by the Presiding Officers.

69 These actions and roles agreed to throughout the life of the HAB.

Heritage Management Team

3.21 DPS also established a Heritage Management Team in April 2013 that expanded an existing function to include subject matter specialists, in response to SFPALC's concerns about the expertise of staff involved in the management of heritage at Parliament House. The team is led by the Director Heritage and includes three other staff with heritage expertise. Responsibilities include providing advice on refurbishments within the building and undertaking heritage assessments of significant Parliament House items, as well as items planned for disposal.

Engaging with stakeholders on heritage

3.22 The HMF outlines that the primary role of Parliament House is to provide a meeting place for the Australian Parliament, including all Senators and Members and their staff, as well as the Parliamentary Service staff who support the Parliament. The building also provides the Canberra base for all Ministers of Executive Government and their staff.⁷⁰

3.23 DPS currently engages with stakeholders mainly through its moral rights consultations (discussed below). However, as reflected by the 24 public submissions to the 2012 SFPALC inquiry, a range of other stakeholders are interested in the management of heritage at Parliament House. DPS intends that the CMP will identify all stakeholders for Parliament House.

3.24 DPS advised that external stakeholder consultations are now triggered by the advice provided by the Heritage Management Team as part of a stakeholder request process. This process was released in October 2014 but did not include guidance on the threshold to be used to trigger external consultations and how the results, monitoring and follow-up of these consultations would be recorded. As such, despite having a large number of stakeholders with diverse interests, there is still no formal process for guiding or managing external stakeholder consultations, including feedback and complaints. As well as managing feedback and complaints related to DPS'

⁷⁰ In addition, there are a range of known or likely stakeholders in Parliament House including: tenants in the building, notably the National Press Gallery; contractors who work in the building; those communities or cultural groups that hold strong or special associations with Parliament House; the range of other users/user groups and visitors to Parliament House; and moral rights holders of the architecture, landscape architecture, commissioned works and artworks of the place.

management of heritage assets, there would be value in DPS developing formal complaint handling procedures.

Moral rights consultation

3.25 Moral rights in Australia are established by the *Copyright Act 1968*. The Act provides creators with three rights, namely the right: of attribution of authorship; not to have authorship of their work falsely attributed; and of integrity of authorship. This protects creators from their work being used in a derogatory way that may negatively impact on their character or reputation. Moral rights can only be held by individuals.⁷¹

3.26 The architect of Parliament House, Mr Romaldo Giurgola, has held and exercised the moral and intellectual property rights of the design of Parliament House since 1988. Mr Giurgola advised the SFPALC inquiry that he has had regular contact with DPS (and the former Joint House Department) in relation to proposals for significant change to the building and grounds.⁷²

3.27 Notwithstanding the moral and intellectual property rights held over the design of Parliament House, DPS has limited guidance regarding when moral rights consultations should be undertaken. This guidance states that further detail is provided in DPS' governance paper on intellectual property. While the governance paper includes moral rights in its intellectual property register, it does not provide any further information or detail on how or when moral rights consultations are to be conducted.

3.28 While the Heritage Management Team manages moral rights consultations, other areas of DPS are responsible for specific moral rights consultations. Therefore, there is no coordinated process for managing and recording moral rights consultations within DPS. Since December 2012, of the 18 capital works projects underway or commenced, two have included a moral rights consultation, three were in progress and the remaining 13 either did not require moral rights consultation or the consultation was not undertaken.

3.29 It is intended that the CMP and design principles, when completed, will prescribe the management, preservation and change processes within Parliament House. DPS advised that the architect of Parliament House was

71 *Copyright Act 1968* (Cth), s 190.

72 Romaldo Giurgola submission to SFPALC inquiry, p. 3.

consulted on the design principles, and that the principles and CMP should reduce the need for consultation with moral rights holders.

Managing change and tracking heritage assets

3.30 Managing change is an ongoing process for DPS, with drivers including: new technologies, work health and safety practices; security measures; and the deterioration of assets. Changes to Parliament House can be broadly categorised as minor works and capital works.

Minor works

3.31 Minor works are those that do not have a significant impact on the building or contents (for example, activities to replace materials as part of a regular maintenance or replacement program). Minor works can be subject to assessment and approval by the DPS Heritage Management Team, however there is no guidance available to staff on when to request a heritage assessment.

3.32 DPS advised the ANAO that it had undertaken 11 heritage assessments of minor works within Parliament House during 2013–14. However, the assessments only included works where advice was sought from the Heritage Management Team. Without guidance to inform DPS staff when to request a heritage assessment, even on seemingly small changes to the building, individual staff members must use their judgement as to when an assessment is required. Appropriate and readily accessible guidance would assist staff in reaching decisions and provide avenues for resolving any uncertainties.

Capital works

3.33 Capital works are large projects that have the potential to significantly change the building and its surrounds.

3.34 Until October 2014, there was no documented process for the consideration of heritage values in capital works projects, including refurbishments. As a consequence, heritage has only been considered by DPS on an ad hoc basis. There was also no centralised database or repository that recorded and collated the heritage assessments conducted for capital works projects.

3.35 In October 2014, DPS released revised project documentation. This documentation includes the requirement for projects to be assessed regarding the potential heritage impact of the work prior to commencement. In addition

to assessing the heritage impact of works before they commence, DPS advised that the design integrity index is used to assess all capital works projects completed within a reporting year for their consistency with the original design intent of Parliament House. In this regard, DPS completed a detailed design integrity index report in 2012–13 and 2013–14 that reviewed the design intent for all areas of Parliament House. However, there was no explicit discussion of whether the 14 capital works projects completed in 2012–13 or the four projects in 2013–14 were consistent with the original design intent of Parliament House.

3.36 DPS advised that managing heritage issues on a case-by-case basis is ‘time-consuming, uncertain and places great pressure on the [moral rights] consultation process’. The department considers that the CMP and supporting design principles should help to ensure that the ‘right checks and balances are operating within a process that is transparent and will provide clear accountabilities for any maintenance or change activity that may impact on heritage values’.

Managing items with heritage value

3.37 Heritage value refers to all aspects that give a place special meaning or make it important to the community.⁷³ Each item with heritage or cultural significance should have an assessment of significance, which summarises the basis on which an item or collection is important.⁷⁴

3.38 To identify items with heritage or cultural significance, in July 2011 DPS conducted a survey of items with possible heritage value that were not already managed as part of an existing database. There were 162 items or groups of items identified that were assessed as highly significant, significant, of interest, or flagged for future attention.⁷⁵ Of the 162 items identified, statements of significance for 24 priority items were completed. Following

73 Items that meet at least one of the following four primary criteria are classified by DPS as having cultural heritage significance: historical significance; artistic or aesthetic significance; scientific or research significance; and/or social or spiritual significance (demonstrated contemporary attachment between the item or collection and a group or community).

74 DPS evaluates the degree of cultural heritage significance using four comparative criteria: provenance; rarity or representativeness; condition or completeness; and interpretative capacity (that is, does it help to interpret aspects of its place or context).

75 These included: 22 highly significant items, such as several water features; 53 significant items, such as a set of carpet drawings, cutlery and glassware; 71 items of interest, such as teak outdoor furniture, crockery sets and historic photographs; and 16 items for future attention, such as recording machines used in the Chambers and general Parliament House clocks.

further assessment, an additional eight types of items were reported to have been in existence that DPS was not able to locate.⁷⁶ The department advised the ANAO in December 2014 that it had located two types of items⁷⁷ but the others were still missing.

Developing an integrated database

3.39 DPS currently maintains two key databases for cultural heritage items: the Parliament House Art Collection⁷⁸ and Integrated Library Management System (catalogue).⁷⁹ A 2011 review noted that without a comprehensive database of all items with cultural and heritage significance, there is a reliance upon the judgement of individual staff members when managing assets, particularly when making decisions about asset disposals. The review recommended that:

The Department amend its asset management arrangements to include all items, regardless of value, that have already been classified as being of heritage or cultural significance and all other items, that might be judged to potentially be in that category as such additional items are identified.⁸⁰

3.40 In response, DPS agreed to develop an integrated database that would include all items with heritage or cultural significance at Parliament House. The proposed database was to include items on the Parliament House Art Collection and Integrated Library Management System databases, as well as other items that were not accounted for but were identified as having heritage and cultural significance.

3.41 In October 2012, DPS developed a business case to create an integrated database. The business case stated that the consequence of not proceeding with the project would include the inability to manage cultural and heritage items

76 The eight missing items or groups of items included: style and form guides chronicling parliamentary standards for communication; stationary items; large world globes relocated from Old Parliament House; metal stars commissioned for the ceremonial front entry doors; the remaining timber collection; rare and endangered plant species; a machine used by Hansard to take notes; and a copper pipe bell on a timber stand with bell hammer.

77 The style and form guides and some stationery items were located. For the stationary, however there was no complete historic collection, as prior to being identified as having potential heritage significance, this material was not necessarily retained when superseded.

78 The Parliament House Art Collection includes the: rotational collection; historic memorials collection; gifts collection; architectural commissions; and archive collection.

79 The Integrated Library Management System includes the: rare book collection; Parliament of Australia Hansard set; Parliamentary author collection; and political party materials collection (including speeches and policies).

80 Tonkin R., *Review of Department of Parliamentary Services' Asset Disposal Policies and Practices*, October 2011, p. 6.

in a consistent manner which may result in loss or damage. Despite this potential impact, in December 2012 DPS decided not to proceed with the development of an integrated database of items with cultural heritage value at that time, prior to an assessment of the best use of ICT assets for that purpose. In the interim, the DPS heritage list is stored on the Parliament House Art Services database for reference purposes.

3.42 While recognising the need to evaluate the use of ICT assets and the associated costs and priorities, the further development of an integrated database to register all items with heritage value and a process to identify and register items that may obtain heritage value in the future, would better support DPS to appropriately care for assets with heritage value. Such a database could also include all heritage assessments of minor and capital works and moral rights consultations. In December 2014, DPS advised that an information management tool (or database) and associated policies and procedures for the recording of heritage assessment information are being considered as part of the development of the CMP.

Managing the furniture collection

3.43 The Parliament House furniture collection consists of Status A and Status B classed furniture.⁸¹

- Status A or commissioned furniture—is located in public and/or VIP areas and is assessed as highly crafted, custom-made and specialised. There are 393 Status A items and they are included in the Parliament House Art Collection; and
- Status B or global furniture—is in Ministerial offices, Members' and Senators' offices and areas that require special design and/or selection. Status B furniture is predominately made of Australian materials and by Australian manufacturers. This category consists of approximately 8000 items.

3.44 The CRD states that Status A and B furniture is to be retained for the 200-year life span of the building. DPS has an ongoing project on its capital works plan to conserve, refurbish and/or replace the Status A and B commissioned furniture collections. During the audit, the ANAO observed

⁸¹ Furniture that does not meet the requirements of Status A or B classifications are classed as Status C. The items in the Status C class consist of ready-manufactured items and are items that are considered replaceable.

DPS inspect the condition of the Status A and B commissioned furniture and use the information gathered during these inspections to inform the priorities for refurbishment. DPS engages both contractors and DPS staff to perform specialist work such as conservation, refurbishment and/or replacement of furniture.

3.45 SFPALC has previously raised concerns about aspects of DPS' management of the Parliament House furniture collection. In particular, that the 'replacement of important outdoor furniture was undertaken with more regard to cost than design integrity'.⁸² To address these concerns, SFPALC recommended that DPS undertake a full audit of the Parliament House Status A and B furniture, with particular regard to condition, conservation measures, use of furniture, and past disposal practices. DPS commenced a review of the Parliament House Furniture Collection in mid-2013 which was completed in August 2014 and, at the time of writing this report, was being considered by DPS' senior management.

Disposal of assets

3.46 As previously discussed, DPS conducted an internal audit examining the disposal of equipment from the former staff recreation room (conducted in June 2011 by an external provider). The audit report *Disposal of Equipment from the Former Staff Recreation Room* noted weaknesses in DPS' consideration of heritage value when disposing of Parliament House assets and made four recommendations relating to improved guidance about the definition and management of heritage assets, updating the asset disposal policy and better supporting DPS staff to apply this policy.

3.47 On the basis of the findings of the internal audit, DPS commissioned Mr Robert Tonkin to undertake a comprehensive review of asset disposal policies and practices within the department. The final report, *Review of Department of Parliamentary Services' Asset Disposal Policies and Practices* (the Tonkin Review), was provided in October 2011. While noting overall improvements in departmental procedures for the management of disposals, the review found that 'the revised departmental disposal procedures continue

82 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, p. 124.

to rely on the judgement of the individual members of staff proposing a disposal that a particular item may have heritage or cultural value'.⁸³

3.48 DPS accepted the 10 recommendations of the Tonkin Review and, in September 2012, advised SFPALC that the majority of the recommendations had been fully implemented.⁸⁴

3.49 In response to the recommendations from both reviews, DPS:

- amended its asset disposal policy, procedures and forms to include guidance on the required sequence of disposal actions and decisions, and the documentation required to be completed when disposing of assets;
- revised the Parliament House HMF to include a definition of cultural and heritage items and a heritage assessment process;
- undertook a survey of items with potential heritage value not already registered on an existing database; and
- developed a training program relating to the disposal of assets.

