

**EXAMINATION OF AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS MAY 2013 –
JULY 2013**

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Date Received: 11/09/2014

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Our ref: PA6489
Your ref: D14/14236

// September 2014

Dear Dr Groves

**Follow up of the Auditor-General's Performance Audits May 2013 – July 2013
Your letter of 9 September, D14/14236**

As requested, I attach our comments on the progress reported to PAC by the agencies in relation to the recommendations in the two reports listed below.

- Making the Best Use of Public Housing (your submission No 2)
- Management of Historic Heritage in National Parks and Reserves (your submission No 7)

Please note, we have not undertaken specific audit work to substantiate the submissions made by the agencies.

I would be happy to provide any further assistance the Committee may need in completing its examination.

Yours sincerely



 Grant Hehir
Auditor-General

Encl

Family & Communities – Implementation of recommendations

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS	RESPONSIBILITY	Audit Office Comments 1a We note the Department has accepted responsibility to inform Government on setting the direction for a sustainable social housing sector. The Department's new policy for social housing, asset portfolio strategy and estates strategy are crucial to this and overdue. The target date for completion was December 2013. The PAC may wish to check on current completion status. 1b We note the Department's response indicates that this recommendation is complete and funding flows have been agreed for the next four years. However, the response does not address the long-term funding required (over 10 years) to deliver the housing assistance and how the funding will be reflected in their long-term strategies. Our audit report states the existing documented arrangements that support dual responsibilities between HNSW and LAHC such as the Housing Assistance Resourcing Plan (HARP) and Annual Funding Agreement have not provided certainty of future directions and funding beyond 2013. The PAC may wish to enquire if a ten-year plan and funding arrangement will emerge, and demonstrate the transparency in allocation of funds.
1a	Government should: Develop a clear direction for a sustainable social housing sector that can function within available funding such that: <ul style="list-style-type: none"> The current challenges facing public housing and the fundamental question of what the role of public housing is are addressed. This direction should address who is to be housed, and how the funding and asset ownership will achieve a sustainable social housing sector, for the longer term. Clear strategic objectives are set to implement the direction agreed The roles, responsibilities and relationship between LAHC and HNSW, and their accountability towards achieving their objectives are clearly understood 	Accepted	<ul style="list-style-type: none"> The Department of Family and Community Services (FACS) is leading the development of a new policy approach for social housing that will inform the purpose and delivery of social housing assistance in NSW and improve in the financial sustainability of assistance into the future. The new policy approach will be consistent with the FACS reform priorities identified through the 2013/14 budget process, and in the 2012/13 Annual Report. FACS is also developing a portfolio strategy, aligned with the new policy approach. Through recent administrative changes, the Land and Housing Corporation (LAHC) has been transferred into FACS. The transfer will enable closer coordination while maintaining the benefits of the separation undertaken in 2011. The LAHC remains as a separate entity reporting to the Secretary of FACS. In working through the changed administrative arrangements, FACS is incorporating the issues raised by the Auditor-General in relation to roles, responsibilities and accountabilities. 		Completed <ul style="list-style-type: none"> Portfolio framework directions were approved by Government in 2013 and are now being developed. On Track <ul style="list-style-type: none"> The social housing policy is under development and subject to Ministerial decision and Cabinet consideration. 	FACS	
1b	Review housing funding arrangements and flows such that <ul style="list-style-type: none"> LAHC can make long term decisions on its ownership and 	Accepted	<ul style="list-style-type: none"> Consideration of the financial sustainability of housing assistance in the future is essential and must reflect social housing policy priorities. This will occur from 		Completed <ul style="list-style-type: none"> Funding flows have been agreed for next four years. 	FACS	

