

**MEDIA RELEASE****14 DECEMBER 2022****ACT EMERGENCY SERVICES AGENCY CLEANING SERVICES ARRANGEMENTS**

The ACT Auditor-General, Mr Michael Harris, today presented an information report on ACT Emergency Services Agency cleaning services arrangements to the ACT Legislative Assembly.

The report considers historical procurement and contracting arrangements for cleaning services for ACT Emergency Services Agency facilities. These arrangements were replaced by an integrated facilities management contract that was established in late 2021.

The executive summary of the information report and its key findings are attached to this media release.

Copies of the **Information Report on ACT ESA Cleaning Services Arrangements Report No. 09/2022** are available from the ACT Audit Office's website [www.audit.act.gov.au](http://www.audit.act.gov.au). If you need assistance accessing the report please phone 6207 0833.

# EXECUTIVE SUMMARY

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The ACT Emergency Services Agency (ACT ESA) is a business unit of the Justice and Community Safety Directorate (JACS). The ACT ESA has 36 facilities across the Canberra region, including facilities for ACT Fire and Rescue, the ACT Ambulance Service, the ACT State Emergency Service, and the ACT Rural Fire Service, as well as training and communication centres. Many of the sites are 24/7 operations with unique cleaning requirements that are important to supporting emergency services personnel in the workplace.

As part of the performance audit report *Procurement Exemptions and Value for Money* (Report No. 7/2021) tabled in June 2021 the Audit Office became aware of the cleaning services provided by one particular provider (the Service Provider) over a long period of time and what appeared to be a lack of documented procurement for the services.

Since the early 2000s the Service Provider has provided a range of cleaning and other services for the ACT ESA's various facilities. These services may be broadly categorised as:

- general cleaning and grounds maintenance services;
- industrial cleaning services; and
- ad hoc services, including the supply of goods and consumables.

In 2020 the Service Provider started providing additional cleaning services associated with the COVID-19 pandemic.

Since late 2008, which is the earliest record of payment information available, approximately \$8 million has been paid to the Service Provider.

In November 2021, the majority of the services provided by the Service Provider were replaced by an integrated facilities management services contract with another supplier.

The Audit Office undertook some enquiries and met with the General Manager of the Service Provider and officers from the ACT ESA. This report describes JACS' procurement and contracting arrangements with the Service Provider and its administration of the service delivery arrangements.

As the arrangements described in this report are largely historical, and have been replaced by the integrated facilities management services contract, the Audit Office decided not to conduct a performance audit. This information report may be used to inform future performance audit planning processes of the ACT Audit Office.

## Key findings

### THE SERVICES

Paragraph

The Service Provider has provided a range of cleaning services, grounds maintenance and other ad hoc services to the ACT ESA and its various facilities since the early 2000s. The Audit Office has categorised the services provided by the Service Provider into three broad categories and estimated the payments made against the categories since late 2008 as follows:

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- general cleaning services – \$6.1 million (GST inc);
- industrial cleaning services – \$1.1 million (GST inc); and
- ad hoc services, including the supply of goods and consumables – \$0.8 million (GST inc).

### PROCUREMENT AND CONTRACTING ARRANGEMENTS

Paragraph

General cleaning and grounds maintenance services worth approximately \$3.7 million were provided between October 2008 and September 2020 without an agreed contractual arrangement or any evidence of a procurement process. Services have been provided since the early 2000s, similarly without an agreed contractual arrangement or evidence of a procurement process; the value of these services cannot be quantified due to a lack of financial data. The lack of a valid procurement process means that other potential suppliers have not had the opportunity to compete for this work and that JACS has not tested whether the Service Provider provided the best value for money for its cleaning requirements, in accordance with the *Government Procurement Act 2001*. The lack of a valid contractual arrangement for the services exposed the Territory to financial, legal and regulatory risk.

2.7

There is evidence that JACS entered into four contracts with the Service Provider for the provision of industrial cleaning services between 2009 and 2018. A review of the available procurement documentation for the three latest contracts (i.e. 2016, 2017 and 2018) does not provide confidence that the procurements were sufficiently open and competitive, as required by the *Government Procurement Act 2001*:

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- for the 2016 procurement three responses were received, one of which was so poor that it received a numeric score of '0';
- for the 2017 procurement the same three firms were approached; the company that scored '0' in the 2016 procurement declined to respond and the second company that was approached scored '0' against the evaluation criteria because it provided a response that was 'deemed as non-conforming'; and
- for the 2018 procurement four suppliers were approached, including the supplier that provided a non-conforming response in the 2017 procurement (under a new company name), however only the Service Provider provided a response.