3.50 Notwithstanding the completion of these activities, the lack of progress in other areas covered by the recommendations of both reviews, such as the absence of a consolidated cultural and heritage assets database or ongoing training programs, means that progress has been limited in considering heritage value in the disposal of Parliament House assets.

Asset disposal

3.51 An integral part of sound asset management is a structured process for identifying assets that are: underperforming; inefficient to operate; or surplus to requirements. Having an asset disposal plan can facilitate the efficient disposal of assets by identifying and dealing with these assets in a timely and considered manner. The disposal plan can also be used as a management tool to assess the performance of specific assets.⁸⁵ DPS is yet to develop an asset

83 Tonkin R., *Review of Department of Parliamentary Services Asset Disposal Policies and Practices*, 2011, p. 4.

84 The ANAO considers that three of the four recommendations of the internal audit have been fully implemented and one partially implemented, Respectively, six of the 10 recommendations of the Tonkin review have been fully implemented, two partially implemented, and two not yet implemented.

85 ANAO, *Better Practice Guide on the Strategic and Operational Management of Assets by the Public Sector*, September 2010, p. 48.

disposal plan. There would be value in DPS, as part of the development of the strategic asset management plan (discussed in Chapter 2), also developing an asset disposal plan.

3.52 Given the scale of the Parliament House precinct and the very large number of assets under management (100 000 maintainable assets, including plant, fixtures and fittings), it is to be expected that there will be a reasonable level of disposal activity in any given year. In 2013–14, DPS disposed of 629 assets, with an overview of these disposed assets presented in Table 3.3.

Table 3.2: DPS asset disposals by class, 2013–14

Asset Class	Description	Asset Disposals
Computing equipment	Server, rack and rack options	305
Low value (portable and attractive)	Video cassette recorder, television, scanner, projector and computer monitors	133
Computing infrastructure	Laptop, personal computer, printer, computer monitor, personal digital assistant and pocket personal computer	81
Office machines and furniture	Projector, study carrel, workbench, workstation, television and executive desk	52
Plant and equipment	Dishwasher, stock pot, projector, refrigerator, speakers and recorder	25
Broadcasting	Router digital, monitor video, server, printer and digital video disk audio	23
Other	Server and storage unit, software and Parliamentary handbook 32 nd parliament	10
Total		629

Source: DPS information.

3.53 To assess DPS' consideration of heritage value at disposal, the ANAO selected 24 items (out of a total of 629 assets) recorded as being disposed of in 2013–14. The majority of these assets were in categories that do not require a heritage assessment prior to disposal.⁸⁶ As such, the ANAO's sample was selected based on judgement of the type of items that may have required a heritage evaluation at the time of disposal.

86 There are four asset types which are exempt from heritage assessments: generic information technology equipment; generic audio visual equipment; library collection assets; and melamine furniture. The ANAO sample included items from the 'office machines and furniture' category and included timber executive desks, workstations and benches.

3.54 Of the 24 items sampled by the ANAO, only two had been disposed of through the department's formal disposal process. The other 22 items were identified through DPS' annual stocktake process and removed from the asset register (and therefore may not have had a required assessment of cultural heritage value). Of these 22 items: eight were written off because DPS had not found the items since the previous stocktake; 13 items were identified by operational staff as having been disposed of or replaced as part of recent refurbishments; and one was identified as having been disposed of or replaced as part of general operations.

3.55 The results from the ANAO analysis indicate that DPS staff may not be aware of the requirements of the disposal procedures, as most items were identified as missing through DPS' annual stocktake process rather than being disposed of through the department's formal disposal process. Given the current review of disposal guidance, the possible changes arising from the CMP and the potentially limited awareness of DPS' disposal process, there would be value in DPS providing additional and/or regular refresher training regarding the disposal of assets to relevant staff.⁸⁷

Conclusion

3.56 While DPS has introduced a range of initiatives to strengthen its management of heritage assets at Parliament House in recent years, there has not been a consistent, coordinated approach. Together with poor record keeping of heritage assessments for capital and minor works, portable and semi-portable items and disposals, the department has not been able to demonstrate effective management of heritage assets.

3.57 In response to SFPALC and other reviews, DPS substantially revised its management of heritage assets through the establishment of the HMF and HAB in November 2011 and subsequently the Heritage Management Team and EAP in April 2013. The HMF and HAB were not fully implemented, relatively short-lived, and not immediately replaced. The Heritage Management Team provides advice and has been conducting heritage assessments when requested to do so by staff that are aware of its role, while the EAP will be disbanded when the CMP is completed. With the CMP not being completed until mid-2015, and

⁸⁷ In response to the Tonkin Review, DPS introduced training on the disposal of public property, including managing items that may have heritage value. In August 2012, DPS delivered training to 29 staff in two sessions. This training has not, however, been continued.

supporting arrangements subsequently being established, no overarching framework guiding the management of heritage values in Parliament House has been in place for almost three years (since October 2012).

3.58 The assessment of heritage implications of capital works has been conducted by the Heritage Management Team or other areas of DPS on an ad hoc basis. In considering the heritage impact of minor works, there was evidence of DPS undertaking 11 assessments in 2013–14, where advice had been sought from the Heritage Management Team. However, the results of these and other heritage assessments were not readily accessible. There would be value in DPS collating into a central repository all completed heritage assessments, moral rights consultations and items with heritage value.

3.59 DPS' processes for the disposal of assets with potential heritage value have improved in response to previous reviews, but have not always been followed. As DPS is revising its disposal policy, it should again consider the training provided to, and oversight of, staff to help ensure they adhere to the policy.

Recommendation No.2

3.60 To support proper consideration of heritage value when storing or disposing of assets, the ANAO recommends that the Department of Parliamentary Services develops and delivers an ongoing training program that provides guidance about these matters to relevant staff.

DPS response: *Agreed.*

4. Contract Management Arrangements

This chapter examines the arrangements established by DPS to support the management of contracts for the operation and maintenance of Parliament House.

Introduction

4.1 To meet its obligations to operate and maintain Parliament House, DPS relies heavily on its capacity to establish and manage contractual arrangements with private sector providers. As previously indicated, DPS administered some 190 contracts, involving expenditure of \$62.8 million in 2013–14. DPS also managed over 30 press gallery and retail licences, which generated around \$1.6 million in annual revenue for the department.⁸⁸ The breadth and focus of its contracted activities reflect DPS' role as steward of a large building of public significance and heritage value, as well as its financial and other legislative responsibilities.

4.2 Given the significance of contract management to its core business, DPS is expected to have well-developed contracting arrangements in place. A suitable framework of policies and procedures should clearly convey expectations and facilitate consistent good practice, including effective management, monitoring and reporting of contract activities and compliance with broader government legal and policy requirements of probity, fairness, effectiveness and value for money.

4.3 In its 2012 review of DPS' performance, SFPALC made two recommendations relating to DPS' development and management of contracts. These were for DPS to: ensure that all staff involved in contract development and management have relevant skills and receive appropriate training where necessary; and review the way in which it develops and manages contracts.⁸⁹

4.4 The ANAO examined whether the department had established a framework that contains the elements required for effective contract management, including:

88 This revenue was primarily generated from rent paid to the department for floor space and facilities in Parliament House.

89 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, pp. 83–86 and 218–219.

- clearly specified contract roles, responsibilities and operating structures;
- suitable policies and procedures in place, which were consistently followed;
- an appropriate training/development program; and
- contract management systems that supported effective contract monitoring, agency accountability and reporting.

4.5 The audit also considered the ANAO's better practice guide on contract management⁹⁰, recommendations from the earlier SFPALC review and more recent issues raised by Parliamentary committees when examining DPS contracting arrangements.⁹¹ In reviewing these arrangements, the ANAO recognises that less intensive administrative processes are often adequate for smaller and lower-risk contracts.

Contract management framework

4.6 The approach an agency takes to contract management is generally guided by the number, complexity and value of its contracts. In DPS' case, contracts are highly variable in purpose, type, cost and complexity.⁹²

4.7 Within this diverse setting, a suitable administrative framework and the application of sound principles and practices should support effective contract management and the achievement of contractual outcomes, particularly value for money. Table 4.1 indicates the main elements of DPS' contract management framework, and provides a summary of the extent to which these elements align to better practice contract management principles.

90 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012.

91 For example, SFPALC Estimates hearings of 24 February 2014 and 26 May 2014.

92 DPS could not readily provide information about the breakdown of contracting expenditure, but did indicate that seven per cent of this expenditure was for building maintenance.

Table 4.1: Summary of DPS performance in applying better practice contract management principles

Better Practice Principle		Summary of Audit Findings
Contract management responsibilities and structures		
Roles and responsibilities of those involved in contract management are clearly documented and conveyed	P	Roles and responsibilities were defined in Chief Executive Procedures (CEPs), but ambiguity has arisen due to use of outdated documentation and differing practices in some aspects of contract management. Contract management, including managing performance issues, was largely the role of individual contract managers. DPS expectations would be better conveyed through enhanced guidelines to assist contract managers.
Contract advisory unit for coordination, advice and support to contract managers (including assisting with actions relating to contract underperformance)	P	A central procurement unit, the Procurement, Policy, Compliance and Reporting section (PPCR) was established to provide coordination and advice to contract managers. While PPCR formally had an advice role, it was largely focused on procurement practices rather than helping contract managers to address poor contract performance. Interviews with relevant DPS staff indicated variability in the application of policies and processes across DPS, suggesting that stronger coordination and guidance was necessary.
Quality assurance mechanisms are in place	×	DPS had not developed a strong approach to the quality assurance of contract management across the department. Improved oversight and formal quality assurance activities would provide greater assurance that contracting activities meet legal and policy requirements.
Policies and guidance		
Suitable policies, processes and guidelines are in place to support sound contract management, accountability and consistency	P	DPS has contracting policies and procedures but these were not current and would benefit from more regular review, and better consolidation, clarity and accessibility. Policies and procedures were not followed consistently across DPS, leading to gaps in accountability. While contract templates were available to staff, the templates required revision to better align them with recent legislative and policy changes and to correct drafting errors.
Structured approach to risk identification and mitigation for contracting, including risk management plans	P	DPS has yet to establish a high-level policy or process to assist contract managers to identify and manage contract related risks. Risk management was more often handled at the local (contract) level, although risk plans were frequently not created for individual contracts, and when created, often lacked a suitable range of mitigation strategies.

Better Practice Principle		Summary of Audit Findings
Training and development		
Training/professional development of contract managers	P	Training had not been systematically implemented or monitored, despite SFPALC recommendations for improvements. There continues to be variability in the quality and approach to contract management across DPS. A more structured and enduring approach to training contract managers would assist in the development and maintenance of an adequately skilled workforce.
Monitoring and reporting		
Suitable records of contracting activities are maintained	P	DPS has a suitable policy on record keeping. Nevertheless, the quality and completeness of key records was highly inconsistent across the agency, and access to information was often difficult. PPCR retained key documentation for procurement activities, including variations to contracts, but there was uncertainty around expectations for records management among contract managers, even though DPS policies placed responsibility at this level. The retention of individual records was often patchy or difficult to pull together, reducing the transparency of DPS' decision making process and issues management.
DPS systems support the agency's monitoring and relevant reporting requirements	P	In general, systems support for contract management has many gaps and limitations. Although PPCR is responsible for maintaining a contract register, it was not up-to-date and contained incomplete and inaccurate data. The register lacked links to other systems used to manage contract expenditure, such as the financial management system. DPS had introduced outline agreements to improve contract data and address poor compliance with AusTender notification and other accountability requirements. However, problems with new methods and monitoring deficiencies are still to be resolved.

Source: DPS Chief Executive Procedures 2014, ANAO, *Better Practice Guide—Developing and Managing Contracts* and ANAO analysis.

Key: ✓ = fully met, P = partially met and ✖ = not met.

4.8 As indicated in Table 4.1, there is considerable scope for DPS to strengthen its arrangements to support contract managers. The main opportunities for improvement are further discussed in the following sections.

Contract management responsibilities and structures

4.9 Contract managers have day-to-day responsibility for the contracts that they have been assigned, including familiarisation with the contract, establishing a relationship with the contractor, conducting financial and administration tasks, managing risks and, maintaining adequate records. Oversight of procurement and contracting activities is the responsibility of

PPCR. The high-level roles and responsibilities of PPCR, as described in DPS' most recent (draft) CEP generally align with activities that would be expected of an entity's central procurement and advisory unit.⁹³

4.10 PPCR has a central role in procurement processes within DPS over the value of \$10 000, specifically: dealing with tender processes where required; preparing and reviewing contract documentation; and undertaking contract variations and reporting as directed. PPCR's procurement role was well understood within PPCR and by contract managers across DPS. PPCR's responsibilities in contract management (post-signing of the contract), however, were not as clearly understood by contract managers⁹⁴ or consistently implemented within DPS.

4.11 Based on interviews with 28 contract managers (37 per cent of all DPS contract managers) conducted by the ANAO as part of the audit, Table 4.2 outlines issues raised relating to their roles and responsibilities. In particular, it highlights that uncertainty around the respective obligations of PPCR and contract managers throughout the life of the contract contributed to a lack of consistency in DPS contract management practices. This was especially evident in regard to contract planning, managing contractor performance, establishing formal communication and record keeping. Retention of copies of contracts, purchase orders, invoices and end-of-contract reports across DPS was inconsistent. These weaknesses in record-keeping not only made locating and accessing documents difficult, but were a likely factor in several instances of overspends, late contract variations, and lack of systematic monitoring or reporting of contract activities (observed during the audit and discussed later in this chapter).

