



DPS ref: 12/29

Ms Christine McDonald
Secretary
Senate Standing Committee on
Finance and Public Administration
Parliament House
Canberra ACT 2600

~~Christine~~

Dear Ms McDonald

Please find attached responses to questions taken on notice from the Senate Finance and Public Administration Legislation Committee hearing on the performance of the Department of Parliamentary Services, 30 October 2012.

With regard to the questions in relation to the catering contracts, I regret to advise that I do not have confidence in the ability of DPS to provide definitive answers to the Committee on some of the issues canvassed at this time. I have therefore not provided answers to questions about the catering contracts on pages 20 to 23 of the transcript. I wish to assure the Committee that I take these matters very seriously and I intend to have an independent audit of recent catering contracts including contractor selection processes and monitoring arrangements.

I would be pleased to update the Committee separately with further advice in relation to the contracts as information becomes available. As some of these matters are commercial-in-confidence, it would be appropriate that discussions of these sensitive matters are held in camera. Please be assured that DPS is working hard to implement best practice contract management.

Yours sincerely

Carol Mills
Secretary

12.11.12

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Building condition index**
Question: **1**
Hansard reference **p.3–4**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: In the annual report and financial statements for 2008-09, the building condition index is set out by zone.

Ms Mills: That is right.

Senator FAULKNER: That does not appear to be the case in the 2009-10 report on performance. Correct me if I am wrong, but I certainly could not find it. I wonder why we seem to be being provided with less information or if that is fair.

Ms Mills: To be honest, I would have to take the reason for the change on notice. ...

Senator FAULKNER: I am pleased to hear that. Do you know why it is there now, as it should be, and why it was not there the year before?

Ms Mills: I do not know why it was not.

Answer

DPS has reported on the building condition index (BCI) by zone since 2006–07—prior to that, it was reported as a result for the building as a whole.

The tables setting out the BCI zone information are on the following pages of the last six annual reports.

Annual Report	page
2006–07	97
2007–08	82
2008–09	69
2009–10	48
2010–11	55
2011–12	30

In 2006–07, 2007–08 and 2008–09, the zone information was reported for the reporting year plus the preceding year.

From 2009–10 onwards, the zone information has been provided for the reporting year plus the two preceding years.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Meetings with original PH architect**
Question: **2**
Hansard reference **p.7**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: My concern about this was—and I think I have some basis for it—that I am basically left here with the impression that there are quarterly meetings and there might have been one or two of them. That is not what I call quarterly meetings, so I would like you to take on notice how many quarterly meetings there have been.

Answer

The Deputy Secretary wrote a letter to Mr Giurgola on 21 October 2010, in which he proposed to make arrangements to hold discussions on the Capital Works Program (CWP), “possibly quarterly and otherwise as required on specific projects.” I am advised that it was intended at these meetings to review changes to the Capital Works Program (CWP) and give Mr Giurgola the opportunity to nominate in which (if any) new projects he wanted to be involved. The first meeting was held 1 November 2010.

The second of the meetings was not held until 28 June 2011, as there had been little substantive change to the CWP and therefore nothing for Mr Giurgola to review. At this meeting, the timing of the ‘quarterly’ meetings was reviewed. It was agreed that, as experienced in the previous eight months, the CWP was not changing as much as expected therefore meetings should align with updates to the CWP—which was expected to be approximately two to three times a year.

The general update meetings were also held on 27 February 2012 and 12 October 2012 bringing them to a total of 4 meetings over the two years.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Terracotta planters**
Question: **3**
Hansard reference **p.11**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: Would you be able to take on notice for me the matter of whether you can find any record of a proposed sale process for these things?

Ms Mills: Yes, I am certainly happy to do that.

Answer

Anecdotal advice from former employees indicates that some terracotta pots had been disposed of during the time of the former Joint House Department.

In addition, in late 2009, DPS explored options for the large number of terracotta pots in store. One option was disposing of some of the pots. Mr Thompson alluded to this at the Additional Estimates hearing on 8 February 2010 (F&PA p.34).

Senator FERGUSON—... So what is going to happen to the pots eventually? Are you just storing them?

