

**Report 10 of 2019**

Country health property maintenance





# Report of the Auditor-General

Report 10 of 2019

Country health property  
maintenance

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First Session, Fifty-Fourth Parliament

By authority: S. Smith, Government Printer, South Australia

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# **Auditor-General's Department**

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26 November 2019

The Hon A L McLachlan CSC MLC  
President  
Legislative Council  
Parliament House  
**ADELAIDE SA 5000**

The Hon V A Tarzia MP  
Speaker  
House of Assembly  
Parliament House  
**ADELAIDE SA 5000**

Dear President and Speaker

**Report of the Auditor-General:  
Report 10 of 2019 *Country health property maintenance***

As required by the *Public Finance and Audit Act 1987*, I present to each of you Report 10 of 2019 *Country health property maintenance*.

Under section 37(2) of the *Public Finance and Audit Act 1987*, I am required to:

- provide the Chief Executive Officer of the relevant public authority a draft of my proposed report; and
- afford the Chief Executive Officer a sufficient opportunity to reply in writing.

I provided a draft of my proposed report to each of the six Chief Executive Officers of the Regional LHNs and the responses received are included as appendix 3 of this report.

**Content of the Report**

Together with its staff, the assets used by each Regional Local Health Network (Regional LHNs) are critical to the delivery of safe and reliable services to the public at the required level.

Regional LHNs manage over \$821 million in property assets at 168 different sites across regional South Australia

Our review found that processes, practices, systems and arrangements established by the State to manage the maintenance of regional health property assets were not effective. We identified numerous gaps in fundamental areas including:

- clearly defined roles and responsibilities were not established and agreed with DPTI
- foundational strategies, policies and plans for asset management were not established
- fit-for-purpose information systems with complete and reliable asset data were not established
- maintenance budgets were based on the previous years' budget rather than the maintenance needs and priorities
- no effective certification that works by external contractors were completed to an appropriate standard, for actual work performed and for a reasonable price.

In line with the new governance arrangements, Regional LHNs need to take responsibility for their assets and work with the mandated facilities management service provider and Department for Health and Wellbeing to implement remedial strategies and actions. Further, Regional LHNs need to:

- consider how the new governance arrangements impact on the relationships and responsibilities of all parties involved
- establish effective processes for the six separate Regional LHNs to work together to collectively address remedial strategies and actions.

## **Acknowledgements**

The audit team for this report was Salv Bianco, Philip Rossi, Jodie Fitzgerald and Stephen Gladigau.

We appreciate the cooperation and assistance given by staff of the six Regional LHNs, the Department of Planning, Transport and Infrastructure and the Department for Health and Wellbeing during the review.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**

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# 1 Executive summary

## 1.1 Introduction

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We have completed a review of regional local health networks (regional LHNs) property assets. We examined whether the arrangements to manage the maintenance of those assets were effective.

Together with their staff, the assets used by regional LHNs are critical to delivering safe and reliable services to the public at the required level.

Regional LHNs manage over \$821 million in property assets at 168 different sites across regional South Australia.

Poor maintenance practices result in assets providing deteriorating levels of service, and increase the financial burden and risk of asset failures. It is therefore important that systems and processes are in place, and information available, to effectively manage and maintain these assets. This will ensure asset management and maintenance risks, and their impact on service delivery, are appropriately managed and there is proper use of public money.

Before 1 July 2019 the Country Health SA Local Health Network Incorporated (CHSA) was responsible for maintaining the State's portfolio of country health property assets. From 1 July 2019 CHSA's functions, obligations and responsibilities transferred to six new regional LHNs.

Our review started before these new governance arrangements were introduced and primarily focussed on the 2018-19 year. However, asset management processes and systems were largely transferred 'as is' so it is important that new regional LHNs consider our findings and recommendations in determining actions to meet:

- immediate asset management responsibilities
- longer-term asset needs and strategic direction.

Some maintenance services are provided to regional LHNs by other agencies, including mandated asset management services by the Department of Planning, Transport and Infrastructure (DPTI)<sup>1</sup> and support services by the Department for Health and Wellbeing (DHW). Although we did not do a detailed review of processes and practices at these agencies, we did assess how the arrangements were managed by CHSA and their impact on its maintenance activities as the asset owner.

The services provided by DPTI and DHW significantly impact the regional LHNs ability to effectively manage property assets and ensure proper use of public money. Consequently, there needs to be effective communication and collaboration and ongoing monitoring of those services to ensure each party's responsibilities are agreed and being met.

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<sup>1</sup> DPTI's facilities services division (DPTI-FS) provides facilities management services to regional LHNs as part of the Across Government Facilities Management Arrangements (AGFMA).

## 1.2 Conclusion

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We found that processes, practices, systems and arrangements established by the State to manage the maintenance of regional health property assets were not effective. We identified numerous gaps in fundamental areas including:

- clearly defined roles and responsibilities were not established and agreed with DPTI
- foundational strategies, policies and plans for asset management were not established
- fit-for-purpose information systems with complete and reliable asset data were not established
- maintenance budgets were based on the previous year's budget rather than maintenance needs and priorities
- no effective certification that works by external contractors were completed to an appropriate standard, and that payment was only made for actual work performed and for a reasonable price.

In line with the new governance arrangements, regional LHNs need to take responsibility for their assets and work with the mandated facilities management service provider and DHW to implement remedial strategies and actions. Further, regional LHNs need to:

- consider how the new governance arrangements impact the relationships and responsibilities of all parties involved
- establish effective processes for the six separate regional LHNs to work together to collectively address remedial strategies and actions.

It is important to note that while CHSA has participated in the current AGFMA since 2015, key processes and systems required to manage the maintenance of country health assets had not been established. Specific focus is required to address deficiencies in key areas as improvements will be difficult to achieve as part of day-to-day asset management operations. We believe improvements would be best achieved through a dedicated project approach, with appropriate collaboration and involvement from all stakeholders, including all six regional LHNs, DPTI and DHW. Ideally this would include:

- establishing a high-level steering committee
- establishing focussed working groups
- developing a project plan outlining an agreed approach, key actions and milestones with realistic time frames
- establishing detailed implementation plans
- clearly identifying resource requirements up front and resolving any funding issues
- conducting a skills gap analysis, including assessing the need for external expert assistance and advice
- monitoring and reporting on progress in implementing actions to address the deficiencies.

## 1.3 What we found

Review area	Findings
Strategic asset management (section 4)	<p>Asset service delivery standards, needs and expectations were not established.</p> <p>Asset policy, strategy and plans for maintaining property assets to describe how service delivery objectives are to be met were not established.</p>
Asset maintenance roles and responsibilities (section 5)	<p>Clear and agreed lines of responsibility were not established for property maintenance with the facilities management service provider (DPTI-FS).</p> <p>Policies and procedures were not established to inform staff how asset maintenance and management of the AGFMA should be carried out.</p>
Asset information (section 6)	<p>Robust, fit-for-purpose information systems containing complete and reliable asset data were not established.</p> <p>Deficiencies in CHSA's asset information included current asset condition information, technical asset and site information, lifecycle costs and replacement information. This limited CHSA's ability to monitor and understand its property assets and plan maintenance activities.</p> <p>Key maintenance functions such as site inspections and condition reporting were not provided by DPTI-FS.</p>
Developing annual maintenance plans and budgets (section 7)	<p>A defined program of works was established and implemented for preventative maintenance. However, due to deficiencies in asset data and the asset management planning process it was not aligned to a strategic asset management strategy.</p> <p>Maintenance budgets were based on the previous year's budget rather than maintenance needs and priorities, and maintenance expenditure in 2018-19 significantly exceeded budget.</p> <p>An ongoing process to identify deferred maintenance and strategies to address backlogs in maintenance works was not established. A robust system was not developed to document ongoing decisions on deferring maintenance, report the extent of deferred maintenance, assess the risks of deferring maintenance and develop mitigation strategies at an asset level.</p>
Monitoring asset maintenance and performance (section 8)	<p>Robust systems and process were not established to monitor the costs and quality of works completed in line with the planned maintenance work program.</p> <p>Performance measures to assess maintenance processes and outcomes were not established and there was no reporting to management on the implementation of preventative and replacement/refurbishment maintenance.</p>

Review area	Findings
Maintenance works represent value for money (section 9)	<p>CHSA as asset owner did not have access to the roles and responsibilities of the mandated facilities management service provider established in the Facilities Services Management Framework, preventing it from effectively monitoring maintenance services received.</p> <p>Certification processes for preventative maintenance performed by external contractors under the AGFMA did not allow for effective certification that works were completed to an appropriate standard, and that payment was only made for actual work performed and for a reasonable price.</p>
Other matters (section 10)	<p>There was no complete record distinguishing CHSA's maintenance responsibilities from those of the external maintenance service provider (Honeywell) at the Port Augusta Hospital.</p> <p>A transition plan had yet to be developed for transferring maintenance services at Mount Gambier Hospital from Honeywell to DPTI-FS.</p>

## 1.4 What we recommended

Implementing change and improvements is more complex when there are multiple organisations involved. It is therefore important that a dedicated project approach is adopted to address the deficiencies we identified.

Regional LHNs manage the State's regional health assets and need to work collaboratively with all relevant SA Government entities to properly protect the State's interest and exposure and deliver safe and reliable services.

We acknowledge that regional LHNs have limited financial resources to implement improvements. Therefore, they must continuously evaluate and prioritise known and emerging risks and implement short-term responses and long-term strategies to address them.

We made numerous detailed recommendations to the regional LHNs to address our findings. These are summarised below.

Review area	Recommendations
Strategic asset management (section 4)	<p>Define and document the levels of service required from property assets and use them to inform asset management and maintenance planning.</p> <p>Develop an asset management framework comprising an endorsed asset management policy, an asset management strategy that incorporates each LHN's asset management objectives and asset management plan(s).</p>



Review area	Recommendations
Asset maintenance roles and responsibilities (section 5)	<p>Agree the allocation of responsibilities for property maintenance with DPTI-FS.</p> <p>Develop and document policies and procedures for asset maintenance, including managing and monitoring the AGFMA.</p>
Asset information (section 6)	<p>Implement a project to resolve issues with the completeness and accuracy of asset information in the Strategic Asset Management Information System (SAMIS) including asset condition and lifecycle information. Once this is done implement controls to ensure asset information in SAMIS stays up to date, complete and accurate.</p> <p>Ensure DPTI-FS inspects all sites at least once every three years and prepares asset condition reports.</p>
Developing annual maintenance plans and budgets (section 7)	<p>Implement a strategic approach to maintenance planning by using key asset information to develop preventative maintenance plans.</p> <p>Develop maintenance budgets based on maintenance needs and priorities identified for the budget period.</p> <p>Investigate reasons for exceeding maintenance budgets to inform future budgets.</p> <p>Implement ongoing processes to identify deferred maintenance and address backlogs in maintenance works.</p>
Monitoring asset maintenance and performance (section 8)	<p>Work with DPTI-FS to improve reporting on the performance of preventative and replacement/refurbishment maintenance.</p> <p>Establish performance benchmarks/indicators to assess the suitability, adequacy and effectiveness of each LHN's property asset maintenance activities.</p> <p>Implement processes to capture, record and maintain asset performance information.</p> <p>Establish processes at all sites to monitor the implementation of preventative maintenance plans.</p>
Maintenance works represent value for money (section 9)	<p>Work with DPTI-FS to develop and implement documented service requirements and performance criteria that align with the roles, responsibilities and requirements assigned to DPTI-FS in the Facilities Management Service Framework.</p> <p>Implement robust processes to ensure all maintenance tasks are completed, that payment is only made for works/services performed and that the amount charged is reasonable for the works/services received.</p>

Review area	Recommendations
Other matters (section 10)	<p>The Flinders and Upper North LHN work with Honeywell to develop and agree a complete record of maintenance responsibilities at Port Augusta Hospital.</p> <p>The Limestone Coast LHN work with DPTI-FS to develop a transition plan for transferring maintenance services from Honeywell to DPTI-FS.</p>

## 1.5 Response to our recommendations

### 1.5.1 Response from the six regional LHNs

The Chief Executive Officers of the six regional LHNs responded to our review findings. Their responses were consistent, with some minor variances.

Five of the six regional LHNs advised that they welcomed our report and the platform it provides to plan their future asset management program. They acknowledged:

- that working through the recommendations will likely require additional resources
- the importance of working in partnership with DHW and DPTI to enable a coordinated approach to the recommendations.

We were advised that each regional LHN will work towards providing its own time frames for implementing actions to address our findings. They provided us with a template they will use to allocate responsibilities and time frames for implementing the detailed recommendations to each finding.

The regional LHNs provided the following high-level responses and comments. The comments provided are observations and representations made by the regional LHNs and have been summarised and edited for publication purposes but not otherwise modified.

#### Strategic asset management

Regional LHNs advised they currently do not have strategic asset managers and that these positions were identified as essential in the AGFMA transition. Further, they indicated that Metropolitan LHNs were provided with strategic asset managers that have proven to be essential for effectively managing, auditing and supporting the LHN within the AGFMA.

Regional LHNs will make it a priority to review strategic asset management resourcing in developing strategic asset management and plans, while addressing the opportunities and risks identified in this review.

Regional LHNs considered that establishing asset service delivery standards, needs and expectations is viewed as an opportunity to work collaboratively with DPTI-FS and DHW to develop a Provider – Customer Service Framework with associated policies and procedures to support a consistent approach to key performance indicators (KPIs) and expectations for asset service delivery standards.

Three regional LHNs advised that DHW has not developed or provided policies and procedures to support a consistent approach and expectations for asset service delivery standards.

In relation to establishing asset policies, strategies and plans that describe how the service delivery objectives will be met, the regional LHNs advised that they have local procedures in place (local preventative maintenance programs), but may need additional procedures depending on what is developed with DHW.

## Asset maintenance roles and responsibilities

Regional LHNs indicated they have stewardship for the management of assets and related risks for their sites and that it is evident from this review that the relationship needs to be clearly defined in a provider-customer relationship model.

Regional LHNs advised they were not provided with a signed AGFMA service level agreement between DHW and DPTI and that:

- without knowing the agreed key responsibilities of the parties involved and KPIs it has been difficult to evaluate the service provider's performance.
- this has resulted in the regional LHNs not being able to effectively discharge their asset maintenance responsibilities as asset owners.

Developing local policies and procedures on the operation of the AGFMA will be a priority for the regional LHNs and they indicated this will require access to the information in the AGFMA service level agreement to ensure relevance and accuracy. The regional LHNs consider this is critical given that they work under a hybrid service model, where maintenance responsibilities are shared depending on the level of work required (eg trades versus non-trades). They also noted that asset condition reports have not been provided to regional LHNs by DPTI-FS.

## Asset information

Regional LHNs advised that SAMIS has not been fully set up and utilised by DHW, with some users only recently receiving limited access to basic information and that they:

- will work with DHW to ensure the system's functionality is fully developed and used to record asset information
- will ensure that their asset maintenance procedures are updated to encompass the site's responsibilities for recording relevant asset information in SAMIS
- conduct regular audits to ensure the facilities management service provider is updating the information they are responsible for in the AGFMA agreement.

Regional LHNs also noted that this may require resources that are currently not available to them.

## Developing annual maintenance plans and budgets

Through CHSA, the regional LHNs identified the need for an increase in sustainable funding, resulting in additional funds being allocated over 10 years (the Asset Sustainment Fund). Further they indicated that:

- the economies of scale required over a significant number of small, ageing sites significantly affects the ability to manage and maintain sites
- this has made it difficult to set realistic budgets or programs that meet the requirements, resulting in LHNs being reactive rather than proactive in addressing infrastructure failures.

Regional LHNs also advised that one of the key drivers for entering into the AGFMA at its inception was to achieve savings that would have been reinvested in the assets and that costs for the DPTI-FS service have increased significantly every year since the transition to the AGFMA in 2015, with no savings achieved. They also commented that the increasing costs are often associated with travel and accommodation.

Regional LHNs indicated that local contractors in regional areas have not been able to meet or choose not to meet the prequalification requirements of DPTI-FS and that:

- this results in reduced local community support, contrary to the SA Government's agenda to support local regional businesses where possible
- these contractors are often sole operators and do not have the capacity to enter into the AGFMA as providers.

## Monitoring asset maintenance and performance

Regional LHNs advised that the standard and quality of reporting provided by DPTI-FS is insufficient for customers to effectively manage their business or understand the condition of their assets. They also indicated that:

- regional LHNs are aligned to DPTI-FS under the AGFMA agreement, while metropolitan LHNs are aligned to Spotless. Spotless has software that allows users to access information that is far more advanced, accessible and meaningful than that provided by DPTI-FS. This superior reporting enables the Spotless serviced LHNs to have better access to data and to receive more accurate and informative reporting to measure performance and trends
- for analysis and monitoring of breakdown maintenance, they understood that under the AGFMA, DPTI-FS would provide condition reporting and update SAMIS to meet this requirement and support each of the sites and regional LHNs. Unfortunately, this has not occurred. Without this information it is extremely difficult for LHNs to undertake analysis and planning.

## Maintenance works represent value for money

Regional LHNs commented that it appears that they are financially disadvantaged by being aligned to DPTI-FS under the AGFMA, compared to metropolitan LHNs aligned to Spotless who charge significantly lower management fees and has agreed KPIs to review against performance on a regular basis.

Regional LHNs also advised that costs for the DPTI-FS service have increased significantly every year since the transition to the AGFMA in 2015, with no savings achieved or measurable. Further they indicated that this was one of the key drivers for entering the AGFMA at its inception and a promised 15% reduction in contractor rates and 15% reduction in parts costs has not been realised.

Regional LHNs consider it will be vital to work within a provider-customer relationship to reset a best practice framework for the future. Regional LHNs also commented that they:

- have identified the short-term requirement for the AGFMA contract provided to each regional LHN Director of Corporate Services
- are accountable and need to manage the finite resources they have to effectively use public money.

They also noted that the next short-term requirement is for the regional LHNs to have visibility of the market testing and the purchase of goods to maximise available resources.

Regional LHNs also advised that employees in regional LHNs are not qualified to certify works and it is an expectation from regional LHNs that this would be undertaken by DPTI-FS and would be part of the significant fees regional LHNs pay for DPTI-FS being contracted to support the management of their assets.

## 1.5.2 Response from DPTI

DPTI advised that they will consider our observations from this review in their ongoing commitment to enhance AGFMA and to ensure that the program is delivering a safe and value-for-money service to SA Government agencies.

DPTI raised a number of concerns regarding the response and comments made by the regional LHNs on our review as summarised in section 1.5.1. DPTI's concerns are summarised in the following commentary.

### Development of annual maintenance plans and budgets

DPTI indicated the statement that 'costs for the DPTI-FS service have increased significantly every year since 2015 with no saving achieved' is an unsupported over-simplification and while it is correct that the total annual cost of DPTI-FS service may have increased, there are a number of potential contributing factors including:

- additional assets procured by the LHNs that require servicing
- additional maintenance activity may have been performed
- the need to reduce maintenance backlog
- increased maintenance requirements due to the age or condition of the assets
- changes to cost allocations and accounting treatments resulting from the transition to the AGFMA.

DPTI consider that an analysis of maintenance activity and spending over a number of years is needed to reach a definitive conclusion on savings.

DPTI also noted the following assertions made by the LHNs which they considered are not supported by evidence:

- 'increasing costs are often associated with travel and accommodation'. DPTI highlighted that a very high percentage of works completed by DPTI-FS is contracted to small or medium enterprises, many of who are local to the area where the works are carried out.
- 'local contractors in regional areas have not been able to meet or choose not to meet the prequalification requirements of DPTI-FS'. DPTI advised that prequalification requirements are an appropriate risk mitigation (for example requiring appropriate security clearances). While this may reduce the pool of potential contractors, DPTI finds it difficult to assert that the practice is inappropriate or contrary to the SA Government's agenda.
- 'reduction of local community support'. The significant majority of contractors used in regional areas are locally based.

## Monitoring asset maintenance and performance

DPTI advised that the statement made by regional LHNs that DPTI-FS is aligned to regional LHNs and metropolitan LHNs are aligned to Spotless is not correct as DPTI-FS also provide services to some metropolitan hospitals.

DPTI also noted:

- the regional LHNs' assertion that Spotless provides software that allows users to access information that is 'far more advanced, accessible and meaningful' is not supported by evidence
- while it is factually the case that Spotless uses different software, no evidence has been provided to support the assertion it provides additional system functionality.

## Maintenance works represent value for money

DPTI advised that statement made by the regional LHNs that they are financially disadvantaged because Spotless charge significantly lower management fees is an overstatement that is not supported by well-reasoned analysis, and that factors such as the following must be considered:

- the larger, more complex sites are in metropolitan areas, which are generally (but not always) managed by Spotless and as a result they are easier to support than smaller, more remote facilities in regional and remote areas
- due to their accessibility and their relative size, it is relatively more efficient and lower cost to support metropolitan facilities as compared to those in country areas
- metropolitan facilities are likely to have a larger direct cost base over which to spread management overhead costs compared to the cost base of country facilities.

DPTI also advised that:

- the regional LHNs assertion that 'costs for the DPTI-FS service have increased significantly every year since 2015' is again an over-simplification, for reasons stated above
- the statement 'a promised 15% reduction in contractor rates and 15% reduction in the cost of parts costs has not been realised' do not appear to be factually supported. DPTI is not aware of any undertaking or promise made of 15%. The SA Government's approval of the transition of SA Health into the AGFMA does not reference a 15% reduction.

### 1.5.3 Response from DHW

DHW advised that they currently provide state-wide leadership, policy direction, advice and guidance regarding property and asset maintenance across SA Health. The Infrastructure Division in DHW is committed to addressing relevant report findings that require its attention.