93 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, p. 75.

94 PPCR viewed its primary role as up to the point of contract signing and if a contract extension or variation was required. Many DPS contract managers viewed PPCR's role as more than this. While the CEPs described the role of a contract manager, there was some ambiguity around the extent of responsibilities expected of these officers.

Table 4.2: Issues relating to contract management roles and responsibilities

Issues Raised by Contract Managers	Frequency (%)
For establishing contracts, contract managers:	
• wanted more clarity of roles and responsibilities	75
• would find an on-line toolkit for contract managers useful	100
• were satisfied with assistance/advice from PPCR	90
• expected PPCR to handle the ‘whole process’ ⁽¹⁾	85
In managing the contract, contract managers indicated that they:	
• had a contract management plan in place for each contract ⁽²⁾	40
• had regular communication with contractor (or as needed)	95
• communicated with contractors informally, rather than formally	75
• received performance reports from the contractor/supplier ⁽³⁾	70
• had a clear process under which action would be taken for contract underperformance	80
Ending contracts—contract managers were:	
• unaware of the process and/or did not do end-contract reporting	75
• experienced, or were aware of, problems with record keeping	70

Source: ANAO analysis of interviews with 28 DPS contract managers held in mid-2014.

Note 1: This view was inconsistent with DPS policies and procedures.

Note 2: A contract plan was required by DPS procedures.

Note 3: These varied in quality and the content was often not verified by the DPS manager.

4.12 As complete and comprehensive records relating to procurement and contracting activity form the evidence base on which key decisions are made, the absence of these records increases DPS’ exposure to accountability risks, as it is unable to substantiate key actions and outcomes when placed under external scrutiny. For example, for six of the 29 contracts⁹⁵ that the ANAO reviewed for the audit (21 per cent), the only supporting documentation DPS had readily available was the signed contract. There was no supporting documentation such as business cases, risk assessments, contract management plans or performance reports (as discussed in Chapter 5).

95 The ANAO’s indicative sample was outlined in Chapter 1 and further detailed in Table 5.1 in Chapter 5.

4.13 To better support contract management staff and to encourage greater consistency and quality in its contract management activities, there would be merit in DPS improving the clarity of contract management roles and responsibilities (for PPCR and DPS contract managers). A more structured approach to the provision of advice and the introduction of a systematic program of quality assurance activities would also help to strengthen DPS' performance in key aspects of contract management.

Contracting policies and procedures

4.14 DPS has two key policies relating to contract management—a CEP covering contract management and another covering procurement. The CEPs and a number of other related documents are available to staff through the DPS intranet.⁹⁶

4.15 An issue commonly raised by DPS staff when interviewed by the ANAO was the lack of awareness of DPS' contract management policies and procedures. This was partly related to difficulties in locating current documentation on the agency's intranet site. Staff also expressed uncertainty regarding the use of the existing CEPs, as these were out-of-date. This concern was understandable as:

- the contract management CEP was approved on 25 September 2006 and had an expiry date of 25 September 2008;
- the procurement CEP was approved on 30 July 2010 and had an expiry date of August 2012; and
- both CEPs were still available on the DPS intranet, despite requiring revision.⁹⁷ They also did not reflect significant changes to DPS' structure and governance arrangements (in some cases involving changes to roles and responsibilities) and contract procedures that had occurred in the last two years.⁹⁸

4.16 Early in the audit, DPS advised the ANAO that a revised contract management CEP had been provided to the DPS Executive for consideration.

96 PPCR is responsible for maintaining this contract and procurement related information on the intranet.

97 For example, the CEPs referenced the Commonwealth Procurement Guidelines, but these were replaced with the Commonwealth Procurement Rules in 2012.

98 For example, the introduction of an in-house legal team in 2013, and use of the outline agreement process, which were intended to enhance DPS' monitoring and reporting of contracts.

The revised version contained additional and up-to-date information when compared to the previous CEP, including clearer descriptions of roles and responsibilities, additional detail relating to the outline agreement and contract extension processes, and establishment of the legal team. Notwithstanding this additional information, useful detail included in the previous CEP, most notably in the area of financial management and control of contracts, had been removed.

4.17 DPS subsequently advised that it intended to further revise the CEPs to address concerns expressed by the ANAO and DPS managers. In late September 2014, DPS provided the ANAO with a further updated (draft) version of the contracting CEP. This version of the CEP, while referencing additional areas of better practices, was not tailored to DPS' operating environment.⁹⁹ As a result, it provided limited guidance to strengthen risk management, increase awareness of conflicts of interest or enhance issues resolution strategies.

4.18 Effective contract management is reliant on DPS staff having a sound understanding of their contracting roles and responsibilities, complemented by ready access to current policies and guidance to support them in their work. Contract staff would be better placed to discharge their responsibilities if DPS: consolidated current policies and procedures relating to contract management to help ensure consistent and clear messages to staff; amended policy and procedural documentation in a more timely manner; and made policy and procedural documentation more accessible to staff.

Training and development for contract managers

4.19 Contract management involves more than establishing contracts, monitoring timelines and deliverables and making payments. In most cases, it requires the management of complex entity-contractor relationships, negotiation of contract variations and resolution of issues and disputes. Therefore, it is important for public sector entities to provide contract managers with appropriate training to ensure that they understand and implement relevant government and entity requirements.

99 DPS has a diverse range of staff that has contract management responsibilities. The staff are from a variety of backgrounds and many do not have public sector contracting knowledge (for example, qualified tradespeople who have primary responsibility for maintaining assets with minor additional responsibilities to manage contracts).

4.20 In its November 2012 report, SFPALC recommended that DPS ‘ensures all staff involved in contract development and management have relevant skills and receive appropriate training where necessary.’¹⁰⁰ In response to the report, in May 2013 DPS conducted a skills audit of contract management in the department, in the form of an internal questionnaire.¹⁰¹ On the basis of the responses to the questionnaire, DPS identified 91 staff who required various levels of formal training. A breakdown of the training requirements, number of staff identified and number who completed training is provided in Table 4.3.

Table 4.3: DPS contract management training requirements according to 2013 skills audit, as at mid-2014

Training Requirements	Number of Staff Identified	Number of Staff Who Completed Training
Two day course	33	0
Certificate IV in Government (Procurement and Contracting)	23	11
Certificate IV in Government (Procurement and Contracting)—Refresher	12	0
Diploma in Government (Procurement and Contracting)	8	0
Diploma in Government (Procurement and Contracting)—Refresher	15	0
Total	91	11

Source: DPS information.

Note: The ANAO was advised by departmental staff that only the Certificate IV in Government (Procurement and Contracting) was offered to DPS staff.

4.21 While the skills audit indicated a level of responsiveness to the issues raised by SFPALC, ultimately the skill deficiencies identified through the questionnaire have not been addressed, as only a small proportion of the staff identified actually undertook the requisite training.¹⁰² Variability in the skill levels across DPS’ contract management staff was also evident during the

100 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, pp. 218–219.

101 The skills audit involved PPCR sending out a questionnaire to all of the Directors in DPS asking for the names of their staff involved in contract management, current contracting responsibilities, length of time in the role, current training and details of any future training. The results of the questionnaires were compiled in September 2013, listing staff with contracting responsibilities and their current level of formal training. Each staff member was given a rating indicating the value and complexity of their contracting responsibilities and based on this, a proposed future training program (either a two-day training course, Diploma or Certificate IV).

102 Based on information provided by DPS in mid-2014.

audit, with the ANAO identifying substantial variation in the approaches of DPS' contract managers, including their level of diligence and adherence to DPS processes.

4.22 Given the identified variability in current skill levels of contract managers, developing a suitable strategy to assess the training and development needs of its contract managers, with a view to implementing a structured training and development program, should be given priority by DPS. The program would ideally capture both existing and new staff, and include regular refresher courses and monitoring of attendance to encourage consistency and quality of practice across the entity.¹⁰³

Monitoring and reporting contract performance

4.23 Despite its substantial contract portfolio and annual budget, the DPS Executive has limited visibility of contracting activity, with little structured monitoring or reporting in place. While the required reporting of contracts in DPS' annual reports and on AusTender was carried out, the source, visibility and accuracy of data supporting reporting functions was, in general, not easily demonstrated by the department.

4.24 Reporting of contracts on AusTender largely met the 42-day reporting timeframe for contracts over \$10 000.¹⁰⁴ However, the ANAO identified discrepancies between the information on DPS' contract register and AusTender for seven of the 29 (24 per cent) contracts reviewed. In one case, this was due to the inclusion of a GST-inclusive amount when the amount should have been GST exclusive. In the other six cases, this was due to incorrect entry of the contract amount or omitting to update either the register or AusTender with variations to contract prices or extensions. Most (four of the seven) discrepancies related to variances of between 10 and 20 per cent.

Maintaining a contract register

4.25 The establishment and maintenance of a contract register containing details of all contracts held by entities is essential from an accountability perspective.¹⁰⁵ Contract registers can assist agencies to meet reporting

103 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, p. 74.

104 Of the contracts reviewed, 89 per cent were notified to AusTender within the 42-day period, with a median notification time of 18 days.

105 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, p. 74.

requirements, monitor contract end-dates and manage contract extensions and variations.

4.26 DPS' contract register, which is a proprietary database, was developed around 10 years ago and is administered by PPCR.¹⁰⁶ For each contract, PPCR is required to create an entry of basic information in the register and update this information to reflect variations, extensions and finalisation of contracts as they occur. The main use of the contract register in DPS is to enable PPCR to manage and track procurement processes.

4.27 The ANAO examined the general functionality of the contract register and the extent and accuracy of the contract information collected by DPS. A summary of ANAO's findings is provided in Table 4.4.

Table 4.4: ANAO assessment of DPS contract register

Element of a Good Contract Register	Rating	Audit finding
Responsibility for register maintenance is assigned	✓	The CEPs assign PPCR responsibility for maintaining the register. PPCR enters each contract's details, as advised by contract managers.
The register stores relevant contract details	P	The database contains basic information (including the contract requirement, start and end date, value, contract manager and supplier contact details). The ANAO identified an incorrect contract manager listed for eight of 29 contracts (28 per cent) and four of 13 (31 per cent) deeds and panels reviewed.
The register links to individual contracts	P	Contracts are centrally stored by PPCR, with the register containing each contract's DPS number. Contract managers are also expected to retain a signed copy of their contracts. However, as some contract managers had to source a copy of the contract from the PPCR for the purposes of the audit, this was not always done.
Variations to contracts are recorded	P	PPCR is responsible for entering variations into the register, as notified by contract managers. Procedures could be strengthened to improve this process and the awareness and clarity of reasons behind variations.

¹⁰⁶ PPCR maintains the contract register as part of its responsibility to ensure that DPS meets its reporting requirements in relation to procurement and contracting activities.

Element of a Good Contract Register	Rating	Audit finding
Actual payments can be tracked against contracts and milestones	P	The contract register did not have this capability. Tracking of contract payments was against the outline agreements in the financial management system, although this did not necessarily correlate with contract milestones. For many projects, contract managers retained local spreadsheets to track expenditure and payments against milestones and deliverables.
Information is regularly cross-checked against financial systems	*	Cross-checks were not regularly undertaken. In March 2014, an internal DPS audit indicated information errors in 14 of 50 contracts checked against the financial management system. DPS advised that it is planning to undertake six-monthly audits to improve data accuracy. To be of more value, the register should be kept up-to-date, with data verified more regularly.
Controls are in place to prevent unauthorised users	*	The PPCR has responsibility for the register. DPS did not retain information to determine whether additional users could, or did, enter information into the register.
Register meets DPS reporting requirements	P	The register has limited reporting capacity. Quarterly contract expiry reports, for example, are prepared manually. Data gaps also inhibit reporting quality.
Periodic quality assurance review of the register is undertaken	*	The internal audit in March 2014 was the first audit of the contract register that DPS has undertaken. Register audits are now to be undertaken every six months, commencing in 2015.

Source: ANAO analysis of DPS information.

Key: ✓ = fully met, P = partially met and * = not met.

4.28 A significant limitation of the contract register is that it does not contain records of work orders under panels or deeds of standing offer. While this limitation may not impact PPCR's ability to conduct procurement processes, it reduces DPS' capacity to report on the usage of panel and deed of standing offer arrangements across the department. To achieve greater accountability and transparency, there would be merit in DPS taking further steps to improve the accuracy, completeness and functionality of the contract register.

Additional support systems

4.29 DPS has recognised that the contract register does not provide sufficient information or reporting capability for contracts. To assist in overcoming the shortcomings of the register, in March 2014 DPS expanded the use of the 'outline agreement' module in its financial management system to

better manage the department's reporting obligations.¹⁰⁷ Contract managers are required to quote an outline agreement number for any purchase requisition over \$10 000 in respect of a contract.