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	management within the public housing portfolio – HNSW can make long term decisions on how best to meet its social and economic objectives		2013/14 and progressively thereafter.			
2	FACS/HNSW/LAHC should, by January 2014, agree on the objects of the <i>Housing Act 2001</i> against which they should be reporting	Accepted	FACS will confirm the ownership of the 19 objectives under the Act : – Review existing performance measures and alignment against objectives – Identify any performance measure gaps – Develop an integrated reporting process.	January 2014	Completed – Responsibility for delivery and reporting, in relation to various objects of the Housing Act have been agreed within FACS. Ongoing – This will be aligned to the FACS Performance Reporting Framework, and published in future FACS Annual Reports.	FACS
3	FACS/HNSW should, by December 2013, complete a social housing policy that aligns tenant management with emerging client need. The strategy should include short-term and long-term targets, and forecasts to enable effective monitoring and reporting on progress	Accepted	– The Department of Family and Community Services (FACS) is leading the development of a new policy approach for social housing that will inform the purpose and delivery of social housing assistance in NSW and improve the financial sustainability of assistance into the future.	December 2013	Ongoing – The directions of the social housing policy are under development and subject to Ministerial decision and Cabinet consideration.	FACS
4a	HNSW should by June 2014 continue current initiatives and promote proposals to make best use of existing public housing. They include: – Aligning housing allocation with housing stock better – for example as is currently being implemented, by giving higher priority to rehousing tenants under-occupying – Introducing financial incentives and disincentives for people occupying properties larger than they need, taking into account the characteristics of the client group. – Considering how local allocation strategies may be used to support the development of successful and sustainable communities	Accepted	– Breaking disadvantage is a key component of the FACS reform priorities, so the issues raised by the Auditor-General in relation to disincentives to work, the development of successful and sustainable communities and rent setting models will be considered in developing the new approach to social housing. – Nevertheless, FACS is currently implementing the following initiatives to make best use of existing public housing: – Tenants under occupying public housing properties and who have agreed to transfer are provided with a very high level of priority – Financial disincentives for tenants under occupying public housing properties and who refuse to consider a transfer to more suitable	June 2014	Completed – A new approach to addressing under-occupancy in public housing was implemented in September 2013. – Tenants who are under-occupying and agree to transfer are given priority to transfer – On 1 June 2014 196 tenants had transferred under these terms between September 2013 and May 2014, and a further 615 tenants have agreed to transfer because they are under-occupying. – Tenants who are under-occupying and do not agree to transfer when asked, are	FACS

Audit Office comments

2.

It would be helpful to know which of the Act's objectives are the responsibility of LAHC and which reside with HNSW. It would also be helpful to know the performance measures and performance targets established to assess and report on progress.

The Department's submission to the AO (dated 23/09/2013) stated a statutory review of the Act is overdue and it is anticipated that this will be undertaken in the context of the social housing policy. This review will include an examination of the objects.

However, this action is not included in PAC's submission. PAC may wish to follow this up.

3.

As mentioned earlier, the Department's new policy for social housing, asset portfolio strategy and estates strategy are crucial to inform Government on setting the direction for a sustainable social housing sector and overdue.

The target date for completion of the social housing policy was December 2013. The PAC may wish to check on current completion status.

4a.

We note from the Department's response there are ongoing actions. The PAC may wish to monitor its progress.

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	<ul style="list-style-type: none"> Reducing vacant turn around times Consistently implementing policies for relocation and ensuring they are monitored and reported Identifying and addressing current policies and practices that may act as disincentives to tenants to seek work Considering other rent setting models 		<p>accommodation.</p> <ul style="list-style-type: none"> A review of operating guidelines commenced for the application and for the post-implementation review of Local Allocations Strategies (LAS). A project that aims to control timeframes and costs associated with managing vacant properties is being undertaken. 		<p>subject to a vacant bedroom charge, in addition to their rent</p> <ul style="list-style-type: none"> More than 800 tenants are now subject to this charge because they are under-occupying and have refused to transfer. New procedures for implementing, monitoring and reviewing local allocations strategies (LAS) were implemented in June 2014. These new tools will make LAS more effective as a means of improving the sustainability of housing estates and other areas where there is a concentration of social housing. FACS has established relocations policy and procedures. These are not under formal review, but are currently being applied and monitored in a number of locations. FACS introduced a new market rent setting model in late 2013. <p>Ongoing</p> <ul style="list-style-type: none"> New procedures for managing vacant properties have been developed, including: <ul style="list-style-type: none"> Clear allocation and monitoring of tasks Reduced timeframes Better tools and KPIs to support performance management. Analysis of employment disincentives and public housing rent settings is ongoing. Further analysis will be undertaken on the outcomes of 	