Mr Thompson—At the moment they are in store. I think from our perspective we were going to then try to assess the future budget outlook for DPS on behalf of the parliament and once that had become clearer, one way or the other, then we might well look at a path towards disposal.

The former Secretary decided to retain all the pots then in use or in store.

**Senate Finance and Public Administration Legislation Committee
—Inquiry into the performance of DPS—Hearing 30 October 2012**

Answers to Questions on Notice

Topic: **Security passes**

Question: **4**

Hansard reference **p.15**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: I wondered if we had an updated figure for the number of security passes, please, Ms Mills.
Ms Mills: I would have to take that on notice; I am very sorry. I did have a figure, but I do not believe I have it with me.

Answer

As of 5 November 2012, there were 10,245 active security passes. All security passes have an automatic expiry date; the maximum life of a pass depends on passholder category.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Knight Frank recommendation**
Question: **5**
Hansard reference **p.19**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: Are you able to say whether Knight Frank recommended that the contract be terminated? You may not be able to, but I am just—

Ms Mills: The information I have before me relates only to specific areas of concern they raised. There is not, in this list that I have in front of me, a specific recommendation to that effect, but I can certainly look further into it.

Answer

Knight Frank made a number of recommendations, including that no further extensions be granted to Limro Cleaning Services "beyond the current extension expiry date of 30 June 2011."

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Acting Secretary**

Question: **6**

Hansard reference **p.20**

Date set by the committee for the return of answer: 12 November 2012

Senator PARRY: Could you just remind me of the dates that Mr Kenny was acting secretary. That was from when to when?

Ms Mills: Sorry. If you do not mind, we will just check the report. It was 27 January to 8 March.

Senator Parry: From 27 January 2012 to 8 March 2012 Mr Kenny was acting secretary.

Ms Mills: Yes.

Senator PARRY: Prior to 27 January, who was the secretary?

Ms Mills: Mr Alan Thompson.

Senator PARRY: I thought Mr Alan Thompson left.

Ms Mills: He had taken leave and, from my recollection, Mr Kenny had acted for a period in late 2011. Again, I am sorry, I wasn't there, but I am assuming from these numbers that Mr Thompson may have physically returned to work and then took leave again.

Senator PARRY: Maybe this is something you need to provide on notice. Could you provide on notice the exact dates of who was acting secretary from the period of Mr Thompson's indication of departure. Did he go on personal leave or sick leave or annual leave? Could that be documented, from the date he first commenced that leave through to your appointment—that would be a good thing—so we had a table, if you like, of who was in the secretary's chair during that period of time.

Ms Mills: Yes, I am happy to provide that.

Answer

The following table shows the name of the person holding the position of Secretary for DPS in 2011–12.

	in Secretary's position	
1–31 July 2011	Alan Thompson	
1–15 August 2011	David Kenny	Mr Thompson on annual leave (1–15 August 2011)
16 August–2 November 2011	Alan Thompson	
3–25 November 2011	David Kenny	Mr Thompson on personal leave (03–25 November 2011)
26 November 2011–26 January 2012	Alan Thompson	
27 January–9 March 2012*	David Kenny	Mr Thompson on personal leave (27 January–12 April 2012)
10 March*–27 May 2012	Russell Grove	Mr Thompson on annual leave (13 April–24 May 2012)
28 May–30 June 2012	Carol Mills	

* The 2011–12 Annual Report states Mr David Kenny was the interim Secretary from 27 January 2012 to 8 March 2012. This is incorrect—Mr Kenny was interim Secretary until 9 March 2012 with Mr Russell D. Grove appointed as acting Secretary on 10 March 2012.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Cleaning contract**

Question: **7**

Hansard reference **p.22**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: You may need to take this on notice, but I would be interested to know if you can provide to us the number of breach notices issued since August 2009.

Ms Mills: I would have to take that on notice.

Answer

DPS has issued 14 breach notices on Limro Cleaning Services since August 2009.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Cleaning practices**
Question: **8**
Hansard reference **p.22–23**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: ... I wanted to touch on the allegations and suggestions that cleaning methods had led to damage to the fabric of the building and the contents of the building. There have been a number of examples of this and I am sure that you are aware of this. Do you know of any way, or is there an issue of concern, that the management of DPS needs to be able to assure itself that the building is not being damaged by inappropriate cleaning practices? If that is a concern, are you able to say how it is being met?