4.30 Outline agreements are created by PPCR upon receipt of an executed contract, variation or extension. DPS policy requires that all purchase requisitions in relation to a contract or work order should be raised against its specific outline agreement in the financial management system. In assessing this process, the ANAO identified the following shortcomings that have impacted on its effectiveness as a management tool:

- the financial management system did not capture work orders for standing offers or panel arrangements, or work costing less than \$10 000;
- purchase orders could, and had been, raised against an outline agreement for which there were no remaining funds; and
- in several cases, multiple areas of DPS could use a contract (and expend funds). Restricted access to the financial management system, however, often prevented the contract manager from viewing entire expenditure for a given outline agreement, which hindered monitoring and, in some cases, resulted in overspends.¹⁰⁸

4.31 Systemic weaknesses in DPS' systems and processes underpinning its contract management functions have adversely impacted on the efficiency and effectiveness of the department's contracting activities and, ultimately, its ability to demonstrate financial accountability. The examples provided in Table 4.5 illustrate the extent of these issues in relation to panels and standing orders.

107 The creation on an outline agreement is intended to ensure that information for an entire contract is captured in the department's financial management system.

108 During audit fieldwork, it was not possible to determine the extent or scale of any potential overspend due to changes being made to the financial management system as part of an upgrade and not all contracts being linked to an outline agreement. However, the ANAO identified that such overspends had occurred in three of the 29 contracts reviewed as part of the audit and DPS advised that it expected that the problem was potentially more widespread.

Table 4.5: Weaknesses in DPS’ contract management systems and processes

Example 1: Insufficient information about the use of deeds of standing offer
DPS’ contract register does not contain sufficient information to identify those deeds of standing offer currently in operation, or the goods or services that can be provided under each deed. In addition, DPS had not implemented a systematic approach to monitor or evaluate panel members’ performance of their contracted services. This presents risks for DPS in that: DPS staff who are seeking to acquire services may not be adequately informed when selecting best value for money providers; the process gives DPS little assurance that standing offers are used in a fair or equitable way (a requirement under the Commonwealth Procurement Rules ¹⁰⁹); and underperforming providers may not be identified, properly managed or excluded from future use.
Example 2: Difficulties in monitoring work orders, commitments and expenditure
Details of work orders generated under deeds of standing offer (and some panel arrangements) were not recorded in the contract register. To generate a list of work orders relating to a particular standing offer, DPS has to use the financial management system to identify the contract’s outline agreement (OA) and search for relevant purchases under the OA. This method was not always reliable, as purchases less than \$10 000 were not routinely entered against their specific OA (and did not have to be according to DPS policy). User error also resulted in entries against the wrong OA. These anomalies hindered DPS’ ability to track work against the OA and generate accurate reports on current contract commitments. Weakness in data makes it difficult for DPS to comply with government reporting obligations or provide useful management reports.
Example 3: Exceeding outline agreement spending limits
Contracts may have a variable cost component (for example an on-demand cost for some maintenance contracts) in addition to a fixed cost component. On-demand work can be requested by different branches within DPS and expenditure charged against the contract’s OA in the department’s financial management system. Due to constraints in access, contract managers could not always view entries from other branches, so were unable to monitor total expenditure. In addition, PPCR did not have a mechanism in place to ensure sufficient available funds prior to work being authorised, and contract managers were not routinely notified when there was limited contractual funding remaining. This situation led to instances in which the OA (contract) budget was exceeded and further purchase orders could not be raised against the OA. Existing invoices were not paid until authority was given to increase the OA amount, a process that could take up to two months. This resulted in non-payment of some vendors for a considerable time, pending resolution of the funding issue by DPS. This scenario increases DPS’ risk of non-compliance with the small business 30-day payment requirement. ¹¹⁰

Source: ANAO analysis of DPS information.

4.32 Such limitations in system functionality and contract management practices compromise DPS’ data quality and monitoring capability. Manual entry of data across multiple systems also increases the risk of human error

109 Department of Finance, *Commonwealth Procurement Rules—Achieving value for money*, 2014.

110 Department of Finance, Finance Circular No. 2012/02—*Procurement On-Time Payment Policy for Small Business*, August 2012.

and inconsistency of information.¹¹¹ Further, the lack of connectivity between the information systems reduces data integrity, and consequently the accuracy and efficiency of information retrieval—for the purposes of tracking contracts and payments, and generating accurate management reports.¹¹²

4.33 DPS would benefit from improving the functionality and content of its contract register (and/or other contract management systems) to achieve greater visibility and control over its contracting expenditures and commitments. While acknowledging the challenges in implementing system enhancements within a constrained fiscal environment, DPS may wish to give initial consideration to linking existing systems and/or automating the input of data. Additional controls over data entry and enhanced quality assurance of its systems and processes may also deliver benefits.¹¹³ A key short term objective should be the consolidation of important contracting information to reduce duplication, errors and administrative burden, and improve the quality of data to facilitate better monitoring of performance and meaningful management reporting.

Conclusion

4.34 DPS has established a contract management framework that contains the key elements required for the consistent management of a broad range of contracted activities. However, many of these elements require considerable strengthening and there would be merit in DPS introducing systematic quality assurance arrangements for contract management.

4.35 While DPS has a range of policies and procedures in place to administer contracts, it needs to ensure that these are current, convey roles and responsibilities more clearly and are readily accessible to staff. To improve compliance with, and consistency of, contract management practices, DPS also needs to revisit the previous SFPALC recommendations and strengthen its contracting capability. To this end, DPS should give priority to establishing a structured program for contract management training and monitor its effectiveness and impact on work practices over time. DPS would also benefit from the incorporation of risk management practices into its contracting framework and further development work to improve data and systems

111 For example, following an extension or variation, a contract may be varied in one system (the financial management system), but not in another (contract register). The ANAO noted that this had occurred in three of the 29 contracts reviewed.

112 This issue was also raised by PPCR during the audit.

113 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, p. 75.

capacity, monitoring and reporting of contract performance. A greater focus on these areas would assist the agency to improve its level of accountability as well as its ability to report on the quality, effectiveness and value for money of contracting activities.

Recommendation No.3

4.36 To improve its overall contract management and reporting capability, the ANAO recommends that the Department of Parliamentary Services:

- (a) reviews contract management policies and procedures to determine whether they are current and accessible to staff;
- (b) develops a suitable training program for contract managers and monitors its implementation to maintain capability levels and inform future development needs; and
- (c) strengthens and aligns systems and processes, to better support compliance, transparency and reporting of contracting activities.

DPS response: *Agreed.*

5. Establishing and Managing Contracts

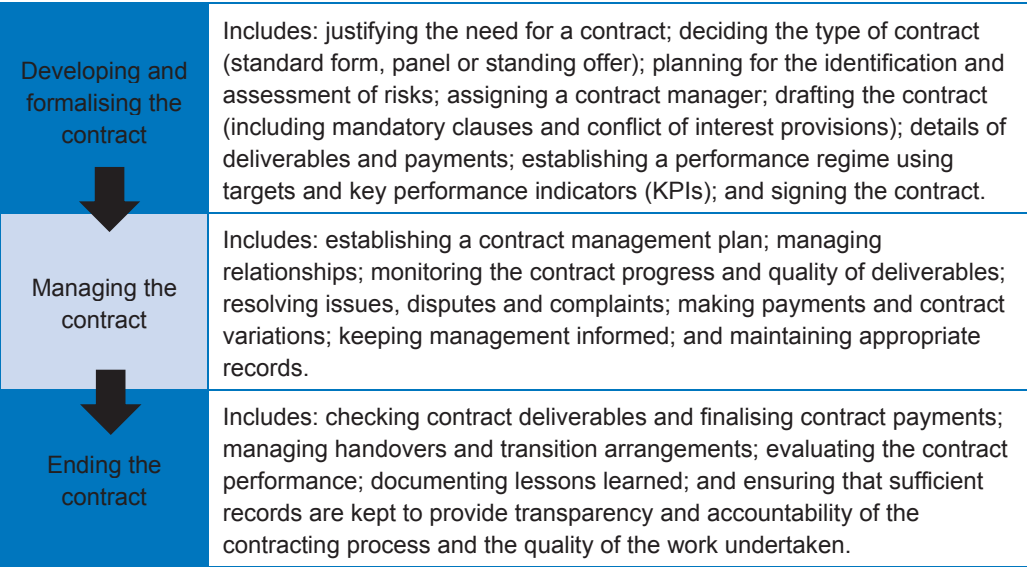
This chapter examines DPS’ effectiveness in establishing and managing specific contracts.

Introduction

5.1 Effective contract management is a product of many factors. While it relies on clear guidance through comprehensive policies and procedures, it also draws heavily on the experience and capability of individual contract managers, and on the level of supervisor and executive oversight. Consistency of process goes hand-in-hand with diligence and relationship management when working towards achieving the best outcome from each individual contract.

5.2 The diversity of purpose, technical complexity, cost and duration of DPS’ contracting activities poses challenges for the department. Notwithstanding these challenges, contract management is expected to follow a number of critical stages (outlined in Figure 5.1), based on legislative requirements, policy and good practice.

Figure 5.1: Contract management stages



Source: Summary of ANAO, Better Practice Guide—Developing and Managing Contracts, February 2012.

5.3 The ANAO examined a sample of 51 contractual arrangements to determine the extent to which DPS employed sound contract management practices (detailed in Table 5.1). The sample included nine licences (covering retail services and the press gallery), which are discussed separately. The ANAO initially selected 60 contracts, panels, deeds and licences to review as part of the audit. However, three contracts, five panels and one deed were not included in the final sample as:

- one contract was not yet signed at the time of audit fieldwork;
- the manager for one panel could not be determined;
- one panel was established to provide a list of possible suppliers of audio visual equipment to support events that hired Parliament House as a venue and therefore had no ongoing financial commitments of DPS; and
- for three contracts, one deed and two panels (six in total), information/documentation on the contract management practices was not readily available and was not included in the final audit analysis.

Table 5.1: ANAO sample of contractual arrangements

Type	Description	Total	Sample (no.)	(%)
Contract	An arrangement where, as a result of a procurement process, the agency enters into a written agreement under which it requires goods or services from a supplier.	95	29	31%
Panel	A list of suppliers that have applied to be included on a 'panel' of providers and satisfied a set of conditions for participation. Each provider on the list may or may not be contracted by DPS to supply specific goods or services.	34	8	24%
Deed of Standing Offer	An arrangement containing the terms and conditions (including an indicative or set price or rate) that will apply when the goods or services are purchased in the period of the panel arrangement.	28	5	18%
Retail Licence	An arrangement under which a contractor (a licensee) is authorised to use certain premises for certain specified purposes.	29	9	31%
Total		193¹	51	26%

Source: ANAO analysis of DPS contract register.

Note 1: Includes seven memoranda of understanding with other Australian Government departments.

5.4 During the Supplementary Budget Estimates hearing on 20 October 2014, SFPALC raised concerns about the procurement of the services of an artist to provide photographic works for the 25th anniversary of Parliament House. While the ANAO did not examine the specific procurement process for each contract in the audit sample, due to concerns raised by SFPALC, the decision-making process for commissioning the photographic works for the 25th anniversary of Parliament House was reviewed. The timeline of events, based on the evidence provided to the ANAO from DPS, is outlined in Appendix 1.

5.5 The ANAO identified weaknesses in DPS' record keeping in relation to this matter. In particular, the department had not retained records outlining its consultation with the curatorial staff of the National Portrait Gallery, which was the agreed approach for selecting the artist, and thereafter deciding to only approach and commission Ms Anne Zahalka.

5.6 While the Commonwealth Procurement Rules allow limited tenders for procurements below the \$80 000 threshold, there are clear benefits for a department approaching more than one provider, particularly as the estimated cost of services increases. In this light, the procurement process and decision could have placed greater emphasis on the procurement principles of contestability and value for money. Further, the decision would have been more transparent had DPS maintained complete records covering its consultation and decision making processes. In this regard, it would also have been prudent for the Secretary of DPS to have documented an approach to manage any potential conflict of interest arising from her prior acquaintance with Ms Zahalka.

Developing and formalising contracts

5.7 DPS' general practices for developing and formalising contracts were assessed against key elements of sound contracting practice. A summary of findings is provided in Table 5.2. It shows there is scope for DPS to improve the development and formalisation of contracts.

Table 5.2: Key management steps for developing contractual arrangements

Criteria/Element	Met	Comment/Finding
Sound business need/case is documented	P	Business cases were not routinely prepared. Only 14 of the 29 contracts (48 per cent) and two of the fourteen panels/deeds (14 per cent) had specific business cases; however, documentation approving the contracting activities contained information to support the need for contracting of services. Greater transparency could be achieved by improving documentation of early decision making and contract development, and including a business case with clear value for money arguments.
Risk management plan is in place	P	Forty-five per cent of contracts (mostly ICT and higher-cost projects) and 31 per cent of panels/deeds considered risks during contract initiation. There was no consistent approach to risk identification or mitigation. Risk awareness could be strengthened by developing a risk assessment and treatment template and guidance material outlining acceptable risk mitigation practices.
Suitable contracts are used	P	DPS has developed standard form contracts, however, they require revision to incorporate government policy changes and to correct some omissions or errors concerning mandatory requirements. Conflict of interest and dispute resolution provisions could also be strengthened.
Contracts are appropriately signed	✓	DPS was able to provide signed contracts for each of the contracts selected in the ANAO's sample. In three contracts, essential schedules or annexures concerning pricing and/or defining of goods were missing. Contract managers did not always retain a copy of the contracts, as required by DPS procedures, but signed contracts and variations were routinely held by PPCR.
Contract manager is allocated	P	It was not possible to identify all contract managers from DPS records. The contract register contained incomplete or out of date information and in several instances managers were not aware of their responsibility for a particular contract.