					national work on employment disincentives for public housing tenants, impacts of the Federal Budget and Welfare Review on public housing tenants.		Audit Office comments 4b. No comment. 5a. As mentioned earlier, the Department's new policy for social housing, asset portfolio strategy and estates strategy are crucial to inform Government on setting the direction for a sustainable social housing sector and overdue. The target date for completion of the asset portfolio strategy was December 2013. The PAC may wish to check on current completion status.
					<ul style="list-style-type: none"> In developing a new policy approach to social housing, FACS is exploring how rent models can contribute to improved outcomes among people assisted in the social housing system. 		
4b	HNSW should by December 2014, implement the recommendations from ICAC and the internal HNSW review as part of a monitoring program	Accepted	FACS – HNSW is implementing the following changes: <ul style="list-style-type: none"> Development of local allocation strategies commenced in 2012, to specifically address risks identified by ICAC. The nature and quality of allocation decisions will be monitored through a formal compliance monitoring system. This system is due to be implemented in June 2014 and local managers will play a key role The new process to reduce the time taken to relet empty properties is scheduled for implementation by February 2015 incorporates improved guidance for staff allocating vacant properties, and better management reporting tools for allocations. 	December 2014	Completed <ul style="list-style-type: none"> A new compliance framework has been developed and implemented in June 2014, and addresses concerns raised in previous reports and audits. It includes: <ul style="list-style-type: none"> Clearer procedures for managing offers of public housing Practical tools for sampling and reviewing allocations decisions and some application assessment decisions Guidelines and training for managers to apply the new compliance framework and tools Clearer procedures for implementing, monitoring and reviewing local allocations strategies (LAS) Clearer rules and monitoring tools for managing properties that are identified as "hard-to-let" 	FACS	
5a	LAHC should by December 2013 complete and release as asset portfolio strategy that delivers housing at an appropriate standard and shows how future new supply housing will	Accepted	FACS is developing a portfolio strategy. <ul style="list-style-type: none"> 	December 2013	Completed <ul style="list-style-type: none"> The development of the portfolio framework was approved by Government in 2013 and the 	FACS	

	align with emerging client need. The strategy should include short-term and long-term targets to enable effective monitoring and reporting on progress				strategy is being developed. The release of the strategy is a matter for Government consideration.	
5b	LAHC should by June 2014 audit the property disposal procedures as part of a regular internal audit and review process	Accepted	– FACS – LAHC has included audit of the property disposal procedures in the internal audit schedule for 2013-14 financial year.	June 2014	Completed – The audit of property disposal procedures was completed in March 2014.	FACS
6	LAHC in consultation with HNSW by December 2013, finalise the Government's long term strategy for managing public housing estates to deliver a sustainable reduction in disadvantage on estates	Accepted	– The development of the new policy approach to social housing and portfolio strategy will propose a long-term strategy for managing public housing estates that includes how FACS works with other departments and NGOs to help break disadvantage.	December 2013	Ongoing – The strategy for public housing estates is part of the portfolio Strategy being developed. Progress is being made on a range of public housing estates in line with this approach.	FACS
7	FACS/HNSW and LAHC emerging policies and strategies should be based upon evidence of the cost effectiveness of asset and non-asset interventions to meet the specific needs of social public housing tenants	Accepted	– FACS will continue to work on improving and enhancing the use of evidence to drive policy, decision making and interventions in relation to social housing. This includes the development of specific tools that draw on and use evidence to inform decision making.		Ongoing – The portfolio strategy will guide asset decisions including sales, re-developments, acquisition and maintenance programs. The development of the Strategy is using sound asset management principles. – Emerging policies and strategies from the social housing policy will be based on an analysis of the cost effectiveness of asset and non-asset strategies.	FACS FACS
8a	HNSW and LAHC should by June 2014, develop organisational plans that are clearly linked to their social housing policy, asset portfolio strategy and estate strategy including: – Gap analysis – Objectives – Targets – Funding – Performance measures and progress reporting	Accepted	– FACS will commence its organisational planning strategy aligned to the social housing policy and portfolio strategy by June 2014.	June 2014	Completed – Business plans have been developed reflecting policy priorities Ongoing – FACS business plans will be refined as Government makes determinations on a social housing policy and its priorities.	FACS

Audit Office Comments

5b.

The PAC may wish to enquire about the significant findings of the audit.

6.

The target date for completion of the estate strategy was December 2013. The PAC may wish to check on current completion status.

7.