DHW advised that they consider the majority of the report findings are operational in nature and are for the direct attention of the regional LHNs. DHW Infrastructure Division and Risk and Assurance Services will play a role in ensuring the LHNs have a systematic plan to improve asset maintenance capability and performance. However, the ultimate responsibility to progress the majority of the recommendations to completion remains with the regional LHNs.

## 2 Background

### 2.1 Regional local health networks

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There are six regional LHNs established under section 29 of the *Health Care Act 2008*:

- Barossa Hills Fleurieu Local Health Network Incorporated (BHF)
- Eyre and Far North Local Health Network Incorporated (EFN)
- Flinders and Upper North Local Health Network Incorporated (FUN)
- Riverland Mallee Coorong Local Health Network Incorporated (RMC)
- Limestone Coast (formerly South East) Local Health Network Incorporated (SE)
- Yorke and Northern Local Health Network Incorporated (YN).

These regional LHNs cover a significant geographical area of the State, as shown in Appendix 1.

Each regional LHN is responsible for delivering health services to its region, including public acute care, residential aged care, community health and mental health services. Specific responsibilities of each LHN Board include:

- managing the delivery of local health services that are safe, high quality and efficient
- monitoring the quality of health services
- meeting performance measures in service agreements between LHNs and DHW
- contributing to and implementing system-wide plans issued by DHW
- maintaining land, buildings and assets controlled and managed by the LHN
- consulting with health professionals working in the health service and with health consumers and community members about the provision of health services
- cooperating with other providers of health services, including providers of primary health care, in planning for and providing health services.<sup>2</sup>

### 2.2 Change in governance arrangements

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The six regional LHNs started operation on 1 July 2019, replacing CHSA.

They were established within regional boundaries that were in place under CHSA.

Previously, CHSA regions were managed by a central corporate structure, with authority and accountability resting ultimately with the Chief Executive, DHW.<sup>3</sup> Each newly formed regional LHN now has its own governing board that is responsible for governance over local health service delivery.

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<sup>2</sup> SA Health Governance Reforms, viewed 23 September 2019, <<https://www.sahealth.sa.gov.au/GovernanceReforms>>.

<sup>3</sup> Department for Health and Wellbeing, Government of South Australia, *Changes to the governance of SA Health*, fact sheet.



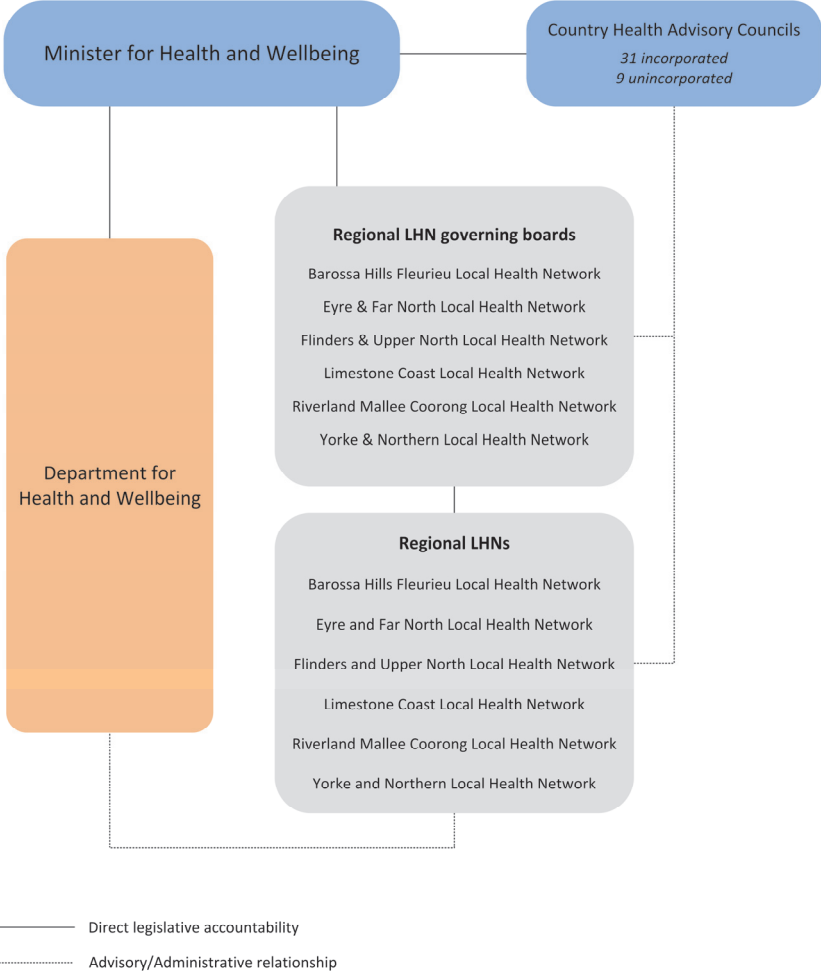
The Rural Support Service has been established and is hosted within the Barossa Hill Fleurieu LHN. Its role includes delivering specialised corporate functions that ensure all regional LHNs have equitable access to skills and expertise that may not be viable for individual LHNs.<sup>4</sup>

As part of the SA Health governance reforms, DHW is taking on a revised role, complementing and supporting the LHNs through high-level direction and performance management as well as supporting the Minister for Health and Wellbeing and Chief Executive DHW in exercising their responsibilities.<sup>5</sup>

## 2.3 Roles, responsibilities and relationships of health entities

Regional LHNs operate within the State health system. SA Health means the South Australian public health system, services and agencies comprising DHW, regional and metropolitan LHNs, the South Australian Ambulance Service and Statewide Clinical Support Services.

**Figure 2.1: Overview of LHN relationships in the State health system**



Source: Developed from information provided by the Governance Reform Unit, DHW.

<sup>4</sup> Country Health SA Local Health Network 2019, *Establishment of Regional Local Health Networks: Detailed Design Proposal, Consultation Paper*, January, p. 15.

<sup>5</sup> SA Health Governance Reforms, viewed 23 September 2019, <<https://www.sahealth.sa.gov.au/GovernanceReforms>>.

The Minister for Health and Wellbeing is responsible for ensuring that:

- the public health system meets the requirements of the South Australian community
- the LHN Governing Boards are operating effectively and in line with their legislative requirements.

DHW is responsible for setting the strategic directions of the health system and supports the LHNs through high-level direction and performance management.<sup>6</sup>

The LHN Governing Boards are responsible for local health service delivery by the LHNs, including governance of performance and budget achievement, clinical governance, safety and quality and risk management. LHN Chief Executive Officers are responsible for the day-to-day operations of the LHNs.<sup>7</sup>

Health Advisory Councils (HACs) were established under the *Health Care Act 2008* to ensure that strong links between communities and local health services are maintained. The HACs advocate for community interests and provide advice about health services from a community perspective. They also provide community raised funds for specific projects. There are 39 country HACs and an overarching Country Health SA LHN HAC.

Incorporated HACs can hold assets for the use of regional LHNs under terms or conditions determined and approved by the Minister. A large number of property assets in the country regions are owned by incorporated HACs, however day-to-day control and responsibility for the assets remains with the regional LHNs who use the assets to deliver services.

## 2.4 Regional local health networks' property portfolio

Regional LHNs manage \$821 million of property assets.<sup>8</sup> These property assets include hospitals and health centres, aged care facilities, retirement villages and other residential properties. Figure 2.2 shows the number of sites for each CHSA region.

**Figure 2.2: Number of sites within each CHSA region**

	Hospitals Number	Aged care facilities/ retirement villages Number	Community health centres Number	Residences and other Number	Total Number
Barossa Hills Fleurieu	11	1	1	4	17
Eyre and Far North	11	5	6	17	39
Flinders and Upper North	5	1	3	12	21
South East	6	-	1	4	11

<sup>6</sup> Department for Health and Wellbeing, Government of South Australia, *Changes to Health System Governance – SA Health system roles and responsibilities*, fact sheet, updated June 2019.

<sup>7</sup> Department for Health and Wellbeing, Government of South Australia, *Changes to Health System Governance – Role of Local Health Network Governing Boards*, fact sheet, updated June 2019.

<sup>8</sup> Property value sourced from CHSA's financial statements for the year ended 30 June 2019. This does not include the value of plant and equipment.

	Hospitals Number	Aged care facilities/ retirement villages Number	Community health centres Number	Residences and other Number	Total Number
Riverland Mallee Coorong	12	4	5	14	35
Yorke and Northern	17	6	5	17	45
Total	62	17	21	68	168

Source: Audit analysis of CHSA property information in SAMIS.

Note that some aged care facilities, community health centres and residences form part of a hospital site and are not separately reported in figure 2.2.

## 2.5 Asset management and maintenance principles

### 2.5.1 Asset management defined

Asset management is defined as ‘the coordinated activity of an organisation to achieve value from assets’.<sup>9</sup>

It is the practice of organising, planning, designing and controlling the acquisition, care, refurbishment and disposal of assets to support the delivery of services.

The aim of asset management is to optimise an asset’s performance over its lifecycle, while managing risks and costs.

### 2.5.2 Asset management standards and frameworks

#### Asset management standards

Standards Australia has issued three standards on asset management:

- AS ISO 55000: 2014 *Asset Management – Overview, principles and terminology*
- AS ISO 55001: 2014 *Asset Management – Management Systems – Requirements*
- AS ISO 55002: 2019 *Asset Management – Management Systems – Guidelines for application of ISO 55001*.

These standards outline recognised best practice to effectively manage assets over their lifecycle.

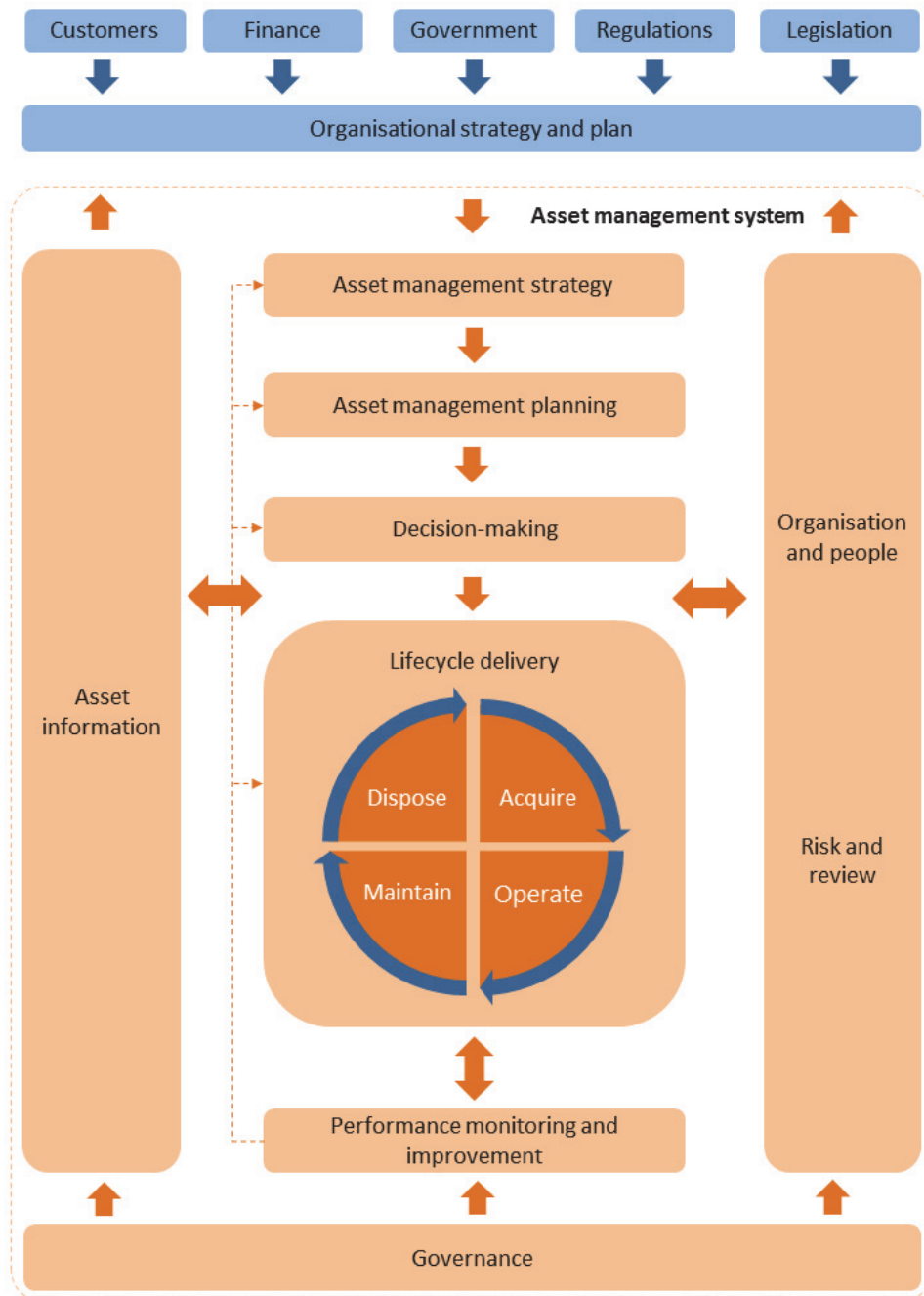
#### DPTI’s strategic asset management framework

DPTI’s Strategic Asset Management Framework – *A Guide for Managing South Australian Government Buildings* (SAMF) outlines how building assets should be managed across their lifecycle to support service delivery objectives. It aligns with the asset management standards.

<sup>9</sup> Australian Standard ISO 55000:2014 *Asset management – Overview, principles and terminology*.

Figure 2.3 outlines the SAMF.

**Figure 2.3: Strategic Asset Management Framework**



Source: SAMF, DPTI, page 16, February 2017.

### Concept of asset lifecycle

A key asset management concept is the asset lifecycle delivery. Optimising asset performance while managing risks and costs requires the effective management of the lifecycle delivery phase of an asset. As shown in figure 2.3, the lifecycle delivery phase comprises:

- acquire

- operate
- maintain
- dispose.

Most asset related expenditure is incurred in the lifecycle delivery phase. Therefore, asset owners must effectively manage these activities and any associated risks.

### 2.5.3 Maintenance defined

Maintenance is defined as the actions necessary to sustain and repair assets to ensure they are in a suitable condition for use.

### 2.5.4 Why maintenance is important

Maintenance is a critical activity in the lifecycle of an asset. Poor maintenance practices result in:

- assets providing deteriorating levels of service and/or loss of asset service functionality, impacting the asset owner’s ability to deliver services
- reduced asset useful lives
- health and safety and compliance risks from deteriorating assets
- increased costs from asset failures.

Ultimately, if regional LHNs do not effectively maintain their assets there is an increased risk that they will not be able to deliver health services at the level that the public requires and expects.

### 2.5.5 Types of maintenance

Maintenance can be both planned and unplanned. Figure 2.4 outlines the different types of maintenance defined in the AGFMA.

**Figure 2.4: Types of maintenance**

Category	Sub-category	Maintenance definition
Planned maintenance	Preventative maintenance	<p>Preventative maintenance is planned maintenance to prevent premature asset failure through systematic inspection, monitoring and servicing. Preventative maintenance includes:</p> <ul style="list-style-type: none"> <li>• maintenance to ensure an asset continues to deliver the required service levels over its useful life</li> <li>• testing to confirm the correct operation of assets</li> <li>• maintenance to meet statutory, accreditation and warranty requirements.</li> </ul>

Category	Sub-category	Maintenance definition
	Replacement/Refurbishment maintenance	Replacement/Refurbishment maintenance is the replacement or refurbishment of building fabric <sup>10</sup> or plant and equipment as part of a planned program.  Planned replacement/refurbishment maintenance comprises works costing \$5000 or more but less than \$1 million.
Unplanned maintenance	Breakdown maintenance	Breakdown maintenance is repairs to failed facilities, plant and equipment.
	Replacement/Refurbishment maintenance	Replacement/Refurbishment maintenance is the replacement or refurbishment of building fabric or plant and equipment that is not part of a planned program.  The value of unplanned replacement/refurbishment maintenance is less than \$5000.

Source: Audit summary from DPTI's *Facilities Management Services Arrangements – Agency Work Procedure Manual*.

## 2.6 Across Government Facilities Management Arrangements

Regional LHNs participate in the AGFMA implemented by the SA Government. Each CHSA region separately transitioned to the AGFMA. All regions were participating in it by 2015, when the current arrangements were approved by the SA Government. Prior to participating in the AGFMA, CHSA managed its own asset maintenance using internal staff.

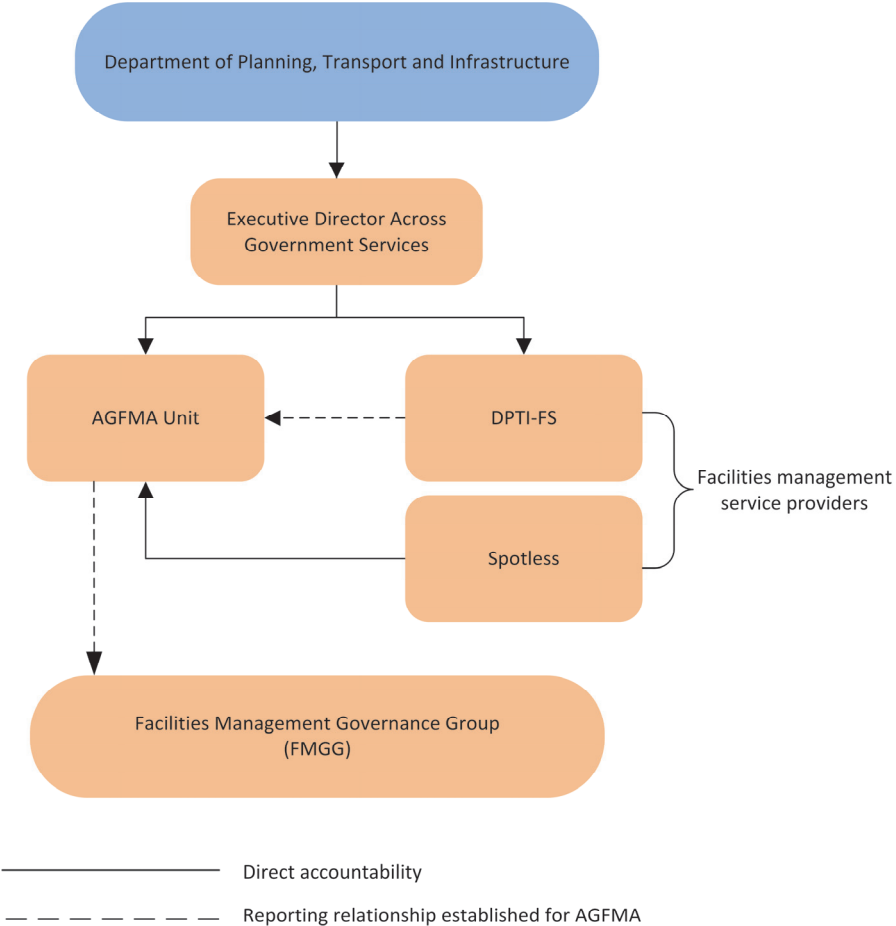
The objectives of the AGFMA are to:

- provide facilities management services in the most effective and cost-efficient manner, ensuring that the SA Government receives value for money
- ensure consistency in maintenance standards
- effectively manage the lifecycle of the SA Government's building assets to support service delivery, extend their useful life, achieve ecological sustainability and meet all work health and safety requirements within allocated funds
- provide an effective ICT framework that enables efficient administration of work and allows data capture required for efficient resource and asset management
- retain facilities management services capability within the SA Government to provide a capacity for benchmarking.

<sup>10</sup> Building fabric refers to the structural materials that enclose the interior of a building and broadly comprises the roof, floors slabs, external walls, windows and doors.

### 2.6.1 Key participants in the AGFMA

Figure 2.5: Management structure and reporting relationships for AGFMA



Source: Audit analysis of roles and responsibilities.

#### AGFMA Unit

DPTI’s AGFMA Unit administers the AGFMA. It has a role in monitoring the facilities management service providers and provides administrative support to the Facilities Management Governance Group (FMGG) in fulfilling its governance responsibilities. The services provided to agencies participating in the AGFMA are described in the Service Level Guidelines between the agency and DPTI. These include:

- ensuring the facilities management service providers deliver value-for-money services by providing performance reports and administering performance targets
- auditing works and services undertaken by the facilities management service providers and overseeing independent audits
- regularly reviewing the facilities management services arrangements with input from participating agencies
- FAMIS system support.

A fee is charged to client agencies based on the total volume of maintenance work processed through the AGFMA.

## Facilities management service providers

Facilities management services are provided by two facilities management service providers:

- DPTI-Facilities Services (DPTI-FS), which provides services to CHSA (and now the regional LHNs)
- Spotless Services Pty Ltd (Spotless), contracted by DPTI to provide services to designated regions of the State.

Spotless must deliver services in line with the facilities management service contract it has entered into with the Minister for Transport and Infrastructure. DPTI-FS must deliver services in line with a facilities management framework established by DPTI.

The facilities management service providers help agencies with a range of services to ensure the day-to-day operations and long-term requirements for managing assets are maintained.

The different types of maintenance works provided under the AGFMA are explained in section 2.5.5.

The facilities management service providers also give expert technical and design advice related to facilities management and projects and maintain a subcontractor workforce that meets established requirements.<sup>11</sup>

A service fee is charged to CHSA by DPTI-FS.