Source: ANAO analysis; and ANAO Better Practice Guide—Developing and Managing Contracts, 2012.

Key: ✓ is fully met, P is partially met and ✕ is not met.

Preparing business cases and assessing value for money

5.8 The development of a contract usually commences with the identification of a business need and preparation of a business case to procure a particular good or service. In DPS, two common reasons for engaging a contractor are: the acquisition of specialised skill or knowledge not available in-house; and the cyclical nature of the workload making the use of contractors more economical than maintaining an in-house team.

5.9 DPS CEPs encourage officers to liaise with PPCR for procurement advice when drafting a business case or spending proposal that involves a procurement activity. This is to help ensure that accurate information on the procurement approach, alternative procurement methods and appropriate template documentation is included.

5.10 The ANAO sought information from DPS contract managers as to whether a business case or value for money assessment was prepared prior to entering into the contract arrangement. While the contract managers were able to explain the business need behind the procurement of goods or services, across DPS the ANAO could identify documented business cases or value for money assessments for only 48 per cent of contracts and 14 per cent of panels/deeds. Where these could be identified, the format and content varied considerably. As might be expected, better examples were associated with larger value contracts where risks were greater and higher-level approval was required. Approval documentation was often in the form of minutes presenting options. Use of a more standard approach, prompting inclusion of the case for longer-term benefits and whole-of-life value for money, would support and better demonstrate the efficient use of public money by DPS.

5.11 Accordingly, there is scope for DPS to examine and amend its requirements, procedures and practices for business cases and value for money assessments to: improve understanding of these processes among contract managers; and to ensure that adequate records of key considerations and decisions underpinning a particular procurement option are maintained.

Considering risks

5.12 For 45 per cent of the contracts and 31 per cent of the panels/deeds reviewed, the ANAO identified consideration of risks in either establishing contracting arrangements or in the ongoing management of contracts. DPS was in the process of reviewing its strategic risk management framework (further discussed in Chapter 6), so even where risks had been considered they were not linked to the department's broader risk management approach.

5.13 To encourage the incorporation of risk assessments into contract establishment and management, DPS could give consideration to a broader use of standard risk templates, to assist in identifying risks and suitable mitigation

strategies.¹¹⁴ Given the uniqueness of Parliament House, DPS should aim to develop an agency-specific risk profile to help staff in determining low, medium and high risks for contracts. This would assist contract managers to anticipate problems and improve the management of contract slippage or over expenditure, which had occurred in seven of the contracts reviewed. One of these contracts (an ICT contract) took over one year longer than expected to complete, was over budget by \$100 000 and delivered less capability than originally planned.

Using suitable contracts

5.14 DPS has developed a suite of contract templates that it uses to underpin its contractual arrangements with private sector providers. Generally, the templates were consistent with the Department of Finance's guidance.¹¹⁵ However, there would be merit in DPS reviewing its templates with a view to correcting drafting errors (such as privacy clauses) and omissions (such as protective security).

5.15 DPS' contracts defined deliverables and timelines, and incorporated suitable payment schedules. Signed contracts were obtained for all sampled contracts, although there were two instances where essential schedules were missing. Strengthening DPS' oversight of contracts to ensure completeness, and including checklists for contracts at the time of endorsement, may help to avoid such omissions.

5.16 The department was less proficient in establishing the performance monitoring aspects of contracting, particularly: setting meaningful performance measures (48 per cent of contracts); providing clear expectations for performance monitoring and reporting (41 per cent); and specifying key data requirements (55 per cent). Also, the contracts did not include measures for aspects such as the quality of services provided or expected performance standards. The incorporation of a suitable performance regime into contracts would better position the agency to measure performance and determine whole of contract value for money.

114 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, pp. 50 and 106.

115 This guidance includes the standard contract documentation suite, for example templates covering different values and types of contracts (such as sourcing ICT services).

Managing contracts

5.17 Managing contracts involves a number of important tasks, including developing a contract management plan, managing the contractor relationships, and monitoring contract progress and the quality of deliverables. Good contract management entails making payments on time and negotiating contract variations, keeping management informed and maintaining appropriate records. From time to time, it will also involve resolving issues, disputes, complaints, or conflicts of interest if they arise.

5.18 Table 5.3 summarises the ANAO's main findings regarding DPS key contract management practices. These are explained in more detail later in the chapter.

Table 5.3: Key steps in contract management

ANAO comment/finding	
Contract management planning	
A suitable contract management plan is in place	Less than half the contracts assessed (45 per cent) had a contract management plan in place. Significant and/or more recent contracts and projects had better quality contract management plans. More broadly, quality was variable.
Risk assessment is evident	Risk assessments were in place for around half of the contracts, but the standard was not generally high, and not commensurate with the level of risk for all contracts. For example, in five of the contracts that had conducted a risk assessment, the risks had been identified and assessed early in the contract but were not monitored or updated. The higher-cost contracts usually had risk plans or assessments in place.
Making payments	
Payments consistent with contract schedule	As far as could be determined, payments were made on receipt of a correctly rendered invoice which correlated to deliverables, contract milestones (progress) or on completion of a work order (for panels). More care is required in filing of invoices and ensuring that they clearly relate to a particular purchase order and contract. An increase in the number of payments exceeding the 30-day small business requirement occurred in 2013–14, which DPS was addressing.
Extending the contract	
The process for contract extensions is followed	Organising extensions (deeds of variation) is a responsibility of PPCR in consultation with contract managers. While variations were documented and signed, they were sometimes undertaken close to ending the contract (sometimes the result of overspend). Additional consideration should be given to justify the extension of contracts rather than going to tender, especially when large sums of money are involved, or where service quality or performance has been problematic.

ANAO comment/finding	
Monitoring contractor performance	
DPS-contractor relationship is actively managed	There were examples of proactive contract managers and good contract relationships, but there were also instances where predominantly ad hoc oral communication provided little assurance or visibility of the contract's management or the quality of deliverables.
Issues and disputes are logged	Issues logs were used for less than a quarter of the contracts examined. Alternative recording methods included email and help desk records, although in most cases these were not used to monitor trends or track progress of issues, and could not always be depended on to provide a clear audit trail. While issues logs are not necessary for all contracts, visibility of issues and disputes would be improved by better record keeping.
Process for resolving issues or complaints is in place	For individual contracts, a general process was included in most contracts, reflecting DPS guidance material. However, the timely resolution of problems was often reliant on the skills and enthusiasm of the individual contract manager. Procedures for, and records of, reporting and resolution of issues should be strengthened.
Performance is measured	DPS is working towards better performance measurement, but currently there are contracts that lack adequate performance indicators, and key aspects of performance are not being monitored or reported. For example, in one of the larger contracts, DPS relies on the contractor to report performance without the department having sufficient processes in place to verify data.
Poor performance is addressed	DPS could strengthen its approach to managing poor performance. The practice of 'not using a contractor again if they did not perform' for example, does not ensure value for money. Also, given systemic deficiencies in record keeping, there was no guarantee that poor performing contractors would be recognised by other areas of DPS that were drawing on the same contractor for provision of services.

Source: ANAO analysis of DPS contracts.

Contract management plans

5.19 DPS has instructions and templates for the development of a contract management plan (though as noted in Chapter 4, these were last revised in 2006) and indicated a preference for a plan to be developed for more significant contracts. However, the practice of developing and implementing an agreed contract management plan was not widely adopted. Contract management plans were only signed for four of the 29 contracts examined (14 per cent), which suggested a lack of management oversight and/or quality control.

5.20 Wider use of contract management plans could have particular benefits for DPS' management of difficult or contentious contracts where regular formal communication is required, and for contracts that involve enhanced

monitoring of performance, or staged delivery of costly or significant technical components. Greater consultation with contract managers would assist DPS to determine the appropriate use of contract management plans to enhance contract performance, without unnecessarily increasing their administrative load.

Making payments according to contract schedules

5.21 DPS' current contract management CEP outlines the procedures to be followed to administer contract payments. It generally requires payments to be made against deliverables. Accordingly, all the contracts assessed had payment schedules that linked payments to deliverables or milestones. Contract managers were aware of the payments process, which was generally being followed. Upon receipt, invoices were checked to ascertain whether they accurately reflected the services or products supplied. Where contracts contained agreed milestones, contract managers informed the ANAO that they were responsible for verifying that all contractual requirements had been met in line with the milestone criteria or required progress point. DPS' financial area processed payments for correctly rendered invoices.

5.22 Nevertheless, there are challenges in linking payments to deliverables, mainly due to the limitations in the department's financial management system and other contract management systems. In testing contract payments against deliverables, the ANAO identified three contracts where not all payments were made against the relevant outline agreement. Due to difficulties in obtaining data, these were identified by exception and the ANAO was not able to test the extent of this issue in a systematic way. It is likely that further examination will identify this to be a more systemic problem, especially where a contract is used by multiple cost centres. In a brief to the DPS Secretary from the Director, Maintenance it was noted:

a further \$183 731.02¹¹⁶ has been spent with this contractor which has not been recorded against the [outline agreement]. In my reconciliation of the [outline agreements] for Maintenance Contracts most have had amounts spent with the contractor that are not recorded against the [outline agreement] and are therefore in addition to the value gazetted on AusTender.¹¹⁷

116 This was money spent under the industrial cleaning contract, but not linked to the outline agreement for that contract.

117 Department of Parliamentary Services, Brief to Secretary: *Outline Agreements in SAP*, 12 December 2013.

5.23 Some issues were also evident around delays in payments. The Treasury's 2013–14 *Australian Government Payments to Small Business Performance Report*, reported that DPS paid 86.6 per cent of invoices to small businesses within the 30-day payment period.¹¹⁸ This placed DPS' performance last of the 37 government agencies surveyed as part of the report, and one of only two agencies that did not meet the benchmark of paying 90 percent of small business invoices on time. For the financial year to November 2014, DPS advised that its compliance with the Commonwealth's 30-day payment policy¹¹⁹ had increased, with 94.2 per cent of small business invoices being paid on time.

5.24 While the above mentioned issues may be due to the slow receipting of invoices by business areas, there was also an underlying problem with overspends against outline agreements (previously discussed). DPS' finance area advised the ANAO that it would not make a payment if the outline agreements lacked sufficient funds. In these instances approval had to be sought to increase the outline agreements amount, causing additional delays and administrative burden.

5.25 Other payment-related issues identified in several contracts included:

- unexplained underspends or overspends, late payments or payments inconsistent with payment schedules were noted for several contracts; and
- disparity between the AusTender amounts and amount spent on the contract (for example, actual spend for waste management services was considerably lower than reported), which should have been revised.

5.26 In some instances, contract managers were able to account for these discrepancies. Others were related to oversight or error. In most instances, better documentation and monitoring would improve the financial management of the contracts.

118 The Treasury, *Australian Government Payments to Small Business, Performance Report*, 1 July 2013–30 June 2014.

119 Department of Finance, Finance Circular 2012/02, *Procurement On-time Policy for Small Business*. This policy broadly required that for contracts with small business, entities must adopt maximum payment terms 'not exceeding 30 days'. In specified circumstances and where the value of the contract is less than \$1 million, the entity must pay interest on late payments.

Extending contracts

5.27 It is common for contracts that involve the ongoing provision of goods or services to include a term that allows either or both parties to agree to extend the duration of the contract. Negotiations for such extensions should commence before expiry of the contract, as contract extensions that start late can place the entity in an inferior bargaining position.¹²⁰ In deciding whether to exercise an option to extend, it is important for the entity to consider the value in doing so compared to re-approaching the market. To encourage contract managers to consider their options (including contract extension) in advance of a contract expiring, PPCR issues contract expiration notifications each quarter to assist contract managers.

5.28 Despite this practice, there were instances where DPS executed extensions close to the contract expiry date.¹²¹ In addition, the process undertaken for extensions was variable across different areas of the department. For example in three of the contract extensions reviewed, documentation of reasons or justification for the extension did not cover aspects of contract performance, value for money, the financial impact of continuing the contract or the feasibility of going back to the market.

5.29 DPS could also give more thorough consideration to whole-of-life value for money, competition and probity policies when considering extensions or alternative action, and ensuring that all significant decisions are well documented.

Issues concerning contract duration

5.30 In the past, DPS established some contracts for extensive terms with little provision to vary deliverables or terminate the contracts for underperformance. The legacy of such situations has, in some instances, created undesirably heavy workloads with respect to contract and performance management, and difficulties in obtaining value for money or in meeting expectations of quality and timeliness. For example, one major contract was let for a period of five years, with further one-year extensions if the collective KPIs are achieved, with a maximum extension to 1 July 2018. An internal audit report noted that, despite DPS and stakeholders raising concerns about performance under the contract, the supplier has been successful in

120 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, p. 94.

121 For example three contracts in the building and assets management division.

obtaining yearly extensions to the contract because the KPIs and standards were not challenging. The contractor is also able to self-assess performance.