We note the Department states it will continue to work on improving the use of evidence including developing specific tools that draw on evidence to inform decision making. The PAC may wish to seek more details/examples on type of evidence collected, measures used and analysis conducted to demonstrate cost effectiveness of asset and non-asset interventions. The PAC may also wish to seek more information on whether specific tools have been developed to support evidence collection as suggested in its response.

We note the Department states emerging policies and strategies from the social housing policy 'will be' based on analysis. We highlight that our recommendation is also intended to ensure evidence is used to inform the new Social Housing policy, portfolio strategy and estate strategy to demonstrate greater transparency on key decisions made into the future of social housing.

8a.

The target date for completion was June 2014. The PAC may wish to check on current completion status.

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8b	HNSW and LAHC should by June 2014, ensure that their multiple legislative objectives translate into clearly defined, balanced and sustainable internal objectives that are feasible within available funding. Where government policy dictates the elevation of a specific objective, this should be acknowledged and clearly reflected in internal objectives	Accepted	– FACS will develop its business plan, which articulates clear objectives and a forward delivery strategy for the organisation based on legislative role and Government policy objectives.	June 2014	Completed <ul style="list-style-type: none"> – Responsibility for delivery and reporting, in relation to various objects of the Housing Act have been agreed internally within FACS. – These responsibilities are reflected in FACS business plans. – FACS may revisit the objectives of the Housing Act as part of the social housing policy under development. 	FACS
8c	HNSW and LAHC should by June 2014, agree a review process to assess the impact of policies and procedures to identify those that limit the achievement of objectives	Accepted	– FACS will develop a review process to assess relevant policies and procedures by June 2014.	June 2014	Ongoing <ul style="list-style-type: none"> – FACS has developed a review process within this timeframe. – FACS has an Evaluation Policy and Framework that drives evaluation activity across FACS policy, program and service delivery. FACS has developed a rolling twelve month evaluation schedule to assess the impacts and outcomes across FACS program areas, as required by the NSW Government Evaluation Framework developed by the NSW Treasury. FACS has a number of program reviews underway in relation to social housing policies and programs that are oversighted by the NSW Treasury and Department of Finance and Services. These reviews have been designed to identify or confirm where changes to policies and procedures are required to achieve the objectives for social housing in NSW. 	FACS
8d	HNSW and LAHC should by June 2014, routinely assess and report both publically and internally, on their performance in achieving the	Accepted	– FACS will update its performance reporting framework to ensure alignment with relevant legislation and policy objectives of	June 2014	Ongoing <p>Agreement was reached in June 2014 to include reports on FACS'</p>	FACS

Audit Office comments

8b.
PAC may wish to seek more information and examples on how the multiple legislative objectives have been translated into business plans across FACS and the FACS Statement of Business Intent.

As mentioned earlier, it would also be helpful to know from each agency the performance measures and performance targets established to assess and report on progress against these objectives.

As also mentioned earlier, the Department's submission to the AO (dated 23/09/2013) stated a statutory review of the Act is overdue and it is anticipated that this will be undertaken in the context of the social housing policy. This review will include an examination of the objects. However, this action is not included in PAC's submission. PAC may wish to follow this up.

8c.
No comment.

8d.
Refer to item (2) and (8b). The PAC may wish to seek examples of improved tracking (including the measures and performance targets) and reporting of LAHC and HNSW's progress against objectives. We note the FACS Annual Report 2013-14 will be the first opportunity to publicly report. The PAC may wish to seek assurance that progress performance reporting is already occurring internally.

	objectives of the relevant legislation, using appropriate measures and performance targets		Government, by June 2014.		achievement in relation to the objectives of the Housing Act at the first available opportunity, this being the publication of the statistical supplement to the FACS annual report for 2013/14. The social housing policy under development may bring forward policy and legislative changes which will lead to changes in objectives, performance targets and performance measures.		Audit Office comments 8e The Department's response suggests that this action has not yet been completed. The target date for completion was June 2014. The PAC may wish to check on current completion status. With reference to items (2) and (8b), PAC may wish to see how the effective and efficient use of the supply of public housing is measured and progressively reported.
8e	HNSW and LAHC should by June 2014, include in their reporting the efficient and effective use of the available supply of public housing. This should include property utilisation and property alignment to tenant needs	Accepted	— By June 2014, accordance with 8(d), FACS will ensure effective reporting on public housing supply and utilisation.	June 2014	Ongoing — FACS will include efficiency and effectiveness reporting on public housing as part of its performance reporting process.	FACS	