Ms Mills: I might have to take part of that answer on notice to provide sufficient detail.

Answer

The cleaning at Parliament House is managed and undertaken by a variety of groups:

- Internal office cleaning is undertaken by Limro.
- External cleaning—Canberra Queanbeyan.
- Artwork—DPS Art Services staff and professional curatorial specialists.
- Fabrics—DPS Building Fabric Services and specialist contractors.
- Furniture—DPS Building Fabric Services and professional curatorial specialists.
- A number of separate contracts are let on a needs basis for large or specialist cleaning jobs, including window washing and crawl space cleaning.

Custodianship of assets is shared between the Parliamentary departments and, as a result many items are maintained by contractors engaged by the Chamber departments or, in the case of the Ministerial Wing, the Department of Finance and Deregulation. DPS does not formally inspect this work nor do we have access to assess or comment on damage to those items.

Some general surface damage throughout bathrooms has been identified related to the use of inappropriate cleaning products, scourers and processes. This is generally as a result of cleaners trying to clean large areas in short time frames. The use of environmentally friendly products is recommended at Parliament House; however, they generally do take more time to use. On occasion when the cleaners are meeting deadlines, it is evident that unapproved products are used. DPS has improved consultation, induction and supervision of the internal cleaning contract in an effort to reduce any future damage.

Outlined below are examples of areas where DPS has had concerns about damage to the fabric and or contents of the building. These include details to show how DPS is meeting any concerns are possible damage through cleaning processes.

(continued over the page)

- **External stone paving.**
Due to high levels of bird droppings in the Forecourt and general dirt, leaves and organic debris on stone paving throughout the landscape, regular cleaning of these surfaces is required to maintain safety standards and appearance. In the past, the stone has been cleaned using high pressure hosing. This has resulted in damage to jointing. In July 2012, the external stone cleaning procedures were revised to ensure best practice. In addition, since July 2012, DPS and the contractor have been trialling the use high pressure hosing reduced to its lowest pressure setting with a wide spreading fan. This should reduce any ongoing damage.
- **Internal stonework**
Some efflorescence and staining were evident on internal stonework, due to use of unclean water. Since best practice cleaning procedures were introduced in June 2011, there has been an improvement to these surfaces. Best practice cleaning often involves the use of large quantities of distilled water. This is expensive and can be difficult to store in adequate quantities and as a result the cleaners have substituted tap water for this purpose. DPS is currently trialling the production of and the use of reverse osmosis water. This may result in a better outcome for the cleaners but it is too early to comment upon.
- **Ewater**
Ewater is an electrolysed water cleaning product introduced into the new kitchens. Its use is primarily as a sanitising agent for foodstuff as well as for cleaning kitchen preparation surface. The use of this product as a cleaning agent has extended beyond the kitchen spaces against the recommendations of specialist curators working at APH and the DPS furniture managers. This is because Ewater's acid and alkaline levels are too high to be used on building fabrics—long-term use could cause damage. Permission for the widespread use of this product has been withdrawn.
- **Chipped stone**
There are numerous chips in the stonework façades as a result of impact on the stone by machinery used to clean or maintain external façades. This practice is being reviewed.
- **Brass work**
In the past, the cleaners were found to be responsible for damage to brass work. DPS Building Fabric Services section has been working with the cleaners over the last three years to better understand the patina of the brass work and, since this time, this damage has ceased. The patina will redevelop over time.
- **Carpet shrinkage**
There have been a couple of incidents over the last few years where cleaners have over-wet carpets, resulting in shrinkage.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Catering contract**

Question: **9**

Hansard reference **p.19**

Date set by the committee for the return of answer: 12 November 2012

Senator PARRY: Who signed off on behalf of DPS on that [2012] contract?

Ms Mills: That I do not have in front of me. I will have to provide that advice on notice. I am sorry. But it is a large-scale contract, so it would have had to be at a senior level.

Senator PARRY: Who would ordinarily sign off on those contracts? Is it