5.31 More recently, DPS reported that it has adopted an approach whereby contracts have a set three-year term with two one-year options to extend the contract (at DPS' discretion). DPS also advised that its preferred approach is to go out to tender after five years. These changes should provide a more flexible and responsive contracting environment and are more aligned to current contracting practices.

Monitoring contractor performance

5.32 DPS carries out a range of monitoring activities, depending on the type of contract, the nature of the work involved, the price and risks involved. These activities include:

- provision of performance reports by the supplier to DPS. These include monthly, quarterly or yearly reports based on details of work undertaken or performance indicators, call out records and inspection reports;
- feedback from relevant stakeholders, including DPS business stakeholders, through surveys (for example, by holders of the catering contract and retail licences);
- visual inspection of work by DPS after it has been performed (for example, for the maintenance and cleaning contracts);
- consideration of feedback from building occupants, for example through the help desk (ICT and infrastructure contracts like lifts and electrical); and
- direct communication with the supplier. The nature of this varied from ad hoc phone calls to monthly or daily face to face meetings.

5.33 Better performance monitoring was seen where reports generated by the contractor were complemented by the contract manager's independent observation and other forms of feedback (for example surveys, complaints reports or inspections by a third party).

5.34 In many instances, contract managers received a great deal of information from the contractor, and met frequently (sometimes daily) to monitor the quality of work or to discuss progress or impending activities. Often though, this information was either not fully recorded, or was not fully

utilised by DPS. There were opportunities to make better use of such information, particularly for evaluating contract management and outcomes as outlined in the following examples.

Examples: monitoring and use of information by DPS

Lifts contract: Monitoring of the lifts contract involves the contract manager collecting detailed information on the number and reasons for callouts each month from the contractor. Callouts may be related to breakdowns, vandalism, or entrapments. The reports are sighted by the contract manager, and issues identified for follow-up with the contractor. However, the information is not consolidated or used for trend analysis and cannot easily be verified by DPS. Historical information and trends can be important for future decision making and for setting benchmarks or key performance indicators in future contracts. Accurate planning for future maintenance strategies and resourcing also depends on the availability of accurate data.

Provision of full text news services: This contract demonstrated close monitoring of performance and performance management which gave some assurance of value for money. The contract involves the electronic delivery of news clips to DPS by 7:30 each morning. Under the contract's terms, DPS is not required to pay for the service if on a particular day the news clips are not delivered on time or are incomplete. This was clearly being enforced. Performance is recorded through an issues log and on receipt of the monthly invoice, and DPS notified the supplier of any days that should be credited. The DPS contract manager collects information about the use of the service, so is well placed to determine how often the resources are used by building occupants and to identify where services might be improved.

Achieving value for money

5.35 As previously discussed, a weakness of DPS' contract management in the past has been the absence in contracts of suitable KPIs to assist in assessing contract performance. Where contract payments are dependent on services or the receipt of deliverables to a certain quality or standard (such as cleaning, catering and electrical services), contracts should contain appropriately designed KPIs, against which performance can be assessed. The examination of contracts in the ANAO's sample indicates that many still lack adequate KPIs (59 per cent of contracts), which makes management of under-performance difficult. KPIs need to be considered early in the procurement process, clearly stated in contracts, and implemented throughout the term of the contract.

5.36 While acknowledging that DPS is aware of the need for better incorporation of KPIs into contracts, and is taking steps to address this, there is still much to be accomplished as outlined in the following case study of the catering contract.

Example: Focusing earlier on value for money and quality of service

Following a tender process in 2012, DPS entered into a five-year contract for the provision of catering services with a possible extension for another five years (at DPS' discretion). The catering contract is substantial, covering catering for the Staff Dining Room, Queens Terrace Cafe and Terrace, Members and Guests Dining Room, mobile coffee carts and vending machines, as well as catering for events and functions. DPS receives revenue from catering profits and a licence fee is also payable by the contractor. The contractual arrangements require DPS to pay the catering company a management fee for the organisation of special events and payment is contingent on the provider meeting the KPIs set out in the contract. To date, there have been no sanctions applied under the contract for performance issues.

SPFALC raised issues concerning DPS' management of catering contracts, in particular the quality and functionality of refurbishment in the eating hall and renovations to the main kitchen area, which cost DPS \$14.2 million.¹²² A DPS survey in 2012 and a joint ANAO/DPS survey in September 2014 (as part of this audit) indicated discontent with catering services by Parliament House occupants.

Given the length and complexity of the contract, there needs to be a greater focus on performance measures and a strategic approach to continuous improvement of services. While recent changes to weight the KPIs may provide more capacity to address performance issues, the situation concerning performance measures and other monitoring strategies to assure business viability, demand and mix of services, needed to have been dealt with earlier, and built in at the contract establishment stage.

DPS has indicated that it plans to develop a catering and retail strategy. The department should give this a suitable level of priority, considering the public profile and expectations which Parliament House (a nationally significant entity) generates. In moving towards a new tender process for catering, DPS should aim to conduct relevant research towards alternatives, and properly evaluate available options, to ensure that the best possible arrangements are put in place. In developing future catering contracts, it will be important to: include a range of performance measures; collect performance data; and formulate risk mitigation strategies.

5.37 In addition to KPIs, value for money is influenced by other activities undertaken by DPS, particularly refurbishments. For example, work to upgrade the main kitchen reduced the revenue generated under the catering contract. The impact on the quality of services and return on DPS' investment in upgrading or refurbishing retail areas, are aspects in which DPS has scope to improve transparency and planning. DPS has publicly indicated that improvements to the main kitchen facilities will ultimately render the catering contract cost neutral (or possibly generate a small profit). However, neither analysis of the longer-term viability of the catering services (in their current form or by way of other options or providers), nor projections of the potential net benefits of the existing contract arrangement, have been adequately explored by DPS.

122 For example, SFPALC, 24 February 2014, pp. 36–37; and 26 May 2014, pp. 36–37; and DPS survey results for 2012 and 2014.

End of contract reporting

5.38 At the end of a contract it is good practice to evaluate the contract process and its outcomes. Evaluations should encompass the overall performance of the contract (including the contractor), the acquiring entity's (DPS') management of the contract and whether contract objectives and value for money were achieved.¹²³ Feedback to contractors and the compilation of lessons learned can assist future contracting activities.

5.39 DPS' policy (CEP) requires that upon finalisation of a contract, completed evaluation reports should be submitted by the contract manager to the relevant section Director, with a copy provided to PPCR. The evaluation report is to include:

- specific recommendations concerning any shortcomings or improvements that have been identified; and
- lessons learned and the extent of user satisfaction with products or services.

5.40 PPCR stated that it received no evaluations in 2013–14. However, in seven of 21 initial meetings with the ANAO, contract managers indicated that they undertook some form of end of contract reporting.¹²⁴ For the most part, this situation appeared to be due to a limited understanding among contract managers of the requirement to undertake and report these evaluations. DPS should aim to implement a more consistent approach to end-contract reporting and evaluation drawing on recent good examples as outlined below.

123 ANAO, *Better Practice Guide—Developing and Managing Contracts*, February 2012, pp. 116–117.

124 The majority of contract managers interviewed by the ANAO advised that they provided feedback (usually informally) to contractors.

Example: Monitoring and reporting of ICT contracted projects

DPS has an important role in delivering ICT infrastructure and services not only to Members and Senators, but also to DPS staff. The ANAO examined four ICT project related contracts. Sound project management approaches were demonstrated for two of the four projects, with processes in place for the development, formalisation, management and ending of the contracts. Each stage was supported by documentation, including approvals, contracts, progress reports, and meeting and financial records.

The rigour in contract management and maintenance of records in DPS' ICT area has improved over the last 18 months, with a more structured approach to planning and contract management and access to key records of processes, decisions and approvals. The ICT area also demonstrated a more structured approach to the monitoring and reporting of its contracts/projects. Reporting includes project brief tracking, highlight reports covering each project and a consolidated listing of progress for any ICT capital works projects. Progress against milestones and financial status are monitored, and problems flagged.

Notwithstanding the differences between the functionality and purpose of ICT and other areas of DPS, the department may wish to consider how the improvements made to ICT contracting over the last 18 months could be mirrored in other areas of DPS.

Retail licences

5.41 Under Section 7 of the *Parliamentary Precincts Act 1988*, Presiding Officers may grant leases and licences for the use of property in the Parliamentary Precincts, on behalf of the Commonwealth. In 2007, the Presiding Officers formally delegated the authority to grant commercial licences to the Secretary of DPS.¹²⁵ Over the course of the audit, DPS was managing eight retail licences, for a range of retail services to the occupants of, and (in many cases) visitors to, Parliament House.¹²⁶ The audit examined DPS' strategic and day-to-day management of the licences.

5.42 There is no strategic policy or plan for retail licensing in Parliament House, and there is little clarity about the objectives or expected outcomes from this function. DPS has stated that it intends to develop a retail strategy, to enable greater commercialisation of the retail spaces and improve the mix of retail services. However, this had been significantly delayed, leading to several short-term extensions to existing licences rather than invoking the three-year renewal option or initiating an approach to the market.

¹²⁵ The Secretary can sign a final version of a licence, but determination of specific terms, conditions and payments must be done in consultation and with the approval of the Presiding Officers. Once signed, the day-to-day management of the licence is carried out by DPS.

¹²⁶ Each of the eight licences was for a fixed term, in most cases three years, with an option period that could be invoked at DPS' discretion. Licences generate revenue for DPS through the payment of rent in all but one case. The basis for rental fees was not identical across all licences, although most were based on the total area occupied, and varied annually according to the Consumer Price Index.

5.43 Evidence suggested that the day-to-day management of the retail licences by DPS was, at times, resource intensive and problematic. Considerable time has been spent resolving minor issues and coordinating tenancy-related matters (maintenance, refurbishment, and security arrangements). The longevity of some of the licence arrangements and the peaks and troughs of retail demand in Parliament House contributed to tenuous relationships between DPS and some licensees, which were exacerbated as the licences approached the end of their fixed terms. Given the breadth, sensitivity and volume of issues, there would be benefit in DPS establishing an issues log to enable a more streamlined approach to management, timely escalation of problems, and better record keeping. DPS should also consider implementing a more structured and tiered approach to managing issues and dispute resolution to ensure appropriate escalation and timely handling of problems. The improved process should be referenced in the licence agreement, to help ensure compliance by DPS and the licensees.

5.44 In progressing to a more strategic approach to retail licences, DPS would benefit from giving greater attention to value for money considerations, setting long-term goals and developing an evaluation framework. Overall, licence agreements gave little insight into requirements for monitoring the quality and performance of the licensed providers. As a result, information on cost effectiveness and performance was scarce. The inclusion in licence agreements of performance measures and regular reporting arrangements would improve DPS' knowledge of the viability of the arrangements, and the quality of services provided. Milestones and performance indicators to help measure DPS' own performance in managing retail licences would also assist forward planning and a more strategic approach.

Conclusion

5.45 While recognising that DPS has been taking steps to improve its staff capability, guidance and systems underpinning contract management, there is considerable scope for the department to improve its management of individual contracts—across the main elements of developing, managing and ending contracts.

5.46 In developing contracts, many of which are long standing, around 40 per cent of those examined had business cases with clear value for money arguments. A similarly low proportion of contracts had evidence of

considering risk during initiation, and less than half had developed contract management plans.

5.47 In managing individual contracts, DPS staff generally followed payment processes consistently with the CEP, and had checked invoices to ascertain whether they accurately reflected the services or products supplied. Nevertheless, ANAO testing found payments that were not linked to the contract on payment systems, and issues with overpayments and underpayments. It was not possible to readily determine the extent of these payment issues given the frequent difficulties of linking financial payments to individual contracts, as a result of ICT system issues and inconsistent and incomplete record keeping.

5.48 Notwithstanding progress in introducing performance measures for some of the more substantial contracts, such as cleaning and catering, there needs to be more emphasis on setting meaningful performance measures and clearer expectations for performance monitoring and reporting. Earlier identification of key risks and agency reporting requirements, tailoring performance to reflect the risks, significance and cost of the contracts, and the completion of end-of-contract evaluations would better position the agency in monitoring contract performance and value for money.

Recommendation No.4

5.49 To strengthen contract management arrangements, the ANAO recommends that the Department of Parliamentary Services:

- (a) implements consistent processes and practices for developing business cases, value for money assessments, contract management plans, and end-of-contract evaluation and reporting;
- (b) includes appropriate key performance indicators and tailored reporting requirements in contracts to assist the department to assess performance and determine value for money outcomes; and
- (c) improves record keeping to provide appropriate transparency over key decisions underpinning procurement options and contract terms and conditions.

DPS response: *Agreed.*

5.50 There is also scope for DPS to improve its management of retail licencing. There is no current retail strategy, clear policy or plan to give focus

to, or to guide, DPS' management of retail licensing in Parliament House. Overall, program/policy objectives and intended outcomes need to be clearer to enable forward planning and a better informed process for licence renewal.

5.51 In general, the licences would be strengthened if DPS and provider expectations were made clearer prior to signing of the licences. Management of the licences would be assisted by the inclusion of risk plans containing clear mitigation strategies and a monitoring and reporting regime to provide assurance of service quality and compliance with licence terms and conditions. The generation of specific performance information would provide greater transparency of retail operations and assist DPS in optimising the use of Parliament House retail space.