Report No 230 – Management of historic heritage in national parks and reserves

Office of the Environment and Heritage – Implementation of Recommendations

PAC submission No 7

Recommendation	Accepted or rejected	Actions to be taken	Due date	Status (completed, on track, delayed) and comment	Responsibility (section of agency responsible for implementation)	Audit Office comments
OEH should:						
1. Develop a NSW heritage strategy to provide guidance to public sector agencies on the long-term management of historic heritage in a constrained resource environment	Accepted.	OEH, in collaboration with a Ministerially appointed Inter-agency working group, has prepared a state-wide heritage asset strategy that will guide public sector agencies on the long-term management of historic heritage	June 2014	Completed. The report is being provided to the Auditor-General for comment.	OEH Heritage Division	Completed
OEH (National Parks and Wildlife Service (NPWS)) should:						
2. Establish desired outcomes and state-wide priorities for the management of historic heritage in the park estate, which are informed by the NSW strategy.	Accepted.	NPWS has a project management plan and an associated working group that is developing a framework to define internal priorities and outcomes for the management of historic heritage in national parks. The outcomes of this project will encompass all recommendations that relate to national parks.	December 2014	On track	NPWS	Progress satisfactory, proposed approach is appropriate

3. Improve its data and systems so it has comprehensive and valid historic heritage asset information to underpin prioritisation and funding decisions.	Accepted.	NPWS is developing an Asset Strategy to set priorities across all asset classes, including heritage. By December 2014, NPWS will have comprehensive data sets for its hard rooved accommodation, its state heritage listed assets, and its historic visitor precincts. Beyond this, NPWS is committed to an ongoing process which centres on ensuring that the NPWS Asset Maintenance System (AMS) is used consistently across NSW. Work to expand the capability of the AMS is ongoing.	December 2014	On track	NPWS
4. Fund historic heritage on the basis of state-wide priorities via a rolling program to allow improved planning and more efficient resource utilisation	Accepted.	NPWS will develop a system in which HARP principles will set state-wide priorities for funding. HARPS's multi-year funding was identified positively by the audit as providing funding certainty and realistic timeframes for the completion of projects. OEH will have a rolling funding program for priority historic heritage assets in the 2015-16 budget cycle.	June 2015	On track	NPWS
5. Have in place a more systematic and consistent approach to pursuing <ul style="list-style-type: none"> a. sympathetic reuse of heritage assets, where feasible b. partnerships with the private sector and the 	Accepted.	The new NPWS structure uses a 'line of business' model to streamline the accountabilities for historic heritage and improve efficiencies in management and resource allocation. The responsibility for precinct development and commercial	December 2015	On track	NPWS

Audit Office comments

Progress satisfactory, proposed approach is appropriate

Proposed approach is appropriate

Progress satisfactory, proposed approach is appropriate

community for the management of historic heritage, including low-impact sponsorship, where these are consistent with heritage values		<p>relationships now lies with a single Branch.</p> <p>NPWS efforts up to June 2015 in meeting the audit's other recommendations will underpin NPWS achievement of this recommendation by December 2015.</p> <p>This will include a review of permissible uses, including the constraints and opportunities afforded by the NPW Act.</p>			
6. Adopt a consistent, pragmatic and financially realistic approach to the retention of heritage value when undertaking works on historic heritage	Accepted.	The annual NPWS operation planning process was linked to budget allocations for 2013-14 and identified priorities. This link is currently at the regional level. However, our work under recommendations 3 and 4, will enable a state-wide priority approach. Importantly, this will be a critical step in building cyclical maintenance into rolling budgets.	August 2013	Ongoing	NPWS
7. Measure its performance in managing historic heritage, including the extent to which it is achieving its desired outcomes.	Accepted.	A key part of the NPWS project management plan is implementing clear performance measures, including around historic heritage.	December 2014	On track	NPWS

Audit Office comments

Progress satisfactory, proposed approach is appropriate. The PAC may wish to enquire about how NPWS intends to ensure an appropriate balance between the cost of restoration and the pursuit of authenticity. An example is guttering, where decisions may need to be made between a bespoke exact reproduction and a mass-produced alternative which is a close but not exact match.

Progress satisfactory, proposed approach is appropriate