## Facilities Management Governance Group

The FMGG was established as the governance group for the AGFMA. Its purpose includes overseeing:

- AGFMA services and outcomes
- the financial and technical performance of the facilities management service providers.

In addition, the terms of reference state that the FMGG's purpose includes ensuring value for money is achieved in the provision of facilities management services, including developing incentives and mechanisms for the facilities management service providers to reduce costs to AGFMA participating agencies.

Members of the FMGG are senior officers from the participating agencies.

## Participating agencies

There are over 30 SA Government agencies participating in the AGFMA including CHSA (and now the regional LHNs). They are responsible for managing their assets to deliver services

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<sup>11</sup> Facilities Management Services Arrangements: Service Level Guidelines, between SA Health and DPTI for the period July 2015 – June 2024, prepared by DPTI's AGFMA Unit.



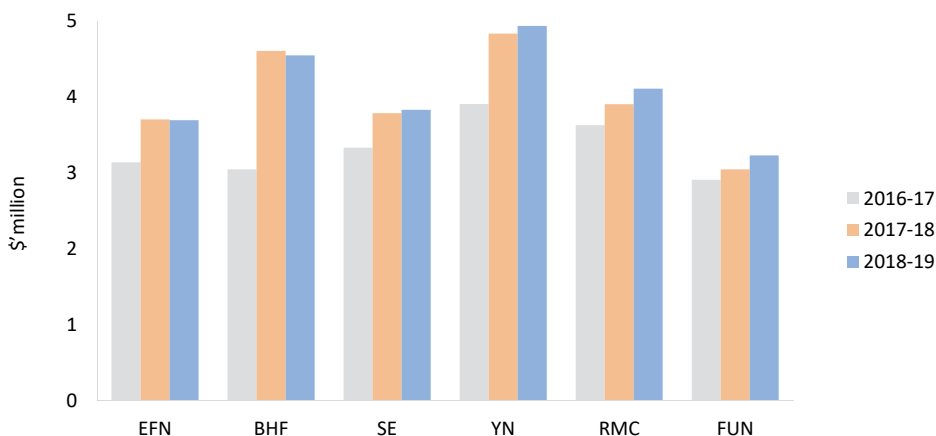
effectively. Agency responsibilities include:<sup>12</sup>

- specifying their service needs and requirements
- working with the facilities management service provider to finalise the annual works program and advise allocations within the agency's annual budget
- issuing work requests
- verifying that work has been carried out in line with requirements and approving the facilities management service provider's claims for payment
- advising DPTI of any changes to designated locations.

## 2.7 Maintenance costs for CHSA regions

Figure 2.6 shows the maintenance costs for each CHSA region for the three years to 30 June 2019. These costs are supplies and services only and exclude salaries and on-costs for in-house maintenance staff.

**Figure 2.6: Maintenance costs for CHSA regions for the three years to 30 June 2019**



Source: Audit analysis of maintenance costs. Data provided by the Rural Support Service.

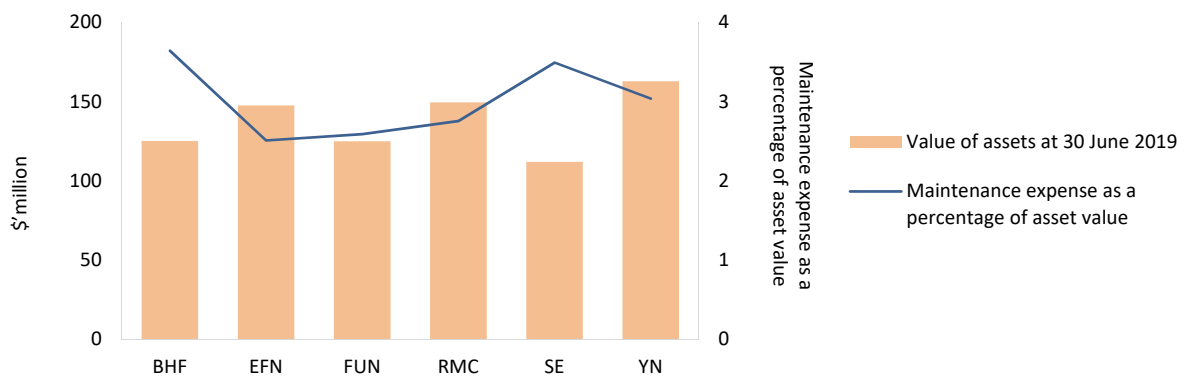
Maintenance costs have increased across the three years for all regions. Maintenance costs for all regions rose from \$20 million in 2016-17 to \$24 million in 2018-19.

Figure 2.7 shows the value of assets for each CHSA region and the maintenance expenditure for 2018-19 as a percentage of the asset value. Maintenance expenditure for each region is not directly proportional to the value of the assets in the region. There are a number of factors that may affect maintenance expenditure on each region's assets, including:

- age and condition of the assets
- location and environmental factors
- the level of use of the asset.

<sup>12</sup> Responsibilities outlined in the Facilities Management Services Arrangements 1 July 2015 to 30 June 2024, viewed 21 October 2019, <[https://www.dpti.sa.gov.au/facilities\\_management](https://www.dpti.sa.gov.au/facilities_management)>.

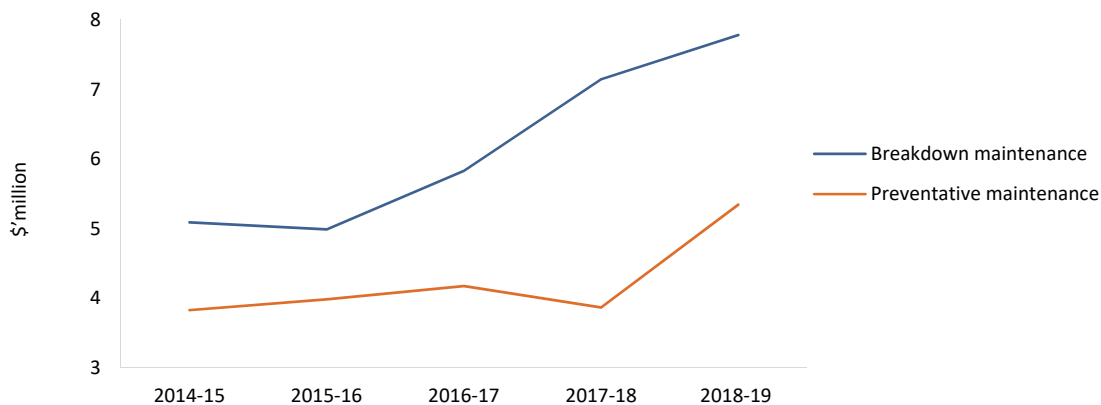
**Figure 2.7: CHSA regions' maintenance expenditure as a percentage of the property assets in the region**



Source: Audit analysis of property assets and maintenance expenditure. Maintenance expenditure is supplies and services only and was provided by the Rural Support Service. Asset values sourced from the DHW fixed asset register.

As discussed in section 2.5.5 there are different types of maintenance, including preventative maintenance and breakdown maintenance. Figure 2.8 shows that CHSA's breakdown maintenance costs exceed preventative maintenance costs for each of the five years from 2014-15 to 2018-19. It also shows that breakdown maintenance increased by nearly \$2 million from 2015-16 to 2017-18 while preventative maintenance expenditure remained relatively consistent from 2014-15 to 2017-18. There was a significant increase in preventative maintenance expense from 2017-18 to 2018-19 due to more preventative maintenance jobs performed in 2018-19 and an increase in maintenance job expenditure recorded in FAMIS. Regional LHNs also advised that there were delays in being billed for 2017-18 maintenance jobs, resulting in some being paid in 2018-19.

**Figure 2.8: CHSA preventative and breakdown maintenance cost for the five years to 30 June 2019**



Source: Audit analysis of supplies and services general ledger data provided by the Rural Support Service.

## 2.8 Asset Sustainment Funding

The 2018-19 State Budget included \$140 million over 10 years for CHSA sustainment and compliance investment. This was to address the backlog in capital works requirements in country hospitals and health infrastructure.<sup>13</sup>

<sup>13</sup> 2018-19 State Budget, Budget Paper 1 *Budget Overview*, p. 11.

The condition of regional LHNs' hospitals, aged care facilities and other building infrastructure has deteriorated over the years as annual maintenance funding was insufficient to meet the demand for sustainment and compliance upgrade works.<sup>14</sup>

The expected benefits from the Asset Sustainment Funding include:

- reducing backlog maintenance resulting in improved asset condition and reduced breakdown maintenance
- retaining aged care accreditation status and Commonwealth aged care revenue
- improved facilities and accommodation resulting in increased satisfaction for rural residents.<sup>15</sup>

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<sup>14</sup> Potential budget measures 'Country Health SA sustainment and compliance critical risk issues program'. Internal document prepared by DHW.

<sup>15</sup> *ibid.*

## 3 Audit mandate, objective and scope

### 3.1 Our mandate

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The Auditor-General has authority to conduct this review under section 31(2) of the *Public Finance and Audit Act 1987*.

### 3.2 Our objective

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We assessed whether CHSA effectively managed the maintenance of its property assets<sup>16</sup> to enable it to meet its service delivery requirements to the public.

Our review started before new governance arrangements for CHSA were introduced and primarily focussed on CHSA's management of its maintenance function in 2018-19.

### 3.3 What we reviewed and how

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We assessed whether CHSA had:

- established clear lines of responsibility and accountability for property maintenance within CHSA and with:
  - DHW
  - the HACs
  - DPTI
- established asset service delivery standards, needs and expectations
- documented strategies, policies and plans for maintaining its property assets to meet its service delivery objectives
- adequate systems in place to understand and monitor its asset portfolio, including the nature and condition of these assets
- a defined program of works for maintaining its property assets consistent with its asset management strategy
- identified the financial resources needed to maintain its property assets to the standard required to achieve its service delivery objectives
- established systems and processes to manage the maintenance work program and monitor its outcomes
- established processes to monitor, review and understand breakdown maintenance
- identified and managed deferred maintenance

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<sup>16</sup> For the purposes of our review property assets include buildings and building fixtures, plant and equipment forming the building fabric.

- established processes to ensure the maintenance function provided by DPTI-FS (under the AGFMA) is properly managed, including ensuring maintenance works represent value for money. Value for money, for the purposes of this review, focussed on whether maintenance works were completed to an appropriate standard and provided at competitive prices.

Our assessment considered the performance of the CHSA maintenance function against the following authoritative frameworks:

- DPTI's SAMF
- Premier and Cabinet Circular 114 *Government Real Property Management* (PC 114)
- Australian Standards on asset management (AS ISO 55000, AS ISO 55001, AS ISO 55002).

Our review involved relating with the CHSA Infrastructure Team, CHSA regional Corporate Services Managers and representatives from DHW Infrastructure, DPTI-FS and DPTI's AGFMA Unit.

We also visited all six CHSA regions and met with facility officers at 14 sites across those regions. The sites sampled and visited are detailed in Appendix 2.

### 3.4 What we did not review

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Our review was limited to the areas outlined in section 3.3. We did not review:

- DPTI's management of the AGFMA
- the management and implementation of the CHSA sustainment and compliance program
- maintenance of CHSA's biomedical equipment and moveable plant and equipment
- the management of property services and small construction works procured by CHSA under the AGFMA
- transaction controls and payments to DPTI under the AGFMA.

## 4 Strategic asset management

### What we found

CHSA had not developed a strategic approach to its asset management and maintenance activities that was consistent with the Australian Standards on asset management.

Levels of service CHSA required from its property assets were not defined and documented.

CHSA did not have an asset management framework for its assets incorporating an endorsed asset management policy, strategy and plan(s).

A long-term (strategic) maintenance plan was not developed and CHSA did not maintain a register of risks specific to its maintenance activities, sites and assets, including specific mitigation strategies.

### What we recommended

Regional LHNs should:

- define and document the levels of service they require from their property assets and use the service levels to inform their asset management and maintenance planning
- develop an asset management framework comprising an endorsed asset management policy, asset management strategy (which incorporates their asset management objectives) and asset management plan(s)
- implement a longer-term approach to maintenance planning by developing long-term (strategic) maintenance plans
- review risk management processes to ensure specific risks with their asset maintenance functions are identified, recorded, assessed and mitigated. They should also ensure treatments for significant risks are monitored by management and governance groups.

## 4.1 Introduction

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### 4.1.1 Key elements of an effective asset management framework

The SAMF outlines how building assets should be managed across their lifecycle to support service delivery objectives. It states that an agency should have an asset management framework that includes:

- an asset management policy
- an asset management strategy and objectives
- an asset management plan(s).

Implementing an effective asset management framework and practice has several benefits which include:

- services being delivered more efficiently and at better value by ensuring assets are appropriately planned, built, acquired, used, maintained and exited from or disposed of
- improved financial performance and lower lifecycle costs
- improved understanding and management of assets and business risks
- improvements and consistency in decision-making.<sup>17</sup>

#### 4.1.2 Levels of service

Levels of service are the key business drivers and influence asset management decisions. They describe the outputs the agency intends to deliver to its customers and stakeholders and typically relate to service attributes such as:

- physical condition (quality)
- quantity
- safety
- capacity or utilisation
- suitability for function/intended purpose
- aesthetics
- reliability
- responsiveness
- cost.

Some common levels of service for health building assets may include:

- buildings meet required condition standards and are free from hazards and defects
- building assets meet specific operational requirements. For example; response times, operating temperatures and minimum performance requirements
- building asset components are to be replaced after specified time frames or period of use to ensure the building continues to be fit for purpose.

Well defined levels of service can be used to develop asset management strategies. Understanding the level of service an agency requires from its assets will help to determine the types of assets it needs, how often and the level at which they need to be maintained, and when they will be renewed and replaced.

## 4.2 Audit approach

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We assessed whether CHSA had developed and implemented policies, strategies and plans for maintaining its property assets to enable it to meet its service delivery standards, needs and expectations.

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<sup>17</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide for Managing South Australian Government Buildings*, 1 February p. 12.

We considered the best practice outlined in the Australian Standards on asset management, the SAMF and PC 114 requirements.

## 4.3 Findings

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### 4.3.1 Service levels required by CHSA from its property assets have not been defined and documented

#### Recommendation

Regional LHNs should define and document the levels of service they require from their property assets, which should be used to inform their asset management and maintenance planning.

#### Finding

We found CHSA had not defined and documented the levels of service it requires from its property assets.

CHSA holds its property assets to enable it to provide current and future health services to the community. To effectively manage and maintain those assets CHSA needs to determine the:

- levels of service it intends to provide currently and in the future
- assets needed to provide the specified levels of service now and in the future
- condition assets need to be in to meet the specified levels of service.<sup>18</sup>

The importance of defining and documenting levels of service was highlighted by Audit New Zealand, which stated:

*For planning to be well informed, service levels need to be clearly expressed. They should cover technical standards and levels of performance as well as customer expectations of service delivery.*<sup>19</sup>

We also noted that the asset management information system used by CHSA (SAMIS) has the functionality to record information on:

- levels of service
- service delivery strategies and priorities to address any gap between current and required levels of service.

Without defining the levels of service required from its property assets, CHSA may be uncertain about the level its property assets need to be maintained at. This may result in assets not being maintained to the required level, impacting on service delivery capacity and quality.

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<sup>18</sup> The Audit Office of New South Wales 2005, *Performance Audit – Implementing Asset Management Reforms*, October, p. 11.

<sup>19</sup> Audit New Zealand 2017, *Asset management and long-term planning: learnings from audit findings 2015 to 2017*, March, p. 77.



### 4.3.2 CHSA did not have an approved asset management policy

#### Recommendation

Regional LHNs should assess whether the draft SA Health asset management policy adequately reflects their objectives and approach to managing their asset portfolio. If it does, they should formally endorse it as their asset management policy. If not, they should develop their own tailored asset management policy.

#### Finding

We found CHSA did not have a documented asset management policy.

The SAMF states 'An agency should have an asset management policy that reflects the agency's objectives and approach to the management of their asset portfolio'.<sup>20</sup>

We noted DHW has drafted an asset management policy for SA Health. However, it had not been approved and issued to CHSA.

An asset management policy is a key mechanism for executive management to communicate its commitment and priorities for asset management.

### 4.3.3 CHSA had not defined its asset management objectives

#### Recommendation

Regional LHNs should develop and document asset management objectives that capture the outcome or performance they require from their property assets to deliver their organisation's objectives.

#### Finding

We found CHSA had not defined and documented its asset management objectives.

Australian Standard ISO 55001:2014 states 'The organisation shall establish asset management objectives at relevant functions and levels'.

We noted DHW developed draft strategic asset management objectives for SA Health. However, CHSA had not defined and documented its own asset management objectives based on:

- its strategic documents and influences affecting its future direction
- consultation with CHSA's key stakeholders including its local community
- recent developments and/or existing ongoing projects affecting CHSA.

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<sup>20</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide for Managing South Australian Government Buildings*, 1 February, p. 20.

Asset management objectives capture the outcome or performance required from assets to deliver organisational objectives. Developing and documenting asset management objectives is an important part of asset management planning, driving development of the asset management plan(s). The asset management plan(s) identifies the activities, actions and resources required to achieve the asset management objectives and therefore organisational objectives.

#### 4.3.4 CHSA had not developed an asset management strategy for its property assets

##### Recommendation

Regional LHNs should develop and document an asset management strategy for their property assets. The strategy should:

- outline the regional LHN's asset management objectives and map them to organisational objectives
- detail the regional LHN's property assets, the performance required from these assets and the level at which the assets should be maintained
- forecast future service delivery needs and the capacity of the regional LHN's property assets to meet those needs
- identify assets that are critical to the regional LHN's operations and outline risk management strategies for these assets
- identify actions required to improve asset management capability including resources and time frames
- establish systems for asset performance measurement.<sup>21</sup>

The asset management strategy should be approved by those charged with governance of the regional LHN.

##### Finding

We found CHSA had not developed and documented an asset management strategy for its property assets.

An asset management strategy details the organisation's strategic plan for the management of its asset portfolio to deliver required levels of service to support the achievement of organisational/corporate objectives. Developing an asset strategy helps the organisation to:

- understand the costs of maintaining its property assets and identify the most cost-effective solutions for managing its property assets
- ensure long-term sustainability in delivering the required levels of service from its property assets.

PC 114 requires agencies to prepare an asset management strategy for their property assets (referred to as a land and built asset strategy).

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<sup>21</sup> Our recommendation considers best practice criteria for asset management strategy detailed in the Local Government Victoria 2015, *Local Government Asset Management Better Practice Guide*.

#### 4.3.5 CHSA had not developed and documented asset management plans for its property assets

##### Recommendation

Regional LHNs should develop and document asset management plans for their property assets. These plans should:

- set agreed levels and standards of service for each asset class/significant asset
- describe the current condition of assets
- contain demand forecasts and long-term cash flow projections for various types of costs such as maintenance, renewal, upgrade and replacement
- include lifecycle management plans (ie maintenance, renewal, disposal)
- incorporate risk management strategies
- explain how performance of the plan will be monitored
- provide for periodic review.<sup>22</sup>

##### Finding

We found that CHSA had not developed and documented an asset management plan(s) for its property assets.

An asset management plan is important as it details the activities/actions and resources, responsibilities and time scales, and risks to assets achieving the agreed levels of service in the most cost-effective manner.

Australian Standard ISO 55001:2014 states 'The organisation shall establish, document and maintain asset management plan(s) to achieve asset management objectives'.

Without an asset management plan(s) the asset owner may not fully understand the activities/actions and resources required to ensure its property assets provide the required level of service in the most cost-effective manner. As a result, actions/activities required to maintain/renew/replace assets may not occur or may not be timely, resulting in assets not providing the required level of service.

#### 4.3.6 CHSA had not developed long-term (strategic) maintenance plans for its property assets

##### Recommendation

Regional LHNs should implement a longer-term approach to maintenance planning by developing long-term (strategic) maintenance plans. These plans should define:

- the level and frequency of maintenance required based on service delivery objectives and priorities, and condition assessments

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<sup>22</sup> Our recommendation considers the best practice criteria for asset management plans detailed in the Victorian Auditor-General's Report 2013–14:22 *Asset Management and Maintenance by Councils*, February 2014.

- maintenance roles and responsibilities
- maintenance deliverables and timetables
- asset technical specifications
- performance and monitoring mechanisms
- the forecast costs of implementing the maintenance program and the funding sources.

## Finding

We found CHSA had not developed long-term strategic maintenance plans to support effective management of its building assets across their lifecycles.

CHSA, in conjunction with its facilities management service provider, developed annual preventative maintenance plans for each site. However, these plans did not:

- address required replacement/refurbishment maintenance
- extend beyond the current financial year.

Longer term maintenance planning is important to enable an asset owner to understand the immediate, medium and long-term maintenance requirements of its building portfolio. This will help it to:

- forecast and prioritise maintenance requirements
- understand how its maintenance needs will be achieved through planned maintenance and renewals
- forecast the costs of its future maintenance needs and identify funding sources.

PC 114 requires agencies to develop a maintenance plan (referred to as a land and built asset maintenance plan).

### 4.3.7 Risks to CHSA's maintenance function were not identified and included in regional risk registers

## Recommendation

Regional LHNs should review their risk management processes to ensure risks specific to their asset maintenance function are identified, recorded, assessed and mitigated. They should also ensure treatments for significant risks are monitored by management and governance groups.

## Finding

We found CHSA's regional risk registers did not include risks specific to its asset maintenance function.

We found five regions had identified a general high-level risk that focussed on the risk of ageing infrastructure and insufficient funding for service delivery. However, registers of risks associated with specific maintenance activities, sites and assets including specific mitigation

strategies were not maintained. For instance, the following risks advised to us by CHSA staff were not recorded:

- concerns about whether contractors and/or their staff have appropriate clearances
- inadequate asset management information such as lifecycle dates and costs, asset condition and asset location
- unsatisfactory performance of the facilities management service provider and specific contractors
- specific asset concerns such as major generators failing load tests
- staff shortages and capabilities.<sup>23</sup>

The Queensland Maintenance Management Framework states:

*Risk management is an important aspect of maintenance. Maintenance planning should manage the risks associated with the custodianship of building assets.*<sup>24</sup>

Failure to identify and manage risks affecting maintenance increases the risks that assets used to deliver important services are not maintained properly.

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<sup>23</sup> The risks described are not exhaustive and may vary for each CHSA region.

<sup>24</sup> Queensland Department of Housing and Public Works 2017, *Maintenance Management Framework*, revised second edition, December, p. 16.

## 5 Asset maintenance roles and responsibilities

### What we found

Facilities management roles and responsibilities were not clearly defined and formally agreed by CHSA. This lack of clarity and agreement resulted in:

- some behaviours that are contrary to the objectives of the AGFMA
- a lack of accountability for ensuring that the State's assets are being maintained to an appropriate standard.

The hybrid service model of the AGFMA used by CHSA lacked clarity on the allocation of and responsibility for maintenance activities between CHSA and DPTI-FS.

There was no process in place to ensure that the shared maintenance program under the hybrid service model met minimum requirements in legislation, Australian Standards or manufacturer servicing specifications.

The level of support that DHW provides the regional LHNs in managing assets and the AGFMA had not been agreed and documented.

CHSA had not developed policies and procedures for maintaining assets and the ongoing management and monitoring of the AGFMA.

### What we recommended

Regional LHNs should:

- develop and execute service level agreements (SLAs) with DPTI-FS
- agree and document responsibility for maintenance tasks under the hybrid service model
- ensure the shared maintenance program addresses current legislation, Australian Standards and manufacturer servicing requirements
- implement processes to monitor the performance of the services provided by DPTI-FS
- work with DHW to:
  - agree and document the ongoing support arrangements for asset management and asset management information system support
  - establish processes to ensure regional LHNs have appropriate representation in the AGFMA governance and oversight arrangements
- develop and document policies and procedures for asset maintenance, including the management and monitoring of the AGFMA.

## 5.1 Introduction

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CHSA (now the regional LHNs) participates in the AGFMA as approved by the SA Government for the term 2015 to 2024.

The AGFMA is managed and delivered by DPTI. DPTI's AGFMA Unit manages the facilities management services arrangements for the SA Government.

Facilities management services are provided to CHSA by DPTI-FS, the SA Government's in-house facilities management service provider. This includes planned and unplanned maintenance services.

The AGFMA requires agencies to work with their mandated facilities management service provider (DPTI-FS for CHSA and now the regional LHNs) to effectively manage the SA Government's building assets to support service delivery, extend their useful life, achieve ecological sustainability and meet all work health and safety requirements within allocated funds.<sup>25</sup>

DHW provides support to LHNs, including CHSA, for aspects of asset information management and management of the AGFMA. In June 2018 a position was established in DHW to oversee and provide consistent guidance to asset managers in the LHNs and act as a conduit between SA Health and the facilities management service providers.

## 5.2 Audit approach

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We assessed whether clear lines of responsibility and accountability were established for property maintenance within CHSA, and between CHSA, DPTI and DHW.

## 5.3 Findings

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### 5.3.1 Facilities management roles and responsibilities had not been agreed between CHSA and DPTI-FS

#### Recommendation

Regional LHNs should pursue the development of SLAs with DPTI-FS.

The SLAs should provide a sound framework to help the parties to work constructively to achieve the AGFMA's objectives and enable regional LHNs to effectively discharge their asset maintenance responsibilities as asset owners.

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<sup>25</sup> Government of South Australia 2015, *Facilities Management Services Arrangements: 1 July 2015 to 30 June 2024*, brochure, p. 6, viewed 30 September 2019, <[https://www.dpti.sa.gov.au/facilities\\_management](https://www.dpti.sa.gov.au/facilities_management)>.

## Finding

There was no documented agreement between CHSA (the asset owner) and DPTI-FS for facilities management services to be provided or governance arrangements established to achieve the AGFMA's objectives.

Critical to any service arrangement is a clear and agreed understanding between parties about the objectives of the arrangement, services to be provided, responsibilities and accountabilities. This is fundamental to ensuring services are provided effectively and efficiently.

We were advised that roles and responsibilities are documented in the following guidelines and manual issued by DPTI:

- Service Level Guidelines between SA Health and DPTI issued by the DPTI Chief Executive on 19 October 2017
- *Facilities Management Services Arrangements – Agency Work Procedure Manual* prepared by DPTI's AGFMA Unit, applicable from 1 July 2015.

We found, however, that the roles and responsibilities reflected in these documents were not formally agreed to by SA Health and/or CHSA.

An SA Health internal audit report on the AGFMA performed across SA Health and CHSA was issued in September 2016. It identified a lack of clarity in the roles and responsibilities of the AGFMA parties and that no formal agreement had been reached between SA Health and DPTI for delivering AGFMA related services. The report recommended that the then Department of Health and Ageing (now DHW) work with the LHNs and DPTI to develop a draft SLA.

We found that an SLA was prepared but not executed. We noted that most of its contents are included in the Service Level Guidelines issued by the DPTI Chief Executive on 19 October 2017. However, these have not been formally accepted by CHSA.

The Executive Director Infrastructure, DHW advised that:

- the AGFMA was implemented across SA Health as a whole, with no separate negotiation for each LHN
- DPTI initially sought a single SA Health sign-off for the SLA, but this approach was not agreed to by SA Health and subsequently was not pursued by DPTI.

Further, with the change in governance arrangements for CHSA effective from 1 July 2019, DPTI advised that it is not clear whether the Service Level Guidelines between SA Health and DPTI continue to apply to the newly formed regional LHNs. This further highlights the need for the parties to resolve their roles and responsibilities.

In the absence of a documented agreement between the facilities management service provider (DPTI-FS) and the asset owner (regional LHNs) there is an increased risk that:

- facilities management services will not be carried out effectively or efficiently, which may result in higher costs for regional LHNs



- asset maintenance may not be carried out to the standard required for regional LHNs to deliver services effectively and efficiently
- work health and safety roles, responsibilities and risks may not be understood.

### 5.3.2 Lack of clarity over roles and responsibilities under the AGFMA

#### Recommendation

Regional LHNs should work with DPTI to establish and agree an SLA that documents roles and responsibilities for each party.

It is unlikely that an SLA will eliminate all uncertainty over roles and responsibilities. Where uncertainties arise or circumstances change, it is important that future clarifications are agreed between DPTI and the regional LHNs and updated to the SLA.

#### Finding

As previously mentioned, roles and responsibilities under the AGFMA are issued by DPTI in the Service Level Guidelines and the *Facilities Management Services Arrangements – Agency Work Procedure Manual*.

We found that regional staff were not familiar with the Service Level Guidelines because they had not been distributed to them.

We also identified a lack of clarity and/or absence of documented guidance about roles and responsibilities for key asset management and maintenance functions, because they were either not clearly addressed in the guidance available or the guidance had not been developed. For example:

- it was not clear which services were considered in-scope and out-of-scope under hybrid arrangements established for CHSA (see section 5.3.3)
- staff were uncertain who was responsible for input into, and ongoing maintenance of information in, the Strategic Asset Management Information System (SAMIS) (see section 6.3.5)
- there was uncertainty over the purpose of the Technical Data Schedules (TDS) issued to external contractors and whether they are provided as guidance or instructions on the work to be performed (see section 7.3.4)
- the *Facilities Management Services Arrangements – Agency Work Procedure Manual* states that TDS will be customised to the specific service requirements of agency assets. CHSA was advised by the AGFMA Unit that they will not be customised or tailored for their assets (see section 7.3.6)
- CHSA staff were not aware of the requirement to establish asset hierarchies within SAMIS so that asset information can be populated in the system by DPTI-FS. Therefore, regional LHNs do not have all asset information (see section 6.3.7).

We observed that the lack of clarity over roles and responsibilities resulted in behaviours that are contrary to the AGFMA's objectives. For example, condition assessments for regional LHNs' assets are currently performed by an external provider engaged by DHW, when they should be provided by DPTI-FS under the AGFMA.

### 5.3.3 Hybrid model of the AGFMA was not documented and lacks clarity about shared responsibilities

#### Recommendation

Regional LHNs should work with DPTI to agree and document:

- the allocation of maintenance tasks between regional LHNs and DPTI-FS. This should include an assessment of which tasks can be adequately completed by non-trade personnel
- the responsibilities for the tasks performed by each party.

#### Finding

A hybrid service model for the AGFMA was implemented for CHSA. The hybrid model recognised that CHSA would retain some maintenance staff at its country sites to undertake non-trade related maintenance work (ie in-house maintenance). Under this model, maintenance activities are shared between DPTI-FS and CHSA.

Regional Directors Corporate Services advised us that the hybrid arrangements were negotiated between each region and DPTI-FS and:

- were not documented
- were negotiated over a prolonged period of time
- have contributed to a lack of clarity about in-scope services to be provided by DPTI-FS and out-of-scope services to be performed by CHSA maintenance officers.

A maintenance officer at one site told us that he does certain preventative maintenance activities that are also done by an external contractor, resulting in some maintenance tasks being performed twice.

A review commissioned by DPTI in 2015 identified several risks with the hybrid model. These included:

- no robust governance framework establishing the roles of each party to manage risks associated with implementing the hybrid model
- no framework for recording and reporting that maintenance activities have been undertaken
- the hybrid model not operating in line with agreed key principles.

The AGFMA Unit advised us that a review group was established with representatives from DPTI and CHSA to develop outcomes to address the identified risks. However, the group no longer exists and did not address the identified risks.

Without documentation to evidence the in-scope and out-of-scope services agreed under the hybrid model for each region, there is an increased risk that some assets may not be adequately maintained. This may result in them not operating properly or unnecessary costs being incurred if they are maintained by both internal staff and contractors.

### 5.3.4 No process was established for the hybrid model to ensure that the shared maintenance work program meets minimum standards and requirements

#### Recommendation

Regional LHNs should work with DPTI-FS to ensure that the shared maintenance program addresses current legislation, Australian Standards and manufacturer servicing requirements.

#### Finding

Under the hybrid AGFMA model implemented across CHSA, maintenance activities are shared between DPTI-FS and CHSA. We found that in addition to a lack of clarity about roles and responsibilities under the hybrid arrangements (see section 5.3.3) there was no process to ensure the shared maintenance work program, as a whole, met minimum requirements established under legislation, Australian Standards and manufacturer servicing requirements.

TDS developed by DPTI's AGFMA Unit outline the tasks, type and frequency of preventative maintenance servicing. TDS are referenced to relevant legislation and Australian Standards that govern the requirement to undertake preventative maintenance for that asset. The AGFMA Unit is responsible for ensuring that TDS are kept up to date and reflect current legislation, Australian Standards and manufacturer servicing requirements.

External contractors engaged to perform maintenance activities are referred to the relevant TDS when they are issued a work order.

Delivering and managing in-house maintenance activities is done by individual sites across the regions. We found that:

- not all in-house maintenance tasks were based on a TDS developed by the AGFMA Unit
- some TDS were tailored by specific sites to their needs and requirements. These tailored TDS were not subject to a technical review
- some maintenance staff identified that they could not perform all the steps in a TDS for particular maintenance services because they did not have the required qualification.<sup>26</sup>

These findings highlight the risk that instructions being followed for in-house maintenance may not be current or cover all requirements of legislation, Australian Standards and

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<sup>26</sup> The Yorke and Northern LHN advised that they do not ask maintenance staff to undertake a task that requires trade qualifications.

manufacturers. This could lead to assets that are not properly maintained or that unexpectedly fail, resulting in safety, operational and financial risks for regional LHNs.

The Yorke and Northern LHN advised that while the formal identification of in-house maintenance was not well documented, there was a process to determine works done by each agency. The Riverland Mallee Coorong LHN advised us that it supported these comments.

While the maintenance work program is shared between DPTI-FS and regional LHNs, it is important to take a coordinated and holistic approach to ensuring that the maintenance program as a whole is delivered to an appropriate standard.

Without a coordinated approach there is risk that there will be gaps in maintenance service delivery that might not be identified until an asset fails.

### 5.3.5 No policies and procedures developed by CHSA for asset maintenance

#### Recommendation

With the change in governance arrangements from 1 July 2019 it is timely for each newly formed regional LHN to consider developing and documenting policies and procedures for asset maintenance. There may be opportunities to recognise common operations across all six regional LHNs and develop policies and procedures that can be shared.

Policies and procedures for asset maintenance, including the management and monitoring of the AGFMA, should include:

- assignment of responsibility for asset maintenance
- management's expectations for performing and controlling maintenance activities
- detailed guidance to help staff carry out their responsibilities.

#### Finding

We found CHSA had not developed policies or procedures for maintaining its assets or the ongoing management and monitoring of the AGFMA.

Our discussions with regional and site staff identified that local practices for asset maintenance and the implementation of the AGFMA were developed at the site level. They were not aware if any documented policies or procedures existed for asset maintenance.

We found that practices for asset maintenance and for managing and monitoring the AGFMA varied across regions and across sites within regions. The practices developed by site staff were generally not documented and relied on the local knowledge of staff who had been employed at the site or within CHSA for a long time.

For example, we found that the level of monitoring of in-house maintenance tasks varied across sites and regions. For some sites there was no monitoring to ensure that identified tasks were completed, whereas other sites were using electronic systems and sign-offs to ensure that all maintenance tasks were completed over a period.

In another example, the level of checking performed before approving jobs for payment in FAMIS varied from staff member to staff member. Some staff systematically checked every job to a completed customer service report issued by the contractor performing the work and maintained records for the review performed. Others relied on their knowledge of what had happened at the site to approve the job in the FAMIS without referring to any documentation.

Policies and procedures are necessary to ensure that:

- management's expectations are clearly and consistently communicated to staff
- responsibility for specific actions is clearly assigned to staff and they are accountable for carrying out assigned responsibilities
- operational tasks are carried out effectively and efficiently by providing instruction and guidance to staff.

Without policies and procedures to direct staff, inconsistent practices and/or incomplete asset maintenance may result in assets that are not properly maintained and exposing regional LHNs to operational and financial risks.

### 5.3.6 DHW's role in assisting with AGFMA and asset management under the new governance arrangements was not agreed or documented

#### Recommendation

Regional LHNs should agree with DHW and document the ongoing support arrangements for asset management and asset management information system support.

#### Finding

DHW provided a range of central services and support to CHSA to assist with asset maintenance and management, including:

- policy development
- access management and user guidance for SAMIS
- appointing a strategic engagement consultant to oversee and provide guidance to LHNs and act a conduit between SA Health and the facilities management service provider (DPTI-FS for CHSA).

We were advised by DHW's Executive Director Infrastructure that, with the change in governance arrangements, DHW intends to continue providing central support to the newly established regional LHNs. Specifically:

- DHW has established a position (Strategic Property and Facility Consultant) to support LHNs in managing the AGFMA
- DHW's Infrastructure Division has a 1.0 FTE role of Strategic Asset Information Administrator to assist and support LHNs' asset information system needs.

The Executive Director Infrastructure also advised that DHW has indicated to DPTI that the six regional LHNs should be treated in the same way as the four metropolitan LHNs.

A lack of certainty about the nature and extent of support services provided to regional LHNs by DHW may impact their capacity to manage maintenance activities.

### 5.3.7 LHNs do not have direct representation on the FMGG

#### Recommendation

Regional LHNs should work with DHW to establish processes to ensure that appropriate representation is given in AGFMA governance and oversight arrangements.

#### Finding

A representative from DHW's Infrastructure Division attends the FMGG for all of SA Health.

The FMGG was established as the governance group for facilities management service arrangements and its role is to assist the successful implementation and operation of the AGFMA by:

- informing, advising and making recommendations on all aspects of the facilities management service arrangements
- overseeing services and outcomes of the AGFMA and the financial and technical performance of the facilities management service providers
- ensuring value for money is achieved in the provision of facilities management services.

Its members are senior officers from the participating agencies, including SA Health.

We found that LHNs do not have direct representation on the FMGG and therefore do not have the direct involvement or ability to:

- contribute to across government strategies
- oversee the services and outcomes of the AGFMA
- oversee the financial and technical performance of the facilities management service providers
- share information and insights with other participating agencies.

Not having representation from regional LHNs in the AGFMA governance arrangements may limit direct feedback and input into the oversight of services and outcomes of the AGFMA.

## 6 Asset information

### What we found

There were deficiencies in CHSA's asset information and systems which limited its ability to monitor and understand its property asset portfolio and plan maintenance activities.

These deficiencies included an absence of:

- complete and current lifecycle information
- information on building asset components including replacement year and cost
- current asset condition information
- technical asset and site information for some property assets
- asset performance information
- asset information from site inspections.

CHSA had not defined its asset information needs or developed an asset information strategy.

The Strategic Asset Management Information System (SAMIS) used by CHSA did not have current, complete and reliable information about CHSA's assets to inform decision makers.

Governance, roles and responsibilities between DPTI, DHW Infrastructure and CHSA for data and information management within SAMIS had not been clarified and clearly documented.

Training was not provided to staff on SAMIS functionality, including how to use it to support asset management activities including maintenance.

### What we recommended

To address deficiencies in asset information, including condition data, we recommended that regional LHNs:

- determine and document the asset information they need to support asset management, reporting and decision-making
- develop and implement an asset information strategy outlining the strategic approach to defining, collecting, managing, reporting and governance of asset information needed to support their asset management function
- maintain for each facility a minimum property data set as required by PC 114
- capture, record and maintain lifecycle information for their property assets to inform asset investment and management decision-making
- ensure all their property assets are subject to regular condition assessments and that condition assessment reports include details of the scope and estimated costs of maintenance works required to ensure their assets continue to provide the required level of service

- ensure future condition assessments are performed by an assessor who has relevant training, qualifications, ability and experience
- work with DPTI-FS to ensure inspections are conducted for all of their sites at least once every three years and condition reports are prepared.

To enable SAMIS to support asset management activities and decision-making, we recommended that regional LHNs:

- work with DPTI and DHW Infrastructure to agree and clearly document inter-agency governance, roles and responsibilities for data and information management within SAMIS
- establish asset hierarchies in SAMIS for all their sites
- implement a dedicated project to address issues with the completeness and accuracy of the asset information in SAMIS. Once this is done implement controls to ensure the asset information in SAMIS remains up to date, complete and accurate
- record in SAMIS information on building asset components including replacement year and costs
- record condition information in SAMIS and ensure the data is updated regularly to reflect works completed and new maintenance needs identified
- engage with the SAMIS system owner on the functionality of SAMIS and how it can be used to support their asset management function including maintenance
- assess the training needs of their SAMIS users and implement arrangements to provide the training
- use key asset management functionality in SAMIS to support asset management activities and decision-making processes
- review current access to SAMIS for their site maintenance officers to ensure they have the level of access required for their asset maintenance role
- regularly assess SAMIS's ability to meet their asset information needs, and where information requirement gaps are identified, develop an improvement plan to close the gap.

## 6.1 Introduction

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### 6.1.1 Asset information

#### Importance of asset information

Comprehensive, accurate and up-to-date asset information is critical to making informed and strategic decisions about whether to maintain, modify, rehabilitate, find alternative use for or dispose of an asset.



The SAMF states:

*Information plays a crucial role in asset management. The quality of data that feeds into decision making processes play a vital role in implementing effective asset management activities across their lifecycle. Without accurate and up to date information, decisions will be more likely to be made based on gut feel, compromising the integrity of the decision.*<sup>27</sup>

### Determining asset information requirements

Agencies need to collect and maintain asset information to help them understand their property portfolio and its performance to support informed decision-making. To do this, agencies should understand and define the asset information they need to support decision-making and operational processes.

Collecting, processing, managing and maintaining asset information can be costly. In determining what asset information should be collected agencies need to consider the value of asset information for decision-making and operational processes relative to the costs of collecting, maintaining and analysing the information.

The various types of asset information are shown in figure 6.1.

**Figure 6.1: Asset information**

Basic asset information	Asset lifecycle information	Advanced asset information
<p>This information typically forms the asset register and includes:</p> <ul style="list-style-type: none"> <li>• asset quantities</li> <li>• type</li> <li>• description</li> <li>• size and capacity</li> <li>• value</li> <li>• location.</li> </ul>	<p>Asset managers use this information for understanding asset performance and planning works and maintenance. It includes:</p> <ul style="list-style-type: none"> <li>• asset condition</li> <li>• demand</li> <li>• utilisation</li> <li>• failure records</li> <li>• maintenance and replacement costs.</li> </ul>	<p>Asset managers use this information to prioritise investment and optimise operations:</p> <ul style="list-style-type: none"> <li>• levels of service</li> <li>• predictive data</li> <li>• asset criticality and risk</li> <li>• customer service requests.</li> </ul>

Source: Victorian Auditor-General’s Office, Local Government Assets: Asset Management and Compliance, May 2019.

### Agencies are required to maintain a minimum property data set

PC 114 requires agencies to establish and maintain a minimum property data set. It should include basic asset information, current asset use and its alignment to service delivery, and asset performance including condition, utilisation and suitability.

<sup>27</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide for Managing South Australian Government Buildings*, 1 February, p. 39.

## 6.1.2 Asset management information system

### Importance of an asset management information system

An asset management information system holds and consolidates relevant data and information on assets controlled by the organisation in a structured, reliable and readily searchable and retrievable manner.<sup>28</sup> Properly maintained, it is a robust and reliable record of all pertinent asset information needed to support asset management decision-making and reporting.

The SAMF states:

*An asset management information system which contains current financial and performance information is a fundamental asset management tool.*<sup>29</sup>

### CHSA used the Strategic Asset Management Information System (SAMIS)

CHSA used SAMIS, the SA Government supported asset management information system.

SAMIS aims to help agencies to better manage their asset portfolio by:

- matching their assets with their business service objectives
- optimising performance throughout the useful life of the asset.

CHSA relied on DPTI-FS and DHW Infrastructure to update data and information in SAMIS, as CHSA's access to the system was read only and inconsistent across its regions.

## 6.1.3 Asset condition information

### Importance of condition information to maintenance planning

Comprehensive and reliable information on asset condition and how assets are performing is critical to making informed and strategic decisions on whether to maintain, rehabilitate, find alternative use for or dispose of an asset.

Reliable asset condition information is needed to assess the impact of the current condition of assets on service delivery and identify interventions required. The Queensland Government's *Maintenance Management Framework* states:

*Reliable and objective knowledge of the physical state of their buildings and the impacts on service delivery will enable departments to develop strategies and actions for maintenance, major replacements, refurbishments and investments.*<sup>30</sup>

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<sup>28</sup> Victoria Department of Treasury and Finance 2017, *Asset Management Accountability Framework Implementation Guidance*, March, p. 47.

<sup>29</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide for Managing South Australian Government Buildings*, 1 February, p. 39.

<sup>30</sup> Queensland Department of Housing and Public Works 2017, *Maintenance Management Framework – Building Condition Assessment*, Revised second edition, December, p. 2.

## Status of CHSA condition information

In 2014 CHSA conducted condition assessments for some of its property assets. At the time of our review DHW was updating CHSA's asset condition information with help from external experts.

Under the AGFMA, DPTI-FS is required to assess the condition of assets at CHSA sites and report the outcomes to CHSA. This is discussed further in section 6.3.18.

## 6.2 Audit approach

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We assessed whether CHSA had the information and systems to enable it to monitor and understand its property portfolio and plan maintenance activities.

We considered the best practice outlined in the SAMF and PC 114 requirements.

## 6.3 Findings

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### 6.3.1 CHSA had not defined its asset information requirements

#### Recommendation

Regional LHNs should determine and document the asset information they require to support effective asset management, reporting and decision-making.

#### Finding

We found CHSA had not defined and documented the asset information it needed to support its asset management function and decision-making processes.

The SAMF states:

*The agencies should define their minimum information requirements through the development of asset information standards and guidelines. This will provide consistency to the reasoning and approach to the recording of asset information. The agency should be clear about what information is required and how it is to be used.*<sup>31</sup>

Without defining asset information needs there is increased risk that information required to support asset management and decision-making is not collected. Incomplete asset information may compromise asset management decisions, impacting service delivery capacity and quality.

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<sup>31</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide for Managing South Australian Government Buildings*, 1 February, p. 41.

### 6.3.2 CHSA had not developed and documented an asset information strategy

#### Recommendation

Regional LHNs should develop and implement an asset information strategy outlining their strategic approach to defining, collecting, managing, reporting and governance of asset information needed to support their asset management functions.

#### Finding

We found that CHSA had not developed an asset information strategy.

An asset information strategy outlines the strategic approach to defining, collecting, managing, reporting and governance of asset information required to support the implementation of an organisation's asset management function.

The SAMF states:

*The agency should develop an asset information strategy that describes how asset information supports the delivery of the Asset Management Strategy and objectives.*<sup>32</sup>

The absence of an asset information strategy increases the risk that:

- information required to support asset management and decision-making is not collected
- information is collected that is not required to support asset management and decision-making, incurring unnecessary costs
- information systems and business requirements to support asset information needs are not understood
- responsibilities and accountabilities for asset information management are not clear and understood.

### 6.3.3 CHSA did not maintain the minimum property data set required by PC 114

#### Recommendation

Regional LHNs should maintain for each facility a minimum property data set as required by PC 114.

#### Finding

We found CHSA did not maintain the minimum property data set required by PC 114.

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<sup>32</sup> *ibid*, p. 40.

PC 114 requires agencies to maintain a minimum property data set, and identifies SAMIS as the preferred repository for this information.

While some of the required minimum property data set for CHSA was in SAMIS, it was not complete. Figure 6.2 summaries the incomplete information.

**Figure 6.2: PC 114 minimum property data set – incomplete information in SAMIS for CHSA**

Asset information	Summary of incomplete information in SAMIS
Site dimensions	Not included for some sites
Aerial photograph	Not included for some sites
Gross floor of buildings	Not included for some buildings
Age of improvements	Acquisition date not included for some building assets
Alignment with service delivery needs (ie a completed business context statement)	Not completed
Basic performance information on utilisation, suitability, compliance and condition	Information on utilisation, suitability and compliance not recorded
	Minimal information on condition recorded
Current forecast renewal (replacement) date	Not included for some building and for some buildings the date had passed

Further, we identified inconsistencies in some of the SAMIS data, such as site and building area information.

Our inquiries revealed that neither CHSA or its regions had implemented alternative systems to maintain the minimum property data set required by PC 114.

Incomplete and/or outdated asset information increases the risk that decisions to maintain, modify, rehabilitate, find alternative use for or dispose of an asset are not well informed, compromising the integrity of the decision.

### 6.3.4 CHSA did not have complete and current lifecycle information

#### Recommendation

Regional LHNs should implement processes to capture, record and maintain lifecycle information for their property assets. Lifecycle information should be used to inform asset investment and management decision-making.

#### Finding

We found CHSA did not have complete information to implement effective lifecycle planning

for its property assets. Specifically, CHSA did not have, for each of its building assets, current information on:

- all lifecycle costs during the operating phase of the building asset (ie annual operating and maintenance costs)
- forecast replacement/renewal dates and costs.

Best practice asset management is achieved by adopting a lifecycle approach (plan) for each building asset. Lifecycle planning for each building asset provides a sound basis for making investment, maintenance and disposal decisions.

The SAMF indicates that having lifecycle information stored in an asset management information system will help agencies to make better informed decisions as they will:

- understand when their assets need to be replaced/renewed
- have calculated lifecycle costs
- understand their current liabilities and future commitments (ie for operating costs/maintenance/renewal/replacement).<sup>33</sup>

### 6.3.5 Inter-agency governance, roles and responsibilities for data and information management in SAMIS not clearly documented

#### Recommendation

Regional LHNs should work with DPTI and DHW Infrastructure to agree and clearly document inter-agency governance, roles and responsibilities for data and information management in SAMIS.

#### Finding

We found the governance, roles and responsibilities of DPTI, DHW Infrastructure and CHSA for data and information management in SAMIS had not been clearly documented. As a result, CHSA staff were not sure who was responsible for input into, and ongoing maintenance of, SAMIS.

The SAMF states:

*Inter-agency governance, roles and responsibilities should also be clearly documented where external resources are used for data and information management such as 3rd party contractors or DPTI where the State Government's SAMIS is utilised by the agency.*<sup>34</sup>

Uncertainty as to inter-agency governance, roles and responsibilities for data and information management in SAMIS increases the risk that data in SAMIS is not accurate, current, accessible, consistent and complete.

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<sup>33</sup> *ibid*, p. 42.

<sup>34</sup> *ibid*, p. 43.

### 6.3.6 Information on building asset components was not recorded in SAMIS

#### Recommendation

Regional LHNs should implement processes to record in SAMIS information on the various building asset components, including replacement year and cost. This information should then be used to inform asset management decision-making and financial planning.

#### Finding

We found, for most CHSA building assets included in SAMIS, information on the various building asset components was not recorded. Missing information included forecast replacement year and cost.

Although a building might be thought of as a single asset, it comprises various component assets (ie switchboards, air conditioning units, kitchens etc). These asset components have separate lifecycles from the main building asset, therefore requiring renewal/replacement at different times. Asset components may also have different risk and criticality profiles from the building asset.

Without complete information on building asset components CHSA did not have the information it needed to:

- make informed decisions on the timing of replacement/renewal
- understand its funding requirements for future replacement/renewal.

### 6.3.7 Asset hierarchies not established in SAMIS for all CHSA sites

#### Recommendation

Regional LHNs should implement processes to establish asset hierarchies in SAMIS for all their sites.

#### Finding

We found that CHSA had not established asset hierarchies in SAMIS for all its property assets (sites).

SAMIS asset hierarchies detail the specific location of assets including the building, floor level and room. DPTI-FS advised us that without hierarchies established in SAMIS it will not perform condition and lifecycle assessments (to forecast asset replacement date and cost).

Condition and lifecycle assessments are important for effective asset management. The absence of:

- lifecycle assessment exposes the asset owner to uncertainty as to the costs and timing of future replacements, resulting in ineffective financial planning

- condition assessment increases the risk that required maintenance including replacement/renewal is not performed, exposing the asset owner to legal, social and other risks associated with deteriorated facilities.

DPTI-FS also advised us that agencies are responsible for ensuring asset hierarchies in SAMIS are established for their sites.

The Executive Director Infrastructure, DHW advised that DHW has been progressively working with LHNs and DPTI-FS to establish asset information and hierarchies in SAMIS to meet PC 114 requirements. He also noted that this work will be ongoing for many years without supplementation of significant resources.

### 6.3.8 CHSA had not established controls to ensure asset information in SAMIS is up to date, complete and accurate

#### Recommendation

Regional LHNs should implement a dedicated project to address issues with the completeness and accuracy of the asset information in SAMIS. The project should include:

- reviewing and assessing the current asset information in SAMIS
- identifying asset information in SAMIS that is inaccurate and/or incomplete
- correcting and updating asset information where necessary.

In undertaking the project regional LHNs should consider their asset information needs.

Once the asset information in SAMIS is up to date, complete and accurate, regional LHNs should implement processes and controls to ensure that it is properly maintained.

#### Finding

We found that CHSA, as an asset owner, had not established controls to provide assurance that asset information recorded in SAMIS was up to date, complete and accurate.

The SAMF states:

*The information in the Asset Management Information System (AMIS) should be regularly reviewed to ensure that all agency's asset information is up to date and sufficiently comprehensive to suit asset management requirements.*<sup>35</sup>

We found that some asset information in SAMIS was not up-to-date, complete or accurate.

Inaccurate, incomplete and/or outdated information increases the risk that decisions to maintain, modify, rehabilitate, find alternative use for or dispose of an asset are not well informed, compromising the integrity of the decision.

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<sup>35</sup> *ibid*, p. 41.



### 6.3.9 No advice and/or training provided to CHSA on the functionality of SAMIS

#### Recommendation

Regional LHNs should:

- engage with the SAMIS system owner (DPTI) on the functionality of SAMIS and how it can be used to support asset management, including maintenance
- assess the training needs of their SAMIS users and implement arrangements to provide the training.

#### Finding

CHSA had not established arrangements with the SAMIS system owner (DPTI) to provide advice and/or training to its staff on the full functionality of SAMIS and how it can be used to support CHSA's asset management function.

We noted that CHSA was not using the full functionality of SAMIS to help manage its property assets, including its maintenance activities (refer to section 6.3.10).

### 6.3.10 CHSA did not use all the asset management functionality of SAMIS

#### Recommendation

Regional LHNs should implement processes to obtain and update information in SAMIS and use key asset management functionality in SAMIS to support asset management activities and decision-making processes.

#### Finding

We found CHSA did not use all the asset management functionality of SAMIS to help manage its property assets, including its maintenance activities.

SAMIS has two key parts:

- the asset register – a repository of data that identifies and physically describes the asset
- asset management functionality, which includes the following functions:
  - asset lifecycle – to help the agency understand actual and forecast costs (and revenues) over the asset lifecycle
  - asset performance assessment – to help the agency predict when an asset is likely to fail to meet required service levels and intervention action is required.

CHSA's Manager Infrastructure and Procurement advised us that CHSA did not use SAMIS as an asset management tool. Instead it was used by CHSA to store:

- certificates of title
- asbestos reporting
- site maps and floor plans.

Not using asset lifecycle and asset performance functionality in SAMIS may compromise asset management activities and decision-making processes.

### 6.3.11 Site maintenance officers did not have access to SAMIS

#### Recommendation

Regional LHNs should review current access to SAMIS for their site maintenance officers and ensure they have the necessary level of access for their asset maintenance role.

#### Finding

Our inquiries with site maintenance officers in the CHSA regions revealed that they did not have access to SAMIS, or not to the full functionality of the system.

Staff responsible for undertaking maintenance activities at sites need access to SAMIS to support their role in reviewing draft maintenance plans, determining maintenance priorities and other important asset management functions. We found site maintenance staff did not have access to parts of SAMIS needed to effectively manage their assets including:

- plant and equipment details
- lifecycle information such as replacement dates and costs
- asset management functionality such as performance benchmarks, intervention options and agreed strategies.

Further, we were advised that staff who could access SAMIS had read only access. Therefore, information that needed to be entered into SAMIS by the regions such as the business context statement incorporating asset service level information and performance information could not be entered into the system by CHSA. As a result the information recorded in SAMIS is incomplete.

### 6.3.12 No review performed to assess whether SAMIS meets CHSA's asset information needs

#### Recommendation

Regional LHNs should regularly assess whether SAMIS meets their asset information needs. Where gaps are identified, regional LHNs should develop improvement plans to close the gap.

#### Finding

We found that CHSA did not formally assess whether SAMIS was able to meet its asset information needs.

The SAMF states:

*The ability of the asset management information system to meet the agencies objectives should be assessed on a regular basis, and where gaps are identified, develop an improvement implementation plan to close the information requirement gaps.*<sup>36</sup>

Regularly reviewing whether an asset management information system meets an entity's asset information needs is important to:

- assess whether the asset information maintained is valuable, comprehensive and complete
- identify information gaps and issues to enable an improvement plan to be developed.

### 6.3.13 CHSA did not have current data on the condition of all its property assets

#### Recommendation

Regional LHNs should ensure that all their property assets are subject to regular condition assessments. The condition assessments should be used to manage their assets and inform maintenance planning decisions.

#### Finding

We found CHSA did not have current data on the condition of all its property assets. Specifically, we found:

- CHSA's current condition information, aside from the Barossa Hills Fleurieu region, was based on condition assessments performed in 2014
- CHSA's 2014 condition information had not been updated to reflect:
  - the outcomes of investigations (ie remedial works required, estimated costs of remedial works) identified in the condition assessment reports
  - the completion of outstanding maintenance works
  - new maintenance needs identified
- CHSA did not have any condition information for several residential properties, health care clinics and aged care facilities not included in the condition assessment performed in 2014
- condition information generated by DPTI-FS in SAMIS was limited as not all CHSA sites had:
  - a hierarchy established in SAMIS with all asset components, including building plant and equipment, to record condition information – see section 6.3.7
  - been inspected by DPTI-FS – see section 6.3.17.

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<sup>36</sup> *ibid*, p. 42.

Condition assessments were completed for the Barossa Hills Fleurieu region. However, at the time of our audit, we found this condition information had not been used to inform its maintenance activities.

The former Director Corporate Services CHSA advised us that DHW is currently undertaking updated condition assessments for its other significant property assets. We noted that in July 2019 DHW issued a contract for the performance of asset condition and compliance assessments.

Without current and complete condition assessment data an asset owner does not have objective evidence on the physical state of its property assets. It therefore cannot objectively assess the:

- impact that the physical state of its property assets has on service delivery
- maintenance needs of its property assets.

### 6.3.14 Reports on the outcomes of condition assessments did not include details of all remedial works and estimated costs

#### Recommendation

Regional LHNs should ensure reports on the outcomes of condition assessments include details of the scope and estimated costs of all maintenance works required to ensure their assets continue to provide the required level of service.

#### Finding

We found the reports on the outcomes of CHSA's last completed condition assessments in 2014 were incomplete. For some building elements rated as deteriorating, poor or unacceptable:

- remedial works were not included in the condition report
- the estimated costs of remedial works were not included in the condition report.

A building element or services with a condition rating of deteriorating, poor or unacceptable has been assessed as likely to fail within the next five years. Consequently, we consider information on the scope and costs of remedial works should be reported to management. This will help management to understand the full scope and estimated costs of maintenance works required in the short to medium term to ensure its building assets continue to provide the required level of service.

### 6.3.15 Expertise of condition assessors impacted the quality of condition assessments performed

#### Recommendation

Regional LHNs should ensure future condition assessments are performed by an assessor who has the training, qualifications, ability and experience needed to conduct a building condition assessment.

## Finding

We found CHSA's condition information was incomplete (see sections 6.3.13 and 6.3.14). Further, some regional LHN Directors Corporate Services raised concerns with us about the accuracy and reliability of CHSA's condition information.

CHSA's last condition assessment (performed in 2014) was completed internally by CHSA regional Corporate Services Managers in consultation with site facility officers. External cost consultant, Systems Solutions, were engaged to review the cost estimates.

CHSA staff advise us that:

- the quality of the condition information varied depending on the infrastructure expertise of CHSA regional Corporate Services Managers and site facility officers
- estimates were made with limited information available.

To ensure reliable and accurate condition information for a complex building like a health facility it is important that condition assessments are conducted by assessors with relevant expertise and experience.

### 6.3.16 Asset condition information not recorded in SAMIS

#### Recommendation

Regional LHNs should implement processes to record their asset condition information in SAMIS. Processes should be implemented to ensure the condition information is updated regularly to reflect any works completed and new maintenance needs identified.

## Finding

We found CHSA's 2014 asset condition information was not recorded in SAMIS. Rather, CHSA condition information, including remedial works required, was recorded in 91 different spreadsheets. For each site that a condition assessment was performed at, a separate spreadsheet was created to record the results of the assessments.

Maintaining condition information in multiple spreadsheets limits CHSA's ability to easily analyse condition information across its property portfolio and generate management reports on asset condition to support decision-making.

Good practice<sup>37</sup> is to record and/or update condition information in a computerised maintenance/asset management system after condition assessments are completed. This promotes the efficient use of the data for reporting purposes and developing maintenance work programs.

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<sup>37</sup> Queensland Department of Housing and Public Works 2017, *Maintenance Management Framework – Building Condition Assessment*, Revised second edition, December, p. 12.

### 6.3.17 Limited site inspections performed by DPTI-FS

#### Recommendation

Regional LHNs should work with DPTI-FS to ensure inspections are prepared for all of its sites at least once every three years.

#### Finding

We found DPTI-FS had not performed the required minimum inspections for all CHSA sites. DPTI-FS' inspection register (as at 26 August 2019) records that only 14 of the 168 CHSA sites had an inspection completed within the last three years. In addition, the register records that SAMIS has yet to be updated for eight of the completed inspections.

The Facilities Services Management Framework requires DPTI-FS to prepare an annual inspection, testing and audit plan for all designated locations (sites), and carry out inspections in line with that plan.

Also, the AGFMA *Annual Inspection, Testing and Audit Plan* guide note outlines that:

- the purpose of inspections is to evaluate the physical state of building elements and services to assess the maintenance needs of the facility and provide information on the condition of the building (ie condition assessments) to support informed decision-making
- inspections should be carried out at all designated locations at least once every three years, depending on the nature of the building, its building elements and the services at that location.

DPTI-FS advised us that it will not undertake inspections where a site does not have an established hierarchy in SAMIS. CHSA had not established asset hierarchies in SAMIS for all its sites (see section 6.3.7).

### 6.3.18 Asset condition reporting not provided by DPTI-FS

#### Recommendation

Regional LHNs should work with DPTI-FS to ensure they complete asset condition assessments and report the outcomes as required by the AGFMA.

#### Finding

We found regular condition reporting on CHSA property assets by DPTI-FS did not occur as required by the AGFMA.

The AGFMA requires DPTI-FS to undertake condition assessments and report the outcomes to CHSA. Further, the *Facilities Management Services Arrangements – Agency Work Procedure Manual* indicates the condition assessments will be used to prepare annual planned replacement/refurbishment plans. We found that no replacement/refurbishment plans were prepared in 2018-19 (see section 7.3.7).

Further, we were advised that CHSA has not received any condition reports from DPTI-FS since joining the AGFMA.

## 7 Developing annual maintenance plans and budgets

### What we found

Information on asset breakdown history, asset condition, utilisation and lifecycle analysis was not used to inform preventative maintenance plans.

There was no control to ensure each draft preventative maintenance plan was reviewed for completeness and accuracy and no written notification to DPTI-FS that the draft plans were accepted and could be implemented.

There were deficiencies in the use of DPTI's TDS, which outline task, type and frequency of preventative maintenance and are used to prepare CHSA's preventative maintenance plans, including:

- uncertainty over their application and the level of instruction they provide to external contractors performing preventative maintenance
- an independent review to ensure the accuracy and appropriateness of a sample of high-risk TDS was not performed in 2018-19
- TDS were not tailored to the specific service requirements of CHSA's building assets.

CHSA did not have detailed plans for replacement/refurbishment maintenance to be performed for its building assets.

Maintenance budgets were based on the previous years' budget rather than maintenance needs. Also, maintenance expenditure in 2018-19 significantly exceeded budget.

A robust system was not developed to document ongoing decisions about deferring maintenance, report on the extent of deferred maintenance, assess the risks of deferring maintenance and develop mitigation strategies at an asset level.

### What we recommended

To improve maintenance planning, we recommended regional LHNs should:

- work with DPTI-FS to use asset breakdown history, asset condition, utilisation and lifecycle analysis information to develop preventative maintenance plans
- implement a control to confirm draft preventative maintenance plans for each site are reviewed and DPTI-FS is notified that the draft plan is accepted, and that maintenance services can be provided in line with the plan
- work with DPTI to resolve uncertainties about the application of TDS and, where necessary, customise TDS for specific service requirements of CHSA's building assets



- implement a mechanism to ensure TDS reviews are performed timely and any issues identified are satisfactorily resolved
- work with DPTI-FS to develop annual planned replacement/refurbishment maintenance plans.

To address issues with maintenance budgeting, we recommended regional LHNs should:

- develop maintenance budgets based on maintenance needs and priorities identified for the budget period
- implement budgetary review processes to monitor performance against budgets, record reasons for variations and take appropriate actions
- investigate reasons for exceeding maintenance budgets to inform future maintenance budgets.

To effectively manage maintenance backlogs, we recommended regional LHNs should:

- implement ongoing processes to identify deferred maintenance and address backlogs in maintenance works
- establish processes to maintain, on an ongoing basis, up-to-date information on maintenance works that were deferred
- ensure that funding bodies are advised of all current and future maintenance shortfalls, including any resultant risks to patient and staff health and safety and/or service delivery.

## 7.1 Introduction

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### 7.1.1 Developing annual maintenance plans

Well-designed maintenance plans help to extend the useful life of assets and improve cost effectiveness, asset reliability and availability.

The SAMF states:

*An appropriate maintenance program can sustain or extend an asset's useful life and provide the following benefits:*

- *a long-term reduction in lifecycle costs*
- *improved asset and portfolio performance*
- *reduced risk to service levels, public safety and environment*
- *the optimisation of asset life*
- *improved public perception of the portfolio's service and safety standards.*<sup>38</sup>

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<sup>38</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide to South Australian Government Buildings*, 1 February, p. 28.

Under the AGFMA, DPTI-FS provides CHSA with preventative maintenance and planned replacement refurbishment maintenance. See section 2.5.5 for the definition of these types of maintenance.

## Preventative maintenance

### *Developing annual preventative maintenance plans*

Annually, DPTI-FS prepares for each CHSA site a draft preventative maintenance plan based on DPTI-FS's records of CHSA assets. The draft plans are provided to CHSA for review and approval to ensure:

- they reflect CHSA levels of service
- all assets requiring preventative maintenance are included
- replaced assets are not included.

Once approved, DPTI-FS provides maintenance services on CHSA's assets in line with these plans.

### *Technical data schedules (TDS)*

TDS are used by DPTI-FS to prepare CHSA's annual preventative maintenance plans.

TDS are developed by DPTI for individual assets and list the minimum maintenance activities required for the asset, and the frequency with which the preventative maintenance should be performed. TDS are referenced to relevant legislation and any Australian Standards that govern the requirement to undertake preventative maintenance for an asset.

## Replacement/Refurbishment maintenance

### *Developing annual planned replacement/refurbishment maintenance plans*

The *Facilities Management Services Arrangements – Agency Work Procedures Manual* requires DPTI-FS to prepare, in consultation with CHSA, a planned replacement/refurbishment maintenance plan.

A key input to the planned replacement/refurbishment maintenance plan is an understanding of asset condition, including those assets likely to fail and pose a risk to service delivery.

### 7.1.2 Maintenance budgets

Budgets are established to help monitor and allocate financial resources to specific operating activities.

A maintenance budget should identify the funding required to adequately address the key maintenance needs of assets to ensure that they continue to support the delivery of services.<sup>39</sup>

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<sup>39</sup> Queensland Department of Housing and Public Works 2017, *Maintenance Management Framework – Building Maintenance Budget*, Revised second edition, December, p. 2.

### 7.1.3 Deferred maintenance

CHSA operates in an environment with limited funding to maintain and replace ageing property assets. This has resulted in maintenance/asset sustainment works being deferred until funding is available.

Deferring maintenance/asset sustainment works increase the risk of asset breakdowns. This can ultimately result in asset failure impacting service delivery and patient/client safety and increasing maintenance costs.

## 7.2 Audit approach

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We reviewed whether CHSA had a defined program of works for maintaining its property assets that was consistent with its asset management strategy. We also reviewed whether it had:

- established its maintenance budgets based on its maintenance needs and priorities
- properly identified and managed deferred maintenance.

We considered the requirements of the *Facilities Management Services Arrangements – Agency Work Procedure Manual* on maintenance planning and the application of DPTI's TDS to preventative maintenance. We also considered how CHSA established its maintenance budgets, and identified and managed deferred maintenance.

## 7.3 Findings

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### 7.3.1 Key asset information was not used to inform development of preventative maintenance plans

#### Recommendation

Regional LHNs should work with DPTI-FS to use asset breakdown history, asset condition, utilisation and lifecycle analysis information in developing preventative maintenance plans.

#### Finding

We found the following information was not used to inform development of CHSA's 2018-19 preventative maintenance plans:

- asset breakdown history
- asset condition
- utilisation
- lifecycle analysis.

Considering this asset information in developing preventative maintenance plans enables preventative maintenance to be delivered in a more strategic and cost-effective way.

Preventative maintenance plans were developed by DPTI-FS based on its records of CHSA's assets and the TDS developed to service those assets. The draft preventative maintenance plans were provided to CHSA to review, but the absence of asset information described above limited its ability to apply a strategic approach to reviewing and making sound decisions on them.

### 7.3.2 No written notification to DPTI-FS that the 2018-19 preventative maintenance plans were accepted

#### Recommendation

Regional LHNs should implement processes to ensure DPTI-FS is notified when draft preventative maintenance plans are accepted, and maintenance services can be provided in line with the plans.

#### Finding

We found there was no written notification to DPTI-FS that its proposed preventative maintenance plans for 2018-19 were accepted and could be implemented. Specifically:

- for a sample of 19 sites, CHSA could not provide copies of any notification to DPTI-FS accepting its proposed 2018-19 preventative maintenance plans
- the register maintained by DPTI-FS used to monitor agency acceptance (approval) of preventative maintenance plans indicates that notification was not received for any CHSA sites.

The *Facilities Management Services Arrangements – Agency Work Procedures Manual* requires agencies that receive an acceptable preventative maintenance plan to notify DPTI-FS in writing that the plan is accepted and can be implemented.

DPTI-FS advised us that if an agency does not provide written notification, it will proceed to provide maintenance services in line with the draft preventative maintenance plan provided to the agency for review. DPTI-FS does this to minimise risks to the State from not performing critical preventative maintenance.

The review and acceptance of DPTI-FS' proposed preventative maintenance plans is an important control to confirm the plan is:

- complete (ie it includes all assets requiring preventative maintenance)
- consistent with CHSA's asset management strategy, including its levels of service and available budget.

### 7.3.3 No control to ensure draft preventative maintenance plans are reviewed

#### Recommendation

Regional LHNs should implement a management control such as sign-off to the Director Corporate Services confirming that the draft preventative maintenance plans for each site

were reviewed and, where necessary, that DPTI-FS was notified of omissions/corrections.

## Finding

We found there was no control to ensure site facility officers:

- reviewed the completeness and accuracy of all draft preventative maintenance plans
- notified DPTI-FS of any omissions/corrections to the draft plan.

We were advised by the regional LHN Directors Corporate Services that they assume all draft preventative maintenance plans were reviewed by site facility officers.

The review by site facility officers of draft preventative maintenance plans is an important control to ensure completeness and accuracy of the proposed plan. Management should obtain positive confirmation of the performance of this control.

### 7.3.4 Uncertainty as to the role and application of technical data schedules

## Recommendation

Regional LHNs should work with DPTI to resolve the uncertainty about the application of TDS to gain assurance that assets are maintained to an appropriate standard (ie in line with statutory and manufacturer requirements).

## Finding

We found there was uncertainty about the application of TDS and the level of instruction that they provide to external contractors performing maintenance jobs. This uncertainty stems from the generic nature of TDS, which are not tailored to the specific building fabric, plant and equipment.

For each preventative maintenance job, the contractor engaged by DPTI-FS is given a work order that refers them to a TDS. No other instructions are issued to the contractor.

The conditions of use for TDS are on DPTI's website<sup>40</sup> and must be agreed before accessing the TDS documents. The conditions of use include disclaimers that:

- DPTI cannot guarantee that the information meets standards or legislative requirements
- the TDS is not an exhaustive list of all the tasks or obligations that may be required and is generally generic in nature.

The AGFMA Unit advised the FMGG in April 2019 that it is not correct to treat TDS as a checklist or to believe that, if completed, everything has been done from a legislative and work health and safety view.

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<sup>40</sup> Technical Data Schedules, viewed 5 November 2019, <[http://www.dpti.sa.gov.au/asset\\_management/tds](http://www.dpti.sa.gov.au/asset_management/tds)>.

DPTI-FS and the AGFMA Unit advised us that contractors engaged to perform preventative maintenance are appropriately qualified and have the skills and experience to determine the activities necessary to maintain the asset. We noted, however, that no process was in place to advise CHSA what activities listed on the TDS were performed/not performed and therefore it is difficult to hold the contractor to account if the asset is not properly maintained.

The AGFMA Unit advised the FMGG in April 2019 that a working group was established to review the content of the TDS documents and develop guides to be used going forward.

The current TDS expose the asset owner to risks that include:

- not knowing what work it can expect the contractor to complete
- the contractor not being held to account for work they conduct because instructions are indicative only
- failing to meet legislative and work health and safety requirements resulting in operational and financial risks.

### 7.3.5 DPTI independent review of technical data schedules not performed in 2018-19

#### Recommendation

Regional LHNs should work with DPTI to ensure TDS reviews are performed timely and any issues identified are satisfactorily resolved promptly.

#### Finding

To ensure the accuracy, currency and appropriateness of the TDS, DPTI's AGFMA Unit engages independent third-party engineers to review a selection of TDS. We found that:

- no TDS reviews by engineers were obtained in 2018-19
- the most recent third-party review was completed in April 2018, but as at June 2019 the results had not been reported to the FMGG to determine what recommendations will be adopted
- there was a lack of guidance on the frequency of reviews and sampling methodology to be used.

Guidance is required to ensure there is a sound process to regularly review the large number of TDS documents within a reasonable time frame.

The AGFMA Unit is responsible for the accuracy, currency and appropriateness of TDS. Between 2017 and 2018 they procured three reviews involving 90 of the highest risk TDS. These reviews provide the following benefits:

- confirm the accuracy and appropriateness of the TDS
- assure key stakeholders that the TDS complies with legislation

- give more confidence that risks are being managed and assessments are current
- advise where potential savings may be found.

### 7.3.6 Technical data schedules not tailored to the specific assets at each site

#### Recommendation

Regional LHNs should work with DPTI to ensure TDS are customised to include the specific service requirements of their building fabric, plant and equipment.

#### Finding

We were advised by regional CHSA staff that the TDS used for preventative maintenance are generic and were not tailored for the specific building fabric, plant and equipment at individual sites.

The *Facilities Management Services Arrangements – Agency Work Procedure Manual* states that the draft preventative maintenance service delivery plan will include all TDS relevant to items of building fabric, plant and equipment and customised to include specific service requirements for these items.<sup>41</sup>

If TDS are not tailored to the specific building fabric, plant and equipment at individual sites there is increased risk that required maintenance may not be completed and this gives rise to health and safety and service delivery risks.

### 7.3.7 No annual replacement/refurbishment maintenance plans developed

#### Recommendation

Regional LHNs should work with DPTI-FS to develop annual planned replacement/refurbishment maintenance service delivery plans.

#### Finding

We found CHSA did not have detailed plans for planned refurbishment/replacement maintenance to be performed for its building assets.

The *Facilities Management Services Arrangements – Agency Work Procedure Manual* requires the facilities management service provider to prepare, in consultation with CHSA, a planned replacement/refurbishment maintenance plan.<sup>42</sup>

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<sup>41</sup> Department of Planning, Transport and Infrastructure 2015, Government of South Australia, *Facilities Management Services Arrangements – Agency Work Procedure Manual*, effective 1 July 2015, p. 49.

<sup>42</sup> *ibid*, pp. 55-56.

To help prepare this plan the manual requires the facilities management service provider to conduct condition assessments and prepare condition reports.<sup>43</sup> As discussed in section 6.3.18, DPTI-FS did not prepare any condition reports.

Without detailed plans for replacement/refurbishment maintenance there is increased risk that critical maintenance is not completed or not completed within required time frames, adversely impacting service delivery.

### 7.3.8 Maintenance budgets were not prepared based on maintenance needs and priorities

#### Recommendation

Regional LHNs should:

- develop maintenance budgets based on maintenance requirements and priorities identified for the budget period
- implement budgetary review processes to monitor performance against budgets, explain variances and implement appropriate actions.

#### Finding

We found that maintenance budgets are determined annually by increasing the previous year's budget by a small percentage. Regional staff advised us that the maintenance budget is not based on maintenance needs for the region.

Several regional LHN Directors Corporate Services advised us that the preventative maintenance budget did not cover the estimated cost of the preventative maintenance program advised by DPTI-FS. Any budget shortfall is required to be funded by CHSA.

Providing insufficient financial resources to maintain health service assets can impact the effective, efficient and safe provision of health services to the community.

### 7.3.9 Maintenance expenditure for 2018-19 exceeded the maintenance budget

#### Recommendation

Regional LHNs should investigate reasons for exceeding maintenance budgets to inform their future maintenance budgets and priorities for future maintenance expenditure.

If the funding allocated for preventative maintenance activities is less than the amount needed to perform it, regional LHNs should consider:

- seeking additional funding
- reviewing maintenance activities to confirm they are all necessary

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<sup>43</sup> *ibid.*

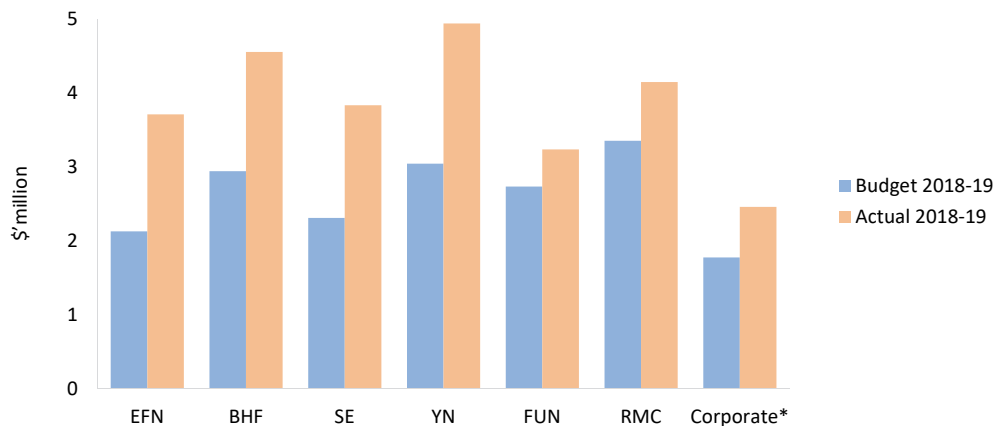


- identifying potential expenditure savings.

## Finding

We found CHSA’s maintenance expenditure for 2018-19 exceeded its maintenance budget by \$8.6 million. The total CHSA maintenance budget excluding salaries, wages and on-costs for 2018-19 was \$18.2 million and the actual expenditure was \$26.8 million. Figure 7.1 shows that each region exceeded its maintenance budget in 2018-19.<sup>44</sup>

**Figure 7.1: Comparison of budget and actual maintenance expenditure for 2018-19**



\* Corporate refers to the CBD office space used by CHSA staff and maintenance projects run across regions by the Corporate Services Division.

Source: Audit analysis of budget and actual maintenance expenditure. General ledger data provided by the Rural Support Service.

The reasons for exceeding 2018-19 maintenance budgets advised by regional LHN staff included:

- the preparation of the maintenance budget did not consider prior actual maintenance expenditure or maintenance needs for the current period
- there is little discretion over breakdown maintenance as the asset requires repair to facilitate the continued operation of the health service. Replacing assets occurs when an asset can no longer be repaired or sufficient funds become available.

### 7.3.10 Ongoing processes to identify and address deferred maintenance were not developed

#### Recommendation

Regional LHNs should implement ongoing process to identify deferred maintenance and address backlogs in maintenance works including:

- documenting the rationale for deferring required maintenance/asset sustainment works

<sup>44</sup> The budget and actual expenditure included in figure 7.1 is for supplies and services. It does not include salaries, wages and on-costs.

- assessing the risks of deferring maintenance/asset sustainment works at an asset level, identifying strategies to mitigate any significant risks and monitoring these strategies
- reporting to management on the extent of deferred maintenance/asset sustainment works, including risks, consequences and mitigations strategies.

Regional LHNs should develop a strategy to address any backlog of required maintenance/asset sustainment works.

## Finding

We found that CHSA had not established an ongoing process to identify deferred maintenance and develop strategies to address backlogs in maintenance works. Specifically, a robust system was not developed to:

- document the rationale for deferring required maintenance/asset sustainment works
- assess the risks arising from deferring maintenance/asset sustainment works at an asset level and develop mitigation strategies to address them. We noted some CHSA regional risk registers identified the risk of deferred maintenance impacting on asset service delivery, compliance and accreditation. However, the assessment did not give focus to the risks and mitigation actions for the specific assets of the region
- regularly report to management the extent of deferred maintenance including risks, consequences and mitigation strategies.

Not identifying and developing strategies to address backlogs in maintenance works can lead to increases in asset breakdowns and failures impacting service delivery and patient/client safety, and increased maintenance costs.

### 7.3.11 CHSA did not have current information on the extent of its backlog of maintenance/asset sustainment works

## Recommendation

Regional LHNs should establish processes to maintain, on an ongoing basis, up-to-date information on deferred maintenance works (ie the backlog of asset maintenance/sustainment works). This information, including any risks from deferral, should be used to inform maintenance planning.

## Finding

We found that CHSA did not have current/robust information on the full extent of its backlog of maintenance/asset sustainment works.

An important aspect of strategic maintenance planning is understanding the extent of any current and future maintenance backlogs including the consequences of increasing, decreasing or holding constant the extent of deferred maintenance for key assets and across the portfolio.

In 2014 CHSA conducted condition assessments of property assets for some of its sites (91 sites from a total of 168). The assessments identified a \$178 million backlog of required sustainment works.<sup>45</sup>

Our review of the assessments performed identified several limitations:

- they did not include all CHSA property assets
- recommendations to undertake further investigations were not reflected in the backlog estimate
- for some property assets the assessment of sustainment works did not include an estimated cost for those works.

We also noted the assessments were at a point in time. The backlog estimate was not updated to reflect:

- subsequent sustainment issues identified due to deterioration of assets as they aged or were consumed through use or other factors
- the completion of subsequent sustainment works.

Incomplete and/or outdated information on deferred maintenance compromises the asset owner's ability to:

- understand and assess the risk with deferring maintenance for key assets and across the portfolio
- plan for future maintenance or capital commitments and make necessary funding arrangements.

### 7.3.12 Funding submission to DHW on operational and infrastructure issues did not include the total estimated costs to address the backlog of asset sustainment works

#### Recommendation

Regional LHNs should ensure that funding bodies are advised of any current and future maintenance shortfalls, including any resulting risks to patient and staff health and safety or service delivery.

#### Finding

In February 2017 the former Chief Executive Officer, CHSA made a funding submission to the then Chief Executive, DHW. The submission identified a need for funding of \$110.8 million over 10 years to address a backlog of asset sustainment works. The \$110.8 million represents the riskier items from CHSA's 2014 condition assessment, and only the top 10 priority items for each site.

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<sup>45</sup> The \$178 million includes fees and contingencies.

However, as noted in section 7.3.11, CHSA's 2014 condition assessments identified a \$178 million backlog of required sustainment works.

We noted that the 2018-19 budget included \$140 million for CHSA asset sustainment works over 10 years. CHSA's 2014 condition assessment indicates this funding is insufficient to address all the issues identified in the 2014 condition assessment.

## 8 Monitoring asset maintenance and performance

### What we found

Performance benchmarks/indicators were not established to enable CHSA to objectively assess the suitability, adequacy and effectiveness of its property asset maintenance activities. Further, CHSA did not have complete and current asset performance information for its property assets.

Reporting from DPTI-FS on completion of preventative maintenance needed to improve.

CHSA did not have processes to ensure preventative maintenance performed by DPTI-FS or in-house by CHSA maintenance staff was completed in line with the preventative maintenance plan/program.

CHSA did not receive monthly reports from DPTI-FS to enable it to effectively monitor replacement/refurbishment maintenance for time, cost or quality.

There was no control to ensure customer service reports prepared by the maintenance contractor were obtained and reviewed for all completed maintenance jobs.

There was minimal analysis of breakdown maintenance to understand factors causing increases in breakdown maintenance costs.

Some 2018-19 maintenance transactions were auto-approved.

### What we recommended

Regional LHNs should:

- establish performance benchmarks/indicators to assess the suitability, adequacy and effectiveness of their property maintenance activities
- implement processes to capture, record and maintain asset performance information
- work with DPTI-FS to improve reporting on the performance of preventative and replacement/refurbishment maintenance
- establish processes at all sites to monitor the implementation of preventative maintenance plans
- ensure all customer service reports issued by the contractor performing the work are obtained and reviewed by facility officers
- review and approve or dispute completed maintenance claims within 30 days of the claim being submitted
- work with DPTI to obtain information to analyse breakdown maintenance trends, risks and costs and use this to inform decisions on maintenance work programs and budgets.

## 8.1 Introduction

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Effective asset management includes processes to measure, monitor, evaluate and report on asset performance including the suitability, adequacy and effectiveness of its maintenance activities.

The SAMF states:

*It is important that asset performance is appropriately and continuously monitored and evaluated to verify that required outcomes, including service delivery objectives, are being achieved and continuously improved.<sup>46</sup>*

## 8.2 Audit approach

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We assessed whether CHSA had established systems and processes to manage the maintenance work program and monitor its outcomes.

We considered how CHSA managed and monitored maintenance performance at the following levels:

- broad organisational
- site maintenance plan
- transactional (ie individual maintenance job).

We also assessed whether CHSA established processes to monitor, review and understand breakdown maintenance.

## 8.3 Findings

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### 8.3.1 CHSA had not established any maintenance performance measures

#### Recommendation

Regional LHNs should establish performance benchmarks/indicators to help them assess the suitability, adequacy and effectiveness of their property asset maintenance activities.

They should also implement a mechanism to regularly monitor and report on their performance against the benchmarks/indicators.

#### Finding

We found CHSA had not established any performance benchmarks/indicators to enable it to objectively assess the suitability, adequacy and effectiveness of its property asset maintenance activities.

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<sup>46</sup> Department of Planning, Transport and Infrastructure 2017, Government of South Australia, *Strategic Asset Management Framework: A Guide to South Australian Government Buildings*, 1 February, p. 58.

Relevant maintenance performance benchmarks/indicators include:

- maintenance is conducted efficiently in terms of both cost and timeliness
- stakeholder (ie staff, patients, community) satisfaction with building condition and the reliability of building services
- assets are available to deliver required levels of service
- risks are managed effectively
- performance of DPTI-FS.

Without establishing performance benchmarks or indicators to make an objective assessment there may be uncertainty over the suitability, adequacy or effectiveness of CHSA's property asset maintenance activities. As a result, corrective action may not be taken where the activities are not suitable, adequate or effective.

### 8.3.2 CHSA did not have complete and current performance information for its property assets

#### Recommendation

Regional LHNs should implement processes to capture, record and maintain asset performance information. This information should be used to inform asset investment and management decision-making.

Regional LHNs should develop policies and procedures to reflect the processes established.

#### Finding

We found CHSA did not have complete asset performance information for its property assets. Specifically, we found it did not have performance information addressing:

- utilisation/capacity
- functionality
- location
- statutory risk compliance.

Further, we found CHSA did not have current condition data for all its property assets (see section 6.3.13).

The SAMF states 'Agencies should also establish and maintain management processes to regularly record, monitor and assess performance'.<sup>47</sup>

Assessing asset performance helps to identify asset failures or indicators of likely asset failure. Consequently, the ability to view and analyse asset performance information is critical to making informed and strategic decisions on whether to maintain, renew or dispose of assets.

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<sup>47</sup> *ibid.*

The absence of complete asset performance information increases the risks that decisions to maintain, modify, rehabilitate, find an alternative use for or dispose of assets are not well informed, compromising the effectiveness of the decision.

### 8.3.3 Monitoring the implementation of preventative maintenance plans

Implementing preventative maintenance was shared between DPTI-FS and CHSA internal maintenance staff. Maintenance performed by CHSA staff is referred to as in-house maintenance.

The failure to implement preventative maintenance programs in full exposes asset owners to health and safety, compliance and accreditation, and service delivery risks. As such it is important that they have processes to monitor implementation of preventative maintenance plans and take action to mitigate any risks from not adequately implementing them.

#### 8.3.3.1 Reporting by DPTI-FS on preventative maintenance compliance needed to improve

##### Recommendation

Regional LHNs should work with DPTI-FS to improve reporting on the completion of preventative maintenance plans. Reporting should enable regional LHNs to understand for each site:

- any planned preventative maintenance not completed
- time frames for completing overdue planned preventative maintenance
- risks arising from non-completion/delays in completing planned preventative maintenance.

##### Finding

We found there was scope to improve reporting from DPTI-FS on the completion of preventative maintenance plans.

DPTI-FS provided CHSA with a monthly client dashboard report. It detailed the percentage of preventative maintenance completed in the designated month. However, it did not include:

- details of preventative maintenance jobs not completed for each site
- revised time frames for completing the outstanding preventative maintenance jobs
- risks arising from not completing preventative maintenance jobs as planned.

Consequently, the report provided by DPTI-FS did not help CHSA to understand any risks from not completing planned preventive maintenance and the actions required to mitigate these risks.



Our enquiries with CHSA staff in the regions confirmed that the dashboard report provided limited assistance in managing preventative maintenance activities.

Without adequate information on the completion of preventative maintenance plans there is uncertainty as to which assets have not had required preventative maintenance performed. Failure to perform preventative maintenance in required time frames may result in:

- risks to patient and staff health and safety
- non-compliance with standards and accreditation requirements
- required services not being delivered.

#### 8.3.3.2 Sites had no process to ensure preventative maintenance plans were implemented as required by DPTI-FS

##### Recommendation

In the absence of effective reporting from DPTI-FS, regional LHNs should establish processes at all sites to monitor the implementation of preventative maintenance plans to:

- identify planned preventative maintenance not completed
- assess the risks of non-completion/delays in completing planned preventative maintenance and identify actions required to mitigate these risks.

##### Finding

Our review of a sample of 14 CHSA sites found that seven sites had not established processes to ensure preventative maintenance delivered by DPTI-FS was completed in line with the preventative maintenance plan.

Without a process to ensure that DPTI-FS had delivered preventative maintenance as planned there is uncertainty as to which assets have not had required preventative maintenance. Failure to perform preventative maintenance within required time frames exposes the asset owner to health and safety, compliance and service delivery risks.

#### 8.3.3.3 Sites had no monitoring and reporting on the completion of in-house maintenance plans

##### Recommendation

Regional LHNs should implement processes to monitor the performance of in-house preventative maintenance programs and follow up instances where in-house preventative maintenance did not occur as planned.

Regional LHNs should ensure in-house maintenance records are maintained and readily accessible.

## Finding

We found that not all sites and regions had established processes to monitor the implementation of in-house preventative maintenance programs. For most sites we visited there was no monitoring by, or reporting to, the officer responsible for overseeing maintenance activities at the site on the implementation of the in-house preventive maintenance program.

We also found there were no procedures on how in-house preventative maintenance programs should be monitored and how the monitoring should be documented.

For the 14 sites we visited we requested documentation to evidence the performance of in-house maintenance for specific periods. However, not all sites provided us with their in-house maintenance records.

Failure to monitor the implementation of in-house preventative maintenance programs creates uncertainty as to whether required preventative maintenance has been performed. Failure to perform in-house preventative maintenance may result in:

- risks to patient and staff health and safety
- non-compliance with standards and accreditation requirements
- required services not being delivered.

### 8.3.4 Monitoring the implementation of replacement/refurbishment maintenance

While there was no plan for replacement/refurbishment maintenance for CHSA in 2018-19 (see section 7.3.7), DPTI-FS did provide CHSA with replacement/refurbishment maintenance on request.

#### 8.3.4.1 No reporting on the implementation of replacement/refurbishment maintenance

## Recommendation

Regional LHNs should work with DPTI-FS to improve reporting on replacement/refurbishment maintenance. Reporting should enable regional LHNs to understand the performance for each replacement/refurbishment maintenance job in terms of time, cost and quality.

## Finding

We found CHSA did not receive monthly reports from DPTI-FS to enable it to effectively monitor the implementation of replacement/refurbishment maintenance for time, cost or quality.

The Facilities Management Services Framework requires DPTI-FS to provide monthly reports to CHSA on the performance of replacement/refurbishment maintenance. They should include the following details for each job:

- scope and current status
- program for completion and any variation to the original time frame
- total amount paid and any variation to the original amount payable
- explanation of reasons for any variation to the program or amount payable.

We found that CHSA was not provided with reports containing this information. The regional LHN Directors Corporate Services advised that DPTI-FS provided monthly client dashboard reports. These only provided details of the total year-to-date actual and budget expenditure for replacement/refurbishment maintenance.

Without information to monitor replacement/refurbishment maintenance, there is an increased risk that it will not be delivered on time, within budget or to an appropriate quality, exposing the asset owner to financial and service delivery risks.

### 8.3.5 No control to ensure customer service reports were obtained and reviewed

#### Recommendation

Regional LHNs should implement a process to ensure all customer service reports at all sites are obtained and reviewed by facility officers to:

- determine whether there are any issues and/or follow-up work required
- confirm the contractor attended the site
- ensure that FAMIS charges match the customer service report.

#### Finding

We found there was no control to ensure all customer service reports were obtained and reviewed for all maintenance jobs completed.

For example, we were advised the customer service reports for maintenance performed at one site that was leased out in 2018-19 were not obtained and reviewed by the site facility officer. The customer service reports were retained by the lessee.

Customer service reports are used by the external contractor to document the performance of maintenance work including:

- type of work completed (at a high level)
- hours taken to complete the work
- travel time and accommodation
- material charges.

Customer service reports also document any issues and follow-up work required on the assets serviced. They must be signed by the contractor certifying the maintenance work has been completed before the contractor leaves the site. A site representative is also required to sign the reports to confirm the contractor attended the site.

Without a process to ensure that all customer service reports are obtained and reviewed, issues and follow-up work required may not be identified or actioned by the asset owner. This may cause assets to not operate properly or fail, which could result in health and safety and service delivery risks.

### 8.3.6 Maintenance transactions auto-approved

#### Recommendation

Regional LHNs should ensure all completed maintenance job claims are reviewed and approved/disputed within 30 days.

#### Finding

Our review of the CHSA dashboard report for June 2019 prepared by DPTI-FS found that some maintenance jobs were auto-approved in 2018-19. Figure 8.1 details the CHSA regions where more than 5% of maintenance jobs were auto-approved.

**Figure 8.1: CHSA regions where more than 5% of maintenance jobs were auto-approved in 2018-19**

Region	Auto-approved transactions \$	Auto-approved transactions Number	Auto-approved transactions %
Eyre and Far North	220 385	248	11
Flinders and Upper North	227 724	254	12
South East	288 243	72	6

When maintenance jobs are completed by a subcontractor a claim for the work against CHSA is raised in FAMIS. The CHSA delegate should approve the claim for payment or dispute it. This must be done within 30 days or the claim is automatically approved for payment.

Where maintenance jobs are auto-approved there is increased risk of paying for works not performed or performed to an unsatisfactory standard, or being overcharged.

### 8.3.7 Breakdown maintenance was not analysed to inform asset management decisions

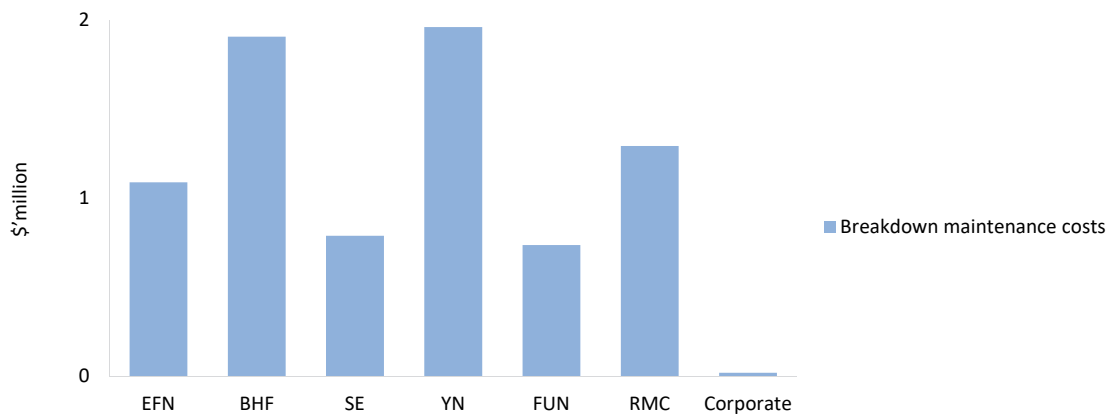
#### Recommendation

Regional LHNs should work with DPTI to obtain information to analyse and understand breakdown maintenance trends, risks and costs and use this to inform decisions on maintenance work program and budgets.

## Finding

We found that there was minimal analysis and monitoring of breakdown maintenance performed by CHSA. Only one region indicated that it reviewed breakdown maintenance costs and conducted broad analysis to understand what may be impacting breakdown costs.

**Figure 8.2: Breakdown maintenance costs by CHSA region for 2018-19**



Source: Audit analysis of breakdown maintenance expenses provided by Rural Support Service.

Analysis of breakdown maintenance across asset types, locations, age of assets and the way jobs are logged in FAMIS could help to identify factors increasing breakdown maintenance costs.

We found that there was insufficient asset information in CHSA's asset information systems (SAMIS and FAMIS) to identify risks and trends that would inform decisions about maintenance work programs and budgets. Further, information was not readily accessible to review the maintenance history for specific assets.

Regional staff advised that information is not easily accessible from FAMIS to identify risks and trends in breakdown maintenance or review the maintenance history for specific assets. All sites we visited acknowledged their information on breakdown maintenance relied heavily on maintenance staff knowledge of the maintenance history for specific assets. This knowledge varied and was not documented.

Not being able to identify risks and trends in breakdown maintenance limits opportunities to develop future maintenance work programs that address risks and manage costs effectively. This may result in breakdown costs continuing to increase across the regions.

Furthermore, breakdown maintenance expenditure may not represent the best use of public funds as the frequency and cost of repair may exceed the cost of replacing some assets.

## 9 Maintenance works represent value for money

### What we found

CHSA's ability to effectively monitor the services provided by DPTI-FS was limited as it did not have a clear understanding of the roles, responsibilities and requirements documented in the Facilities Management Services Framework. The framework, agreed between DPTI-FS and DPTI, has not been provided to the client agencies receiving facilities management services.

Processes established for maintenance performed by external contractors under the AGFMA did not allow for effective certification that preventative maintenance works were completed to an appropriate standard, that payment was for actual work performed and at a reasonable price.

CHSA had not established value for money criteria and did not have a coordinated approach to address work quality or cost issues with DPTI-FS.

Replacement/Refurbishment items and minor works were procured outside of the AGFMA to reduce maintenance costs.

CHSA did not have a control in place to ensure disputed maintenance charges were appropriately investigated and resolved before payment was made to DPTI-FS.

### What we recommended

Regional LHNs should:

- work with DPTI-FS to develop and implement (in an SLA) documented service requirements and performance criteria that align with the roles, responsibilities and requirements assigned to DPTI-FS in the Facilities Management Service Framework
- implement robust processes to ensure that all necessary maintenance tasks are completed to an appropriate standard, payment is only made for works/services performed and the amount charged is reasonable for the works/services received
- identify value for money criteria and establish processes for staff to follow up and escalate issues
- adopt a coordinated approach to dealing with issues of quality and cost
- develop a policy for procuring replacement/refurbishment items and minor works that complies with AGFMA requirements. They should consult with DPTI to determine an approach going forward that complies with requirements and achieves good value.

## 9.1 Introduction

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Achieving value for money in the public sector is ensuring the optimal use of government resources. For asset maintenance this includes ensuring that maintenance works are completed to an appropriate standard and are provided at competitive prices.

Assessing value for money does not only consider price. Financial and non-financial costs and benefits should be considered in the context of the objectives of the expenditure. For asset maintenance, value for money should be determined with consideration for:

- the use and importance of the assets being maintained
- the minimum standards required to maintain assets that are safe and can be used efficiently
- the availability of resources
- the risk environment for sites and the organisation.

## 9.2 Audit approach

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We assessed whether CHSA had established processes to ensure that the maintenance function provided by DPTI-FS under the AGFMA was properly managed, including ensuring works represent value for money for CHSA.

Value for money for the purpose of this review focussed on whether the maintenance works were completed to an appropriate standard and provided at competitive prices.

## 9.3 Findings

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### 9.3.1 Lack of information on the roles, responsibilities and requirements established for DPTI-FS in the Facilities Management Services Framework

#### Recommendation

Regional LHNs should work with DPTI to develop and implement (in an SLA) documented service requirements and specific performance criteria that:

- align with the Facilities Management Services Framework, where relevant
- enable effective evidence-based monitoring of the services provided.

Also, regional LHNs should implement a mechanism to monitor the performance of the services provided by DPTI-FS.

#### Finding

All facilities services for CHSA (excluding in-house maintenance) were undertaken by DPTI-FS.

The *Facilities Management Services Arrangements – Agency Work Procedure Manual* issued by DPTI states that:

*DPTI-FS has entered into a FM Services Framework (the Framework) with the Department of Planning, Transport and Infrastructure (DPTI) ... DPTI-FS has self-governance responsibilities under the Framework.*

The manual also states that specific roles and responsibilities for DPTI-FS are established in the Facilities Management Services Framework. Further, the procedures detailed in the manual are intended to guide agencies in understanding the requirements that the facilities management service providers (ie DPTI-FS) must satisfy in procuring and delivering facilities management services.

Regional LHN Directors Corporate Services and staff from DHW's Infrastructure Division advised us that they cannot properly manage or monitor the services provided by DPTI-FS without an understanding of what roles, responsibilities and requirements are documented in the Facilities Management Services Framework.

We were advised that CHSA and DHW requested a copy of the Facilities Management Services Framework from DPTI, but were told that they could not be provided with it.

With a lack of information available to CHSA on the services that are required to be delivered and only self-governance responsibilities under the Facilities Management Services Framework, there is a risk that DPTI-FS will not be held to account for the service delivery under the current arrangements.

### 9.3.2 Certification of preventative maintenance work performed under the AGFMA was not effective

#### Recommendation

Regional LHNs should work with DPTI to implement robust processes to ensure that all necessary maintenance tasks are completed to an appropriate standard, the amount billed is only for works/services performed and the amount charged is reasonable.

#### Finding

The processes established for maintenance performed by external contractors under the AGFMA did not allow for effective certification that preventative maintenance works were completed to an appropriate standard, and that payment was for actual work performed and for a reasonable price.

Under the AGFMA a transaction for a maintenance job is carried out between DPTI-FS, CHSA and the contractor engaged by DPTI-FS.

Parts of the transaction performed by DPTI include:

- creating the TDS, which provide the basis for preventative maintenance to be performed



- issuing the work order to the contractor to complete maintenance activities recorded on the service delivery plan. The order states the TDS the contractor is to use in performing the maintenance services
- receiving the invoice from the contractor for services provided to CHSA
- processing the payment to the contractor within the terms of payment, regardless of whether the transaction is approved by CHSA.

Parts of the transaction performed by CHSA include:

- signing the customer service report to certify that the contractor attended the site for the time declared. This report is completed by the contractor and includes work safety assessment, travel time, time spent on site and any comments about the work performed or additional issues identified
- accept and approve the job in FAMIS when complete. This will allow the job to be billed to CHSA. The only information available to the person who accepts and approves the job in FAMIS is the customer service report and data entered into FAMIS by DPTI-FS from the invoice. CHSA staff are not provided with a copy of the contractor's invoice.

We found that CHSA staff had limited ability to ensure that required maintenance tasks were completed and that the amount billed was only for work performed because:

- the customer service report does not provide a full description of the service provided by the contractor. While CHSA can refer to the TDS that is made available to the contractor, this is impractical and there is no way for CHSA to know which preventative maintenance tasks listed in the TDS were completed by the contractor
- while the number of items the contractor is required to service is recorded on the work order issued, it is not provided to the maintenance staff on site and therefore there is no mechanism to verify all items were serviced
- for most jobs, contractors do not provide details of which tasks recorded on the TDS they completed and to what extent they completed them
- as DPTI-FS does not have anyone on site, it cannot certify what works were completed by the contractor
- although the contractor is advised what TDS to use, they are generic and it is up to the contractor (rather than DPTI-FS or CHSA) to determine what tasks on the TDS are to be completed and the extent of works to be completed
- CHSA relies on information in FAMIS to approve amounts claimed for jobs. However, it has no way of ensuring that these amounts are for actual work performed, or that the work was completed to an appropriate standard at a reasonable cost. The contractor's invoice may provide information that clarifies the work performed and associated charges, but CHSA is not provided with the invoice.

We were advised by DPTI-FS that the contractor should have sufficient expertise to know which maintenance should be performed. It is noted, however there was no mechanism in place to identify what activities listed on the TDS were performed/not performed. As a result, it is difficult to hold the contractor to account if the asset is not properly maintained and to determine whether the amounts charged are reasonable.

Under the current transaction process for the AGFMA there is a risk that:

- contractors are paid for maintenance work that was not completed to a satisfactory standard
- assets may not be properly maintained, which may result in early failure leading to financial and operational risks
- contractors cannot be held accountable for work not performed
- asset owners may be charged for maintenance work/services that are not performed or are not performed to a satisfactory standard.

### 9.3.3 Value for money criteria have not been established by CHSA

#### Recommendation

Regional LHNs should identify value for money criteria and establish processes that provide staff with mechanisms to follow up and escalate issues as appropriate.

#### Finding

We found that CHSA had not established value for money criteria.

Our regional site visits identified that staff were not aware of any formal processes established to monitor value for money for maintenance arrangements. Our discussions with CHSA staff responsible for managing site maintenance activities found varied views and opinions on the achievement of value for money. Many staff were of the opinion that arrangements in place were not conducive to ensuring the fees charged by DPTI-FS were cost effective and represented value for money for the following reasons:

- the service fee charged by DPTI-FS for providing AGFMA services, on top of maintenance charges from the contractor, was considered excessive for the level of service received
- numerous examples were advised where the quote for a maintenance job provided by DPTI-FS was significantly higher than a quote sourced directly from alternative contractors by regional staff
- significant travel charges are incurred for jobs at more remote sites because contractors are sent from Adelaide or larger regional centres to more remote areas
- the pool of available contractors to conduct maintenance work has reduced under the AGFMA and so competitive tension is reduced
- some assets are being maintained at a level above what is considered necessary by CHSA staff.

Without established criteria or a process to monitor value for money, there is an increased risk that issues related to achieving value for money will not be identified or addressed. This may result in maintenance work not being performed to a suitable standard and maintenance charges being uncompetitive.

### 9.3.4 Lack of coordinated approach for dealing with issues of work quality or cost of jobs

#### Recommendation

Regional LHNs should adopt a coordinated approach to dealing with issues of quality and cost to ensure that:

- issues common across regions and sites can be identified and addressed
- contractors are held accountable for work performed
- issues are escalated above the DPTI Facilities Manager where they are not resolved
- payment is only made to DPTI-FS for services received.

#### Finding

We found there was no coordinated approach to dealing with issues of work quality or charges for maintenance jobs. The approach taken by a number of staff that we spoke to was to raise a query directly with the DPTI Facilities Manager assigned to the region.

To influence the quality of the work performed and the cost of services, we found that some regions were taking on functions that DPTI-FS is meant to provide. For example, staff located at the regions advised us that:

- CHSA regions are directly supervising larger projects by liaising with contractors as the work is being carried out
- quotes are being obtained by CHSA staff directly from contractors
- specific contractors are requested when logging a maintenance job in FAMIS
- they procure goods directly from suppliers
- engineers are engaged to determine appropriate specifications for works.

We were advised that regional LHNs are starting to hold operational meetings with DPTI-FS which can be used as a forum to raise issues in a more structured and formal manner.

In the absence of a coordinated approach for dealing with quality of work issues or work being charged at uncompetitive prices there is a risk that DPTI's AGFMA Unit is not aware of issues and that common issues across regional LHNs are not identified or effectively addressed.

Where staff from regional LHNs are performing work that should be performed by DPTI-FS, CHSA is paying fees for services that are not received while incurring additional costs for staff to undertake the work.

### 9.3.5 Replacement/Refurbishment items and minor works procured outside of the AGFMA

#### Recommendation

Regional LHNs should develop a policy for procuring replacement/refurbishment items and

minor works that complies with AGFMA requirements. Regional LHNs should consult with DPTI to determine an approach going forward that complies with requirements and achieves good value.

## Finding

We found that CHSA has procured replacement/refurbishment items and minor works outside of the AGFMA.

Regional LHN Directors Corporate Services advised us that several regions procured replacement/refurbishment items and minor works directly from suppliers to reduce maintenance costs. Examples of these procurements include:

- medical gas manifold upgrade at Strathalbyn Hospital
- combi oven for Gawler Health Service
- central bulk purchase of air conditioner split systems for all regions
- projects that are funded by HACs or through private donation if the donor has specified the contractor to be used
- fencing erected around a gas vessel in the Flinders and Upper North Region.

Minor works and replacement/refurbishment maintenance are mandated services under the AGFMA. The *Facilities Management Services Arrangements – Agency Work Procedure Manual* states that mandated services must be completed under the AGFMA by the facilities management service provider (DPTI-FS). All services provided by DPTI-FS attract a service fee payable by CHSA, which is calculated at a percentage of the total cost of the maintenance job.

Procuring mandated items and services outside of the AGFMA increases the risk that:

- ongoing future maintenance requirements for these items are not identified by DPTI-FS, resulting in assets not being maintained to an appropriate standard
- the AGFMA objectives of ensuring consistency in maintenance standards and achieving State-wide efficiency and effectiveness for asset maintenance are not achieved
- work health and safety risks are not identified and managed.

### 9.3.6 No process to ensure that disputed maintenance jobs are resolved before making payment

#### Recommendation

Regional LHNs should develop a process for staff to ensure that all reasonable steps are taken so that payment is only made for jobs where they are satisfied that the work was performed and the amount charged is reasonable for the service received.

Regional LHNs should work with DPTI to ensure that sufficient information about disputed jobs can be accessed to assess whether the amount charged is only for work performed and is at a reasonable rate.

## Finding

We found that there was no control to ensure disputed maintenance charges were appropriately investigated and resolved before payment was made to DPTI-FS.

A maintenance job claim must be accepted and approved or disputed within 30 days of being received or it is automatically approved in FAMIS.

If the responsible CHSA certifying/approving officer has concerns with a job about the work undertaken and/or the cost, the officer can:

- contact DPTI-FS or the Facilities Services Manager to ask for further information about the job and the amount charged
- dispute the job in FAMIS.

When a job is disputed in FAMIS it must be investigated by DPTI-FS.

During our site visits CHSA certifying/approving officers advised us that jobs disputed in FAMIS were not always resolved to satisfaction of the officer who disputed them. We were advised that DPTI-FS may resolve the dispute with the disputing officer's supervisor without involving the officer who raised the concern. We found there was no mechanism to ensure that concerns raised by the officer who disputed the job were appropriately addressed.

During our visits we were provided with examples from staff who had disputed the amount charged. While not completely satisfied with the additional information provided by DPTI-FS, they advised us that in the end they approved the job for payment because they believed that no further action would be taken to satisfactorily address their concern.

To ensure proper use of public money it is important to inform the officer who originally disputed the transaction the outcome of the investigation.

Without having a process to follow for disputed payments there is an increased risk that regional LHNs will pay for jobs that have not been completed to a satisfactory standard or at a reasonable price.

## 10 Maintenance arrangements at Port Augusta and Mount Gambier Hospitals

### What we found

#### *Port Augusta Hospital*

There was no complete record distinguishing plant, equipment and fixtures that CHSA is responsible for maintaining from the plant, equipment and fixtures that Honeywell Limited (Honeywell) is responsible for maintaining at the Port Augusta Hospital.

#### *Mount Gambier Hospital*

A transition plan had yet to be developed for the transfer of maintenance services at the Mount Gambier Hospital from Honeywell to DPTI-FS, due to occur in 2022.

### What we recommended

The Flinders and Upper North LHN should work with Honeywell to develop and agree a complete listing of maintenance responsibilities for plant, equipment and fixtures at the Port Augusta Hospital.

The Limestone Coast LHN should work with DPTI-FS to develop a transition plan for the transfer of maintenance services from Honeywell to DPTI-FS.

## 10.1 Introduction

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### 10.1.1 Overview of maintenance arrangements at the Port Augusta and Mount Gambier Hospitals

#### Port Augusta Hospital

The Port Augusta Hospital (new PA Hospital building) is leased from Port Augusta Hospital Limited (the building owner). CHSA administer several other buildings on the Port Augusta Hospital site, including the original hospital building.<sup>48</sup>

Honeywell is contracted by Port Augusta Hospital Limited to provide maintenance services for the new PA Hospital Building. CHSA, together with DPTI-FS, is responsible for maintaining the other buildings on the Port Augusta Hospital site.

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<sup>48</sup> The original hospital building is used for community health, paediatrics, administration, training and meeting rooms and storage.

## Mount Gambier Hospital

The Mount Gambier Hospital is leased from Mount Gambier Hospital Limited (the building owner).

Honeywell is contracted by Mount Gambier Hospital Limited for the maintenance, repair and replacement contract for the Mount Gambier Hospital.

The State has redeveloped the Mount Gambier Hospital, including the construction/upgrade of a new medical ward, emergency department, chemotherapy unit, consulting rooms, community health administration area and most recently a new renal unit. Honeywell is contracted to maintain the original hospital, with DPTI-FS responsible for maintaining the redeveloped section. DPTI-FS is also responsible for any plant, equipment and fixtures replaced in the original hospital that is not 'like for like'.

## 10.2 Findings

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### 10.2.1 Allocation of maintenance responsibilities between Honeywell and CHSA at Port Augusta Hospital was not documented

#### Recommendation

The Flinders and Upper North LHN should work with Honeywell to develop and agree a complete listing of maintenance responsibilities for plant, equipment and fixtures in the new PA Hospital Building.

#### Finding

We found there was no complete record distinguishing CHSA's maintenance responsibilities from Honeywell's. Specifically, there was no listing of plant, equipment and fixtures for the new PA Hospital building and the maintenance responsibilities agreed between the State and Honeywell.

We were advised by the Facility Site Supervisor at Port Augusta Hospital that Honeywell is not responsible for maintaining any additions/replacements made by CHSA in the new PA Hospital Building that are not 'like for like'. Further, we were advised the State made updates (ie additions/replacements) to the new PA Hospital Building that are not 'like for like'. These include:

- a new chemotherapy unit
- refurbishing and expanding the renal unit
- a renal store
- replacing carpet floor covering with vinyl
- replacing manual taps with sensor taps.

It is clear that CHSA is responsible for the maintenance of some of these updates (ie new chemotherapy unit). However, for others it is less clear who is responsible.

A complete listing of maintenance responsibilities for plant, equipment and fixtures in the new PA Hospital Building, agreed between the parties, will clarify maintenance responsibilities and mitigate the risk of disagreement between the parties.

## 10.2.2 Transition plan yet to be developed for transferring maintenance services from Honeywell to DPTI-FS at Mount Gambier Hospital

### Recommendation

The Limestone Coast LHN should work with DPTI-FS to develop a transition plan for transferring maintenance services from Honeywell to DPTI-FS.

### Finding

A transition plan had yet to be developed for transferring maintenance services from Honeywell to DPTI-FS.

The Director Corporate Services advised us that the maintenance contract with Honeywell is due to expire in 2022 and that from this date DPTI-FS (the Limestone Coast LHN's facilities management service provider) will provide maintenance services for the original Mount Gambier hospital.

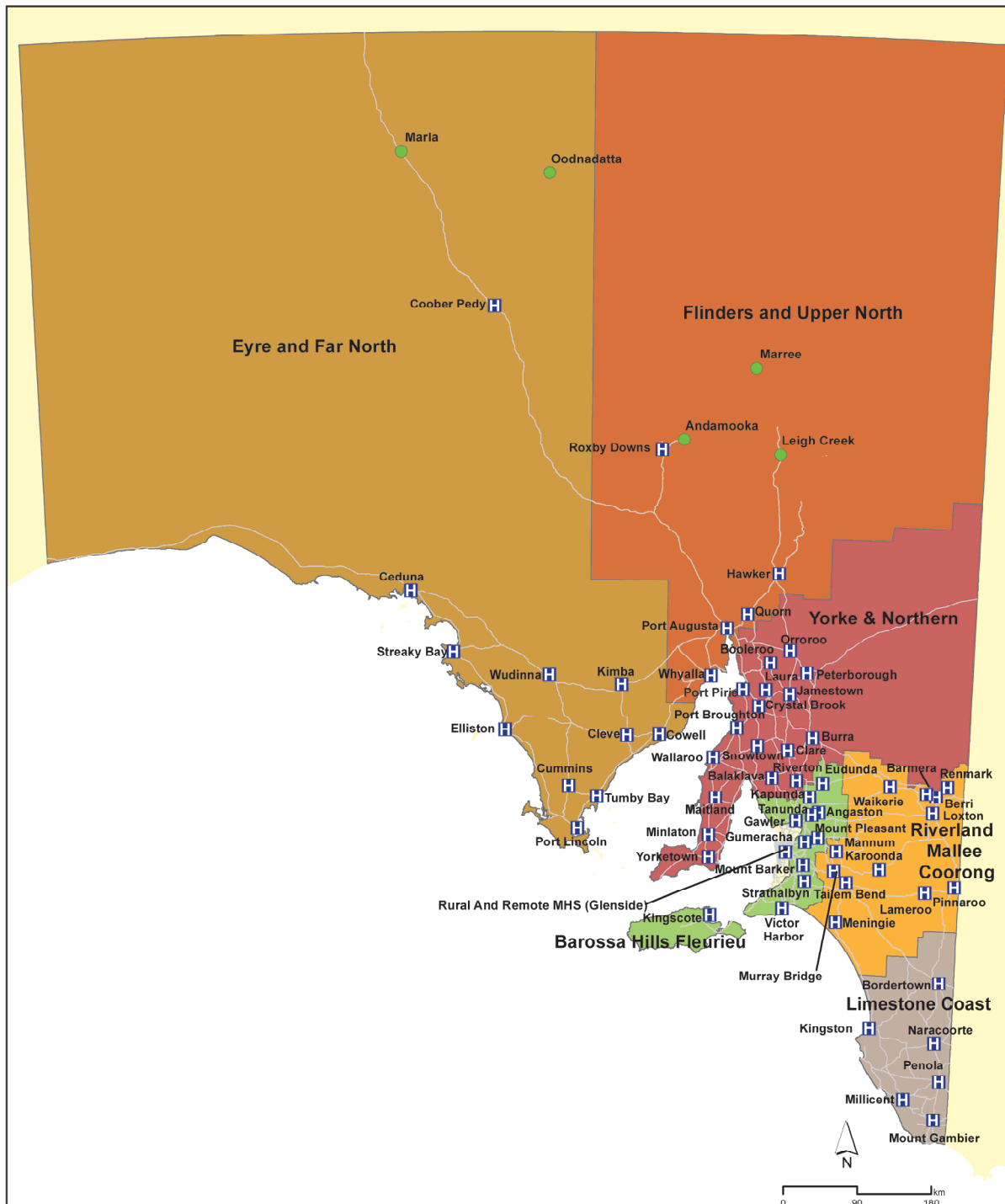
To ensure a proper transition of maintenance services from Honeywell to DPTI-FS a transition plan should be developed. It should address at a minimum planning, responsibilities and timing for:

- auditing the original hospital site to identify all assets that require maintenance
- updating asset systems (ie the MACS system used by DPTI-FS to manage maintenance and SAMIS)
- determining funding arrangements and finalising budgets with DPTI-FS for maintenance
- agreeing arrangements with the building owner (Mount Gambier Hospital Limited) in the event of major breakdowns.

A transition plan will help ensure that critical activities necessary to transition maintenance services from Honeywell to DPTI-FS will occur timely.



# Appendix 1 – Regional local health network geographic boundaries



- Public Acute Hospital
- Remote Area Health Clinic
- Metropolitan Local Health Networks
- Main Roads

## Regional LHNs

- Barossa Hills Fleurieu
- Flinders and Upper North
- Eyre and Far North
- Riverland Mallee Coorong
- Limestone Coast
- Yorke and Northern

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## Appendix 2 – Sites in audit sample and sites visited

Region	Sites in audit sample	Additional sites visited
Barossa Hills Fleurieu	South Coast District Hospital	Gawler Health Service
	Eudunda Hospital	
	Lyndoch Road residences	
Eyre and Far North	Cleve District Hospital and Aged Care	
	Cleve and District Retirement Cottages	
Flinders and Upper North	Port Augusta Hospital and Regional Health Service	Whyalla Hospital and Health Service
	Port Augusta residences	
Riverland Mallee Coorong	Murray Mallee Community Health Service	Murray Bridge Soldiers' Memorial Hospital
	Loxton Hospital Complex	
	Bonneyview Retirement Village	
South East (Limestone Coast)	Millicent and Districts Hospital and Health Service	Mount Gambier and Districts Health Service
	Kingston Soldiers' Memorial Hospital	
Yorke and Northern	Port Pirie Regional Health Service	Clare Hospital and Health Service
	Burra Medical Centre	

# Appendix 3 – Responses from Chief Executives of the regional LHNs under section 37(2) of the *Public Finance and Audit Act 1987*

## 1 Barossa Hills Fleurieu Local Health Network Incorporated

Content from letter dated 14 November 2019 from Rebecca Graham, Chief Executive Officer.

*Thank you for your letter dated 7 November 2019 and for providing me with the opportunity to review and provide comment on the proposed report, that you intend to provide to parliament this month.*

*I can confirm that to the best of my knowledge the information as provided within your report appears accurate, however I would like to provide specific comments with regards to sections 1.5.2 and 1.5.3.*

*In reviewing 1.5.2, I can advise that the Barossa Hills Fleurieu Local Health Network (BHFLHN) disagree with the explanations and responses provided by the Department of Planning, Transport and Infrastructure (DPTI). I confirm in addressing your reports recommendation's that BHFLHN are committed to working collaboratively with DPTI in the effective and appropriate management of our assets, including ensuring that DPTI and their contractors are accountable in meeting their responsibilities and service expectations. In maintaining our assets and operating through the Across Government Facilities Management Agreement (AGFMA), BHFLHN expends a considerable portion of our available funding each year. As a responsible LHN, we are committed to ensuring best value and effective use of public monies when engaging contractors or services, including through the AGFMA.*

*With regards to section 1.5.3, I welcome the Department of Health and Wellbeing (DHW) commitment to addressing relevant report findings that require DHW's attention. Although DHW advise in their response that they consider the majority of the report findings as operational and requiring the direct attention of our LHN, it is imperative that we as a newly established LHN from 1 July 2019, work closely with and are well supported by DHW in effectively managing the identified opportunities and risks.*

*With the AGFMA having been in place for the former Country Health SA since June 2013 and well before the establishment of our LHN on 1 July 2019, it is critical for all stakeholders committed through the AGFMA to work collaboratively in ensuring the best outcomes for our LHN and local communities.*

*Thank you again for the opportunity to provide comment on your report and I would like to thank you and your team for the professional process that has been undertaken.*

## 2 Eyre and Far North Local Health Network Incorporated

Content from letter dated 14 November 2019 from Verity Paterson, Chief Executive Officer.

*Thank you for your correspondence of 7 November 2019 about the Country Health Property Maintenance report; and providing the opportunity to respond to the final report before being presented to Parliament.*

*I refer to the two sections in the Executive Summary (1.5.2 and 1.5.3) which are from the Department of Planning Transport Infrastructure (DPTI) and Department of Health and Wellbeing responses to the Local Health Network comments which were provided.*

*The feedback was noteworthy and could be interpreted in many ways, however the Eyre and Far North Local Health Network are looking forward to working collaboratively with DHW and DPTI to progress the key findings and strengthen the relationships to achieve the desired outcomes in maintaining the health service assets.*

## 3 Flinders and Upper North Local Health Network Incorporated

Email dated 14 November 2019 from Trevor Byles, Director Corporate Services.

*I have spoken with our Acting CEO for the Flinders & Upper North Region and we have no further comments to add to the report. I have read sections 1.5.2 and 1.5.3 and although do not completely agree with some of the responses from DHW and DPTI acknowledge that there will always be a difference of opinion. We have welcomed the opportunity to provide information relating maintenance and asset management across the region and look forward to implementing some of the recommendations provided by the report.*

## 4 Riverland Mallee Coorong Local Health Network Incorporated

We were advised that the CEO did not wish to provide any further comments.

## 5 Limestone Coast Local Health Network Incorporated

We were advised that the CEO did not wish to provide any further comments.

## 6 Yorke and Northern Local Health Network Incorporated

Content from letter dated 15 November 2019 from Roger Kirchner, Chief Executive Officer.

*Thank you for a further opportunity to comment on the draft report to Parliament on Country Health Property Maintenance. I would like to offer the following additional comments.*

*I would like to reiterate our willingness to take on board the recommendations in the report and to work with the Department of Health and Wellbeing (DHW) and the Department of Planning, Transport and Infrastructure (DPTI) to provide the best possible facilities for those needing to access services within the Yorke & Northern Local Health Network. We are committed to addressing the concerns outlined within the report and will continue to endeavour to maintain assets within an efficient and effective manner. The YNLHN views the audit and associated recommendations as an opportunity to examine best practice models to manage and maintain assets and facilities moving forward.*

*In reviewing the response from DPTI, (section 1.5.2), I can advise that the YNLHN disagree with a number of comments, including those around the increased cost explanations, the promise of a reduction in contractor rates, and the use of local contractors. YNLHN trend data suggest that the AGFMA has increased costs and in some cases reduced the service provided. We welcome a further review into the model, including detailed analysis of efficiencies. The YNLHN recommends that further investment be made within the supplier/customer relationship to ensure that quality and efficient services are provided. Development of a suite of Key Performance Indicators to measure outcomes of the AGFMA will facilitate objective reporting into the future.*

*With regards to the response from DHW (section 1.5.3) the YNLHN recognises that many of the recommendations are operational in nature. All Regional LHN's will however require considerable support from the DHW including policy, systems and resources to not only implement the required recommendations but ensure that facilities are maintained to a very high standard.*

*I would like to thank the Auditor-General's Department for undertaking the review and welcome the finalisation of recommendations.*

## Appendix 4 – Glossary

Will be created with the assistance of Corporate Support. A glossary should only be necessary if abbreviations are completely unavoidable and are used throughout the report. Our aim is to reduce the use of abbreviations as much as possible.

Abbreviation/Term	Description
AGFMA	Across Government Facilities Management Arrangements
AS ISO 55000	AS ISO 55000: 2014 <i>Asset Management – Overview, principles and terminology</i>
AS ISO 55001	AS ISO 55001: 2014 <i>Asset Management – Management Systems – Requirements</i>
AS ISO 55002	AS ISO 55002: 2019 <i>Asset Management – Management Systems – Guidelines for application of ISO 55001</i>
CHSA	Country Health SA Local Health Network Incorporated
DHW	Department for Health and Wellbeing
DPTI	Department of Planning, Transport and Infrastructure
DPTI-FS	Facilities management service provider
FAMIS	Facilities asset management information system
FMGG	Facilities Management Governance Group
HACs	Health Advisory Councils
KPIs	Key performance indicators
LHN	Local health network
PC 114	Premier and Cabinet Circular 114 <i>Government Real Property Management</i>
SAMF	Strategic Asset Management Framework
SAMIS	Strategic Asset Management Information System
SLA	Service level agreement
Spotless	Spotless Services Pty Ltd
TDS	Technical Data Schedules