Recommendation No.5

5.52 To strengthen the management of retail licences the ANAO recommends that the Department of Parliamentary Services develops a retail strategy and operational plan that clarifies priorities for retail services and establishes a clearer basis for monitoring retailer performance.

DPS response: *Agreed.*

6. Management Arrangements in the Department of Parliamentary Services

This chapter examines the management arrangements supporting DPS' asset and contracting functions, including in respect of the department's substantial change agenda of recent years.

Introduction

6.1 Suitable organisational management arrangements are crucial to setting the right priorities and delivering a high standard of performance on a sustainable basis. These arrangements need to be both diverse and dynamic, combining tested administrative practice with flexibility to achieve outcomes in the most efficient and effective way.¹²⁷ Flexibility and the ability to evaluate and continuously improve an entity's performance is particularly important for establishing Parliamentary and public confidence.

6.2 External scrutiny, as has been the case for DPS, often provides the impetus for more urgent change, which can at times challenge the balance between maintaining core business commitments and responding to new demands. In such circumstances, it is important that implementation of the change management agenda is well defined, planned, communicated and coordinated, as well as monitored and accurately reported.

6.3 To assess the management arrangements supporting DPS' asset and contracting functions, the ANAO examined the department's:

- key governance arrangements, including strategic planning, risk management, and monitoring and reporting performance¹²⁸; and
- processes for managing change.

127 ANAO, Better Practice Guide—*Public Sector Governance Strengthening Performance Through Good Governance*, 2014 p. 7.

128 In relation to monitoring performance, as part of the audit the ANAO (in conjunction with DPS) commissioned a survey of parliamentarian satisfaction with DPS services.

Governance arrangements

Strategic planning

6.4 DPS had a strategic plan, including an action plan, to cover the period 2010–13. The strategic plan contained a vision and blueprint for supporting Parliament through to 2030. In 2012, DPS released a single page Corporate Plan for the period 2012–14. Both documents are available on DPS' website and Intranet. However, the interrelationship between the two documents is not clear and inconsistencies between the two include: different mission/vision statements; differing key result areas and measures of success; and varying priorities.

6.5 An entity's corporate plan should give a high-level view of the organisation's objectives, major strategies, and key activities to be undertaken in the short and longer terms. Well-governed entities typically demonstrate the alignment of their corporate plan with business and operational plans, risk plans, and individual performance agreements. DPS' corporate plan contains an objective and key result areas and some indication of performance requirements. However, the plan lacks reference to risk, is not supported by any business or operational plans and is not consistent with the information presented in DPS' Portfolio Budget Statements.

6.6 From 1 July 2015, it is expected that all Commonwealth entities will prepare a corporate plan. The preparation of an annual performance statement, and its inclusion in an entity's annual report will also be required under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). As the PGPA Act requirements coincide with the expiration of DPS' *Corporate Plan 2012–14*, there is an opportunity for DPS to revise and align its internal budget processes with its corporate plan and external reporting requirements. In particular, it provides DPS with the opportunity to develop clear objectives and clarify the department's priorities. It will also be important that the corporate plan be supported by business and operational plans that fully consider and consistently incorporate risk management strategies.

Risk management

6.7 Effective risk management informs organisational strategy and program implementation so that risks are dealt with to an acceptable degree of

tolerance in the context of limited resources and a changing environment.¹²⁹ DPS' risk management policy is based on AS/NZS/ISO 31000. It was released in August 2013, and the associated risk management procedure details the activities DPS will take to implement the policy and manage its risk exposure, including the establishment and maintenance of a risk register. The roles and responsibilities of DPS executive, managers and risk owners include reviewing the risk register, policy and procedures.

6.8 Despite releasing a risk management policy in 2013, DPS does not have a current risk management plan or register.¹³⁰ Rather, it has a strategic risk assessment that identified and assessed strategic risks, and the management actions required to mitigate and manage the risks. However, the document is in draft form and DPS had not finalised or communicated the strategic risks and mitigation actions.¹³¹ The draft strategic risk assessment noted that significant improvements were required in information management and additional controls were needed to manage risk related to leadership, internal capability, continuity of services, meeting client expectations and the efficient provision of services.

6.9 Effective asset management and contract management both require the consideration of risk and have appropriate mitigation strategies incorporated into existing practices and business processes. Once DPS has finalised and communicated the department's strategic risks, it will be important that these risks are reflected and operationalised in asset management and contract management procedures and arrangements.

Monitoring and reporting performance

Outcomes and Programs Framework

6.10 DPS' outcomes and programs framework, as outlined in its 2014–15 Portfolio Budget Statements (PBS), is provided at Figure 6.1. DPS has eight KPIs, with the results to be reported in its 2014–15 annual report. Of these KPIs, four measure how effectively DPS implements its Parliamentary Services

129 Formal responsibility for risk management lies ultimately with the Chief Executive. Section 16 of the PGPA Act creates an explicit duty of accountable authorities to establish and maintain systems relating to risk and control.

130 The latest published and centrally available risk register was for 2012.

131 The draft risk assessment identified eight strategic risks, current management actions that were in place as well as suggested future actions. The strategic risks were identified across the department, covering people management, service provision and corporate management.

program and four measure the effectiveness of the Parliament House Works program. The 2014–15 PBS does not include any deliverable indicators.¹³²

Figure 6.1: DPS Outcomes and Programs Framework 2014–15

Outcome: Occupants of Parliament House are supported by integrated services and facilities, Parliament functions effectively and its work and building are accessible to the public.	
Program 1: Parliamentary Services	Program 2: Parliament House Works Program
Program objective: <ul style="list-style-type: none"> strategically plan to maintain and upgrade Parliament House; provide a range of research, information and reporting services to support the work of the Parliament and engage the community; maintain Parliament House as a safe and accessible workplace and public building; provide services to building occupants and electorate offices to enable them to conduct their work; and provide services and facilities for visitors to Parliament House. 	Program objective: Plan, develop and deliver into service: <ul style="list-style-type: none"> a building works program; and an artworks conservation and development program. <p>This program supports the operation of Parliament into the future, while at the same time preserving the design integrity of the architecture, engineering systems, art and landscape that make up Parliament House.</p>
Key performance indicators: <ul style="list-style-type: none"> number of visitors; visitor satisfaction (target: 85 per cent satisfaction); building occupant satisfaction (target: 85 per cent satisfaction); and timeliness targets met in service delivery. 	Key performance indicators: <ul style="list-style-type: none"> Design Integrity Index (target: 90 per cent); Building Condition Index (target: 89–92 per cent); Landscape Condition Index (target: 90 per cent); and Engineering Systems Condition Index (target: 90 per cent).

Source: DPS Outcomes and Programs Framework 2014–15.

6.11 The KPIs for the Parliament House Works Program are relevant, reliable and enable an assessment of the effectiveness of the program. However, the KPIs for the Parliamentary Services Program do not fully assess the effectiveness of the program objective. For example, there is no KPI to

¹³² Deliverable indicators measure performance in producing and delivering goods and services. In previous years, DPS had a range of useful deliverable indicators, such as for energy, water and maintenance costs, and the percentage of planned maintenance achieved.

measure the effectiveness of DPS in ‘strategically [planning] to maintain and upgrade Parliament House’. For future PBS, DPS could consider revising this objective and integrating it with the Works Program objective, which covers building maintenance and upgrades.

6.12 To strengthen its PBS reporting, there would be value in the department including key deliverables and targets for both programs, particularly in respect of maintenance activities for the Works Program.¹³³ Additionally, considering that some 40 per cent of DPS expenditure is provided through contracts, there would also be value in DPS developing performance indicators to measure the effectiveness of contracted activities.

External reporting

6.13 External reporting of DPS performance is mainly through its annual reports. During the 2012 inquiry into the performance of DPS, SFPALC identified a number of deficiencies in the department’s annual reports, particularly in regard to the adequacy of performance information and its usefulness as an accountability mechanism for the Parliament. SFPALC recommended that DPS:

provide more accurate, meaningful and transparent information, including information about costs and construction projects undertaken in Parliament House, in its annual report.¹³⁴

6.14 In examining the *DPS Annual Report 2012–13*, the committee noted some improvement but still identified ‘further scope for improvement to provide for greater transparency and accountability’.¹³⁵

6.15 In the *DPS Annual Report 2013–14*, the department included results against the KPIs outlined in the PBS. In some instances the annual report also included commentary on why a certain result was achieved. However, for the most part, reporting in the annual report does not provide an indication of whether the reported results were as expected.¹³⁶ Accordingly, a more

133 For the Parliamentary Services Program, there would be benefit in DPS separately identifying the deliverables and KPIs of the programme. For example, DPS currently lists the number of visitors to Parliament House as a KPI, this is a deliverable, not a measure of effectiveness in meeting an objective (as required for it to be a KPI).

134 SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, p. 217.

135 SFPALC, *Review of Annual Reports*, March 2014, p. 13.

136 For example, the *DPS Annual Report 2013–14* describes some of the maintenance activities undertaken that year. However, there was no analysis to indicate if this was as expected/planned and sufficient for the department to maintain its assets.

comprehensive discussion of actual results against targets would be a useful inclusion, particularly where there is a significant variation.

Internal management reporting

6.16 DPS has an Executive Committee that it advised meets fortnightly. The committee's responsibilities include considering a monthly management report and monitoring the implementation of SFPALC inquiry recommendations and initiatives to 'transform' DPS. The management report covers all areas of the department, and includes information on the budget, emerging issues and progress in implementing key initiatives. While the accuracy and consistency of the information provided in the monthly reports progressively improved from early 2014, between February 2012 and September 2014 there was no reporting against key risks in any of the monthly reports.

6.17 In relation to building and asset management, the measures include the performance of initiatives in achieving agreed milestones. However, these measures focus on the delivery of significant projects (such as the BCAR and SAMP). Similarly, there are no measures related to maintenance activities, even though this is an area of significant activity for DPS. The processes of maintaining the building are automated through the maintenance management system, and there would be value in DPS including regular reporting on the outcomes of maintenance activities. For example, reporting on service level response times or the time taken to respond to scheduled, unscheduled and emergency maintenance.

6.18 Other than the monthly report provided to the DPS Executive Committee, no other internal reports were prepared for asset management. For contracting arrangements, a summary of procurement activity is provided to the DPS Executive each month. The procurement activity report provides information on the number of procurement activities undertaken (such as the number of contracts signed, the number of current tenders and the number completed) and the status of each procurement activity.

6.19 For contracting arrangements, which also involve a considerable portion of DPS' regular expenditure, there would be value in developing internal performance indicators on the effectiveness of contracting activities. Examples of performance measures for management reporting of contracts include:

- establishing benchmarks or targets for key steps in the procurement cycle such as the lead time from the date of a procurement request to the signing of a contract;
- the number and percentage of procurements that have used panel arrangements or standing offers. Such an analysis can highlight the benefit of establishing these arrangements and the extent of their use;
- the number, types and timeliness of variations. This could inform the extent to which the original procurement processes were unusual or insufficient. If options to extend are regularly enacted this may indicate that DPS may not be testing the market when perhaps it should;
- the number of contracts with the same contractor, and contracts for the supply of the same goods or services with different contractors. This data would inform future decisions regarding packaging of services and to obtain best overall value for money;
- the proportion of high, medium and low risk contracts, and variations to these contracts over time; and
- any issues or underperformance by contractors.

Recommendation No.6

6.20 To strengthen the monitoring and reporting framework, the ANAO recommends that the Department of Parliamentary Services:

- (a) aligns performance monitoring and reporting in key accountability documents, such as between the Portfolio Budget Statements and the department's corporate plan; and
- (b) develops and reports against appropriate performance measures for key activities such as asset and contract management.

DPS response: *Agreed.*

Implementing and monitoring SFPALC recommendations

6.21 As discussed previously, the DPS Executive Committee has a role in monitoring the implementation of SFPALC recommendations. This monitoring has been relatively recent, as progress reporting on the implementation of

SFPALC's recommendations only commenced in August 2013 (almost five months after the DPS response to the SFPALC recommendations was tabled in Parliament¹³⁷). Progress reports included action items, proposed implementation dates and a description or status report of progress against each recommendation. However, the significance or priority of each initiative and any outstanding actions for follow-up were not clearly discernible from the reports.

6.22 On 26 June 2014, a new inquiry into DPS was referred to SFPALC. The terms of reference for the inquiry included reviewing DPS' progress in implementing the recommendations from the previous inquiry. In response, DPS provided an update on its progress in implementing these recommendations. However, this update did not indicate the status of the implementation of each of the recommendations, and instead provided a detailed description of the activities that were taken against each recommendation.

6.23 With respect to the six recommendations relating to asset and contract management, the ANAO considers that, as at late 2014, DPS had fully implemented one recommendation, and had either partially implemented or was in the process of implementing the remainder (as outlined in Table 6.1).

137 In February 2013 DPS tabled a response that included an action plan to respond to each recommendation. The DPS response included actions and dates for delivery for 16 recommendations (all to be implemented throughout 2013). Of the remaining seven recommendations: two did not require specific action from DPS; three contained no dates for when actions would be delivered; and two had been completed.