In September 2020 a six-month contract was signed with the Service Provider for the provision of general cleaning services, industrial cleaning services and COVID-19 cleaning services. The total value of the contract at this time was \$1,232,918 (GST inc). The Service Provider was directly engaged for these services following a decision by the Director-General of JACS to exempt the procurement from the requirement to conduct a public tender for the services, as required by the *Government Procurement Regulation 2007*. This decision acknowledged a 'requirement to deliver immediate COVID-19 level cleaning services for the ACT Ambulance Stations and ACT Fire and Rescue Stations' and that it was an interim arrangement until the integrated facilities management services arrangements were put in place. The contract with the Service Provider was subsequently extended twice. The total value of the contract, through to November 2021, was \$2,601,057 (GST inc).

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## MANAGEMENT AND ADMINISTRATIVE ARRANGEMENTS

Paragraph

The Service Provider submitted invoices for general cleaning and grounds maintenance services on a monthly basis. A review of payments for general cleaning and grounds maintenance services for 2019 and 2020 shows that between January 2019 and March 2020 anywhere between six and nine invoices a month were provided for amounts between \$34,439 (GST inc) and \$39,148 (GST inc). There was a significant change in the value of payments from April 2020, due to additional cleaning services relating to the COVID-19 health pandemic; between April 2020 and September 2020 monthly payments were valued at between \$100,369 (GST inc) and \$103,375 (GST inc).

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Prior to September 2020, JACS did not have any documentation to demonstrate prior approval or agreement for the ongoing general cleaning and grounds maintenance services including agreement with respect to: the scope of works and required service levels; and payments for the services. Work Orders were also not raised for these services. This resulted in poor controls over the commissioning of general cleaning and grounds maintenance services from the Service Provider.

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The Service Provider regularly submitted invoices for ad hoc services. A review of payments for 2019 and 2020 shows the value of ad hoc services could represent a sizeable proportion of the value of regular general cleaning and grounds maintenance services. In the three months to March 2020 the value of ad hoc services was between 36.4 and 51.1 percent of the value of general cleaning and grounds maintenance services, i.e. up to \$18,025 (GST inc) in one month.

3.14

The ACT ESA did not have any contractual arrangements in place with the Service Provider that demonstrated prior approval or agreement for the provision of ongoing ad hoc services including agreement with respect to: the scope of ad hoc services that could be provided; required service levels; and payments for the services. The services that were provided were broad in nature, and included services related to cleaning and grounds maintenance. It is not clear how the ad hoc cleaning and grounds maintenance services differed from, and were in addition to, the regular cleaning and grounds maintenance services provided.

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Work Orders were raised in order to commission the ad hoc services to be provided by the Service Provider. The Work Orders that were raised provided basic controls over the commissioning of services, including: processes for specific types of higher-risk work; access to premises; and work verification steps. Quotes were required for works that were expected to cost more than \$600 (GST inc). The Work Order template stated 'CWI can approve [a] verbal estimate immediately or ask for a full written quote with scope of work and photos'. JACS did not have any policy or procedural guidance with respect to the circumstances in which 'a full written quote with scope of work and photos' would be sought. The Audit Office was advised that when written quotes were received via email, they were not separately recorded and maintained. The Audit Office understands that the administrative arrangements in place for the commissioning of services were also in place for other suppliers of ad hoc cleaning and maintenance services.

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## Response from entities

In accordance with subsection 18(2) of the *Auditor-General Act 1996* the Justice and Community Safety Directorate and the Service Provider were provided with a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report. The final proposed report was provided for further comment.

Comments for inclusion in the Summary Chapter were provided by the Justice and Community Safety Directorate as follows:

*The Directorate has taken direct action in relation to ESA's cleaning services arrangement and on procurement generally, including:*

- *the procurement of integrated facilities management services which was concluded in 2021;*
- *the publication of a 'JACS Procurement and Contract Management Framework' which was implemented in April 2021 - this framework incorporated focussed training to improve organisational awareness of our obligations under the Government Procurement Act 2001;*
- *the creation of an executive role within ESA in January 2020 to focus on procurement and contract management within the business unit; and*
- *the establishment within JACS' corporate group of a procurement and contract management capability to update the Procurement and Contract Management Framework, deliver fit for purpose training and work with Procurement ACT on the current Procurement Reform Project.*