Table 6.1: DPS' progress in implementing recommendations of the SFPALC Inquiry, as at late 2014

Recommendation	ANAO Assessment
Recommendation 14 DPS undertakes capability reviews in relation to design integrity, project management and technical areas including fire safety and engineering services.	In progress In February 2014 the Building Maintenance Division commenced an internal review of all resource capability. This included engaging consultants to review specific aspects of capability such as project management.
Recommendation 15 DPS undertakes an audit of fire safety in Parliament House and consider reviewing the standard of building documentation.	In progress Implementation of the recommendation is being conducted as part of the building condition assessment report and strategic asset management plan.
Recommendation 16 DPS provides more accurate, meaningful and transparent information, including about costs and construction projects undertaken in Parliament House, in its annual report.	Partially implemented DPS reviewed its project management methodologies and in September 2014 provided a revised process and supporting guidance. The <i>DPS Annual Report 2013–14</i> described four capital projects underway or completed in 2013–14. However, specific costs for these projects were not reported.
Recommendation 18 DPS ensures that all staff involved in contract development and management have relevant skills and receive appropriate training where necessary.	Partially implemented Only a small proportion of staff have attended formal training.
Recommendation 19 DPS reviews the way in which it develops and manages contracts.	Partially implemented DPS engaged a consultant in October 2013 to undertake a review of the way it develops and manages contracts. The report noted that there were considerable improvements to be made by DPS in managing contracts. This audit supports that assessment.
Recommendation 20 DPS considers approaching the Auditor-General to undertake an audit by arrangement of DPS contract development and management.	Implemented This audit examined DPS' contract development and management.

Source: SFPALC, *The Performance of the Department of Parliamentary Services*, November 2012, and ANAO analysis of DPS information.

6.24 While DPS had commenced a number of initiatives to address the SFPALC recommendations, in late 2014 a substantial amount of work was still required in both asset and contract management to embed proposed changes into the ongoing operations of the department.

Parliamentarian satisfaction with DPS services

6.25 As outlined in Chapter 1, DPS provides a range of services to support the work of Parliamentarians.¹³⁸ The ANAO and DPS conducted a joint survey in relation to DPS services to both inform the ANAO performance audit and assist the department to improve the services that it provides. The survey was conducted in September 2014. All 226 Parliamentarians were invited to participate in the survey and 33 responded—a response rate of 15 per cent.

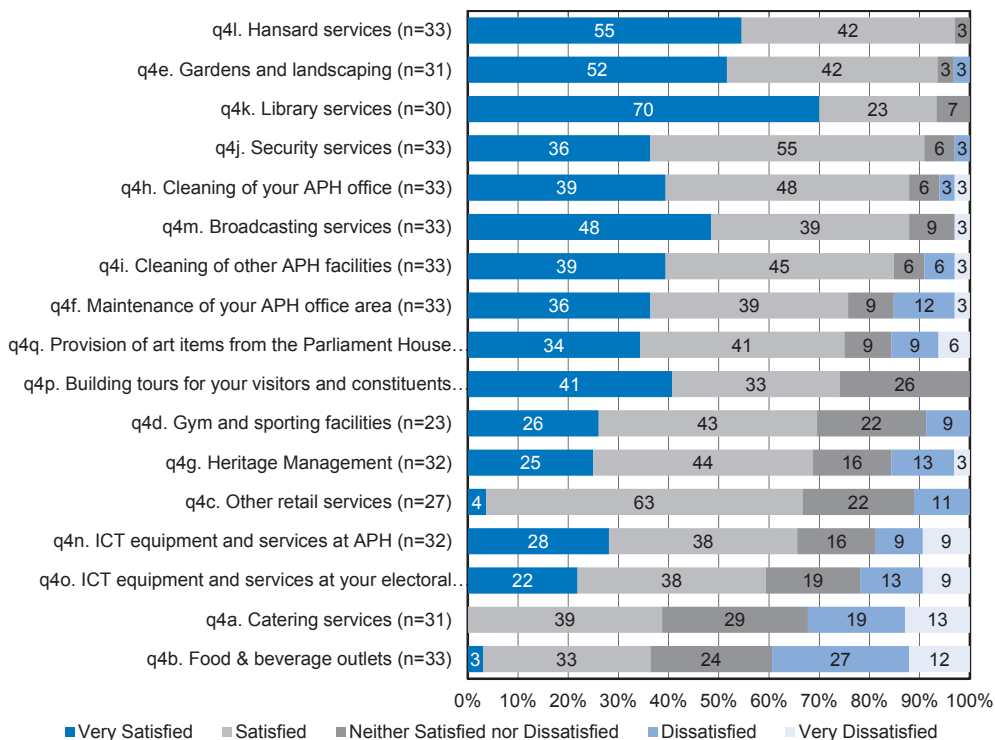
6.26 Consistent with the 2012 DPS customer survey, the 2014 survey found high levels of satisfaction with many of the services managed by DPS. Of those 33 parliamentarians who were able to respond to the survey, 73 per cent considered that DPS was effective or very effective in managing services at Parliament House. Three parliamentarians (9 per cent) considered that DPS was not effective in managing Parliament House services.

6.27 Most parliamentarians (85 per cent or more) who responded to the 2014 survey indicated that they were satisfied or very satisfied with: Hansard services; gardens and landscaping; library services; security services; the cleaning of their Parliament House office and other Parliament House facilities; and broadcasting services.

6.28 The concerns of the Parliamentarians not satisfied with the services provided related to: the quality of catering and food and beverage options at Parliament House; the Parliament House florist; the cleaning of windows and pathways; upholding the architectural and heritage standards of Parliament House; and the provision of Parliament House office bathroom supplies. Senators and Members reported similar overall DPS effectiveness ratings. Figure 6.2 shows the level of parliamentarian satisfaction with the various services managed by DPS.

138 These services include the delivery of ICT services at Parliament House and in electorate offices, building maintenance, library, Hansard and broadcasting, security, landscaping, retail services, art services and APH building tours.

Figure 6.2: Parliamentarian assessments of services managed by DPS, 2014



Source: ORIMA Research 2014.

Note: Rows may not add to 100 due to rounding.

6.29 Of particular note is that less than 40 per cent of responding parliamentarians were satisfied with catering and food and beverage outlets, with over 30 per cent reporting that they were dissatisfied. As this is consistent with results from the 2012 DPS customer survey, there would be value in DPS including a customer satisfaction KPI in future catering contracts.

Managing change in DPS

6.30 Over the last four years, DPS has been faced with a substantial change agenda, largely in response to SFPALC's reviews and inquiry recommendations. These recommendations were broad-reaching, encompassing aspects of the department's employment practices, management of items of heritage or cultural significance, development and management of contracts, and management of security and ICT at Parliament House. The current Secretary commenced in DPS in May 2012, during the SFPALC review. At that point, the process for responding to SFPALC was initiated.

6.31 In responding to SFPALC’s recommendations, DPS has also recruited other senior executives to key leadership roles (including in relation to asset and contract management), and undergone significant internal reorganisation. These reorganisations have been made to improve the alignment between DPS’ organisational structure, responsibilities and priorities, staff capabilities and workload. The establishment of a Building and Asset Maintenance Division in late 2013 aimed to ‘deliver holistic building support services and a strategic approach to asset management’. Shortly after establishing this division, DPS commenced several broad-ranging reviews of its operations, planning, capability, project delivery, methodology and governance. However, a number of these reviews have yet to be completed and recommended changes implemented.

6.32 While DPS was able to demonstrate useful components of a change strategy, for example: staff seminars; briefings; and management reporting, these fell short of a coordinated or comprehensive approach. Other ‘transformation’ initiatives included allocating identified actions to specific individual staff or areas of DPS and tracking progress through the monthly DPS executive report.

6.33 Considering the extent of change being generated by the response to the SFPALC inquiry, DPS would be expected, as part of its change management strategy, to assess business risks, and establish a detailed implementation plan (including deliverables and timelines), structured oversight arrangements and a communication strategy. Setting priorities for improving core administrative practices supporting asset and contract management (such as staff training, guidance material, ICT systems, record keeping, other work practices and management oversight) would also enable the department to better manage change, address issues as they arise and continue business as usual arrangements.

6.34 In many respects, the transitional nature of DPS and its demanding change agenda has challenged the administrative capability of the department as well as having a significant impact on staff morale and turnover. In 2013–14 there was relatively high staff turnover; with 150 employee separations (18.2 per cent of the workforce)—an increase from 112 in 2012–13 (13.5 per cent of the workforce).¹³⁹ Accordingly, more work is required to build cohesion and

139 DPS, *Annual Report 2013–14*, p. 144.

engagement between DPS management and staff over the longer term, to encourage constructive working relations within an environment of ongoing external scrutiny.

Conclusion

6.35 To support its management of Parliament House, DPS has a range of governance arrangements, including strategic planning, risk management and monitoring and reporting performance. There is scope, however, for the department to improve aspects of these arrangements, to better support asset and contract management. These improvements include aligning higher level planning and external reporting documents, finalising its strategic risk framework, and improving performance measures to enable the department to report externally and internally as to whether program objectives are being achieved.

6.36 Commencing in mid-2012, the Secretary of DPS introduced a process to 'transform' the department. Appointments to the new senior leadership team were made throughout 2012–13, and reviews of other functions and processes were commenced. However, the change agenda is still in the relatively early phases, and DPS has only partially implemented the SFPALC recommendations relating to asset and contract management. Further improvements will come from 'bedding down' initiatives and processes underway. There would also be benefit in improving core administrative processes and practices, and taking steps to build cohesion between DPS management and staff.

6.37 Notwithstanding opportunities for administrative improvements, the results from the joint ANAO/DPS survey indicate that Parliamentarians are largely satisfied with DPS' activities to support the operation of Parliament House.



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Auditor-General

Canberra ACT
26 February 2015

Appendices

Appendix 1: Timeline of Procurement of Photographic Works for the 25th Anniversary of Parliament House

1. During the Supplementary Budget Estimates hearing on 20 October 2014, SFPALC raised concerns about the procurement of the services of an artist to provide photographic works for the 25th anniversary of Parliament House. While the ANAO did not examine the specific procurement process for each contract in the audit sample, due to concerns raised by SFPALC, the decision-making process for commissioning the photographic works for the 25th anniversary of Parliament House was reviewed. The timeline of events, based on the evidence provided to the ANAO from DPS, is outlined below.

Date	Event
January 2013	DPS had internal discussions about the upcoming 25th anniversary of Parliament House and identified the possibility of including a photographic exhibition as part of the celebrations. The DPS Director of Art Services provided a draft brief to the DPS Secretary that included a list of nine possible artists, which would be further investigated and shortlisted. The list included Ms Anne Zahalka.
March 2013	After meeting with the Prime Minister's Office, DPS provided a brief to the Presiding Officers outlining the proposed activities for the 25th anniversary of Parliament House (which included photographic activities). The letter requested the Presiding Officers sign a letter to the Finance Minister requesting one-off funding of \$100 000 for DPS to meet the costs of the proposed anniversary. The letter was signed and sent to the Finance Minister. <i>ANAO comment:</i> DPS records did not include a response to this letter, however, the funding was made available.
18 April 2014	In an unsigned brief to the DPS Secretary, the DPS Director of Community Engagement indicated that the artist to undertake the photographic exhibition would be selected in consultation with curatorial staff of the National Portrait Gallery.
6 June 2013	The DPS Director of Events and Business Development sought internal procurement advice on using a limited tender to commission an artist for the photographic works. The Director was advised that, consistent with the Commonwealth Procurement Rules, a limited tender could be used for this purpose.
13 June 2013	A draft brief was provided to the Secretary identifying Anne Zahalka as the preferred artist for the project outlining her background and credentials for the commission. The brief noted that the artist had not yet been contacted, and identified three other potential artists (none of which were identified in the initial nine artists) if Ms Zahalka was not available. There was no explanation in this brief (or any other available documentation) of the rationale for DPS approaching only Ms Zahalka to tender for the work.

Date	Event
14 June 2013	The DPS Director of Events and Business Development contacted the DPS procurement team seeking advice on contacting the artist to determine availability for the required timeframes. DPS procurement advised that it was reasonable to contact the artist to ask her availability. The director made informal inquiries about the artist's availability and interest. The artist confirmed her availability and interest.
17 June 2013	DPS commenced drafting a contract with consideration given to the clauses to be included (for example reproduction rights, insurance and compliance with Work Health and Safety regulations). DPS requested examples from other national cultural institutes such as the National Portrait Gallery and the Museum of Australian Democracy.
4 July 2013	A brief/business case was approved by the Secretary for DPS staff to formally approach Anne Zahalka to discuss the project and a budget of \$30 000. The brief detailed the artist's background, her suitability for the project, a draft contract and a draft invitation letter. A letter was sent by the Acting Assistant Secretary inviting the artist to provide a proposal to undertake the commission.
17 July 2013	The artist provided a proposal for the project. Contract negotiations began. The artist raised issues in relation to intellectual property rights, especially in regards to reproduction.
13 August 2013	The Secretary approved entering into the contract with the artist and negotiating intellectual property clauses.
22 August 2013	The contract was signed by the Director of Events and Business Development, consistent with DPS delegations at the time.

Source: ANAO analysis of DPS documentation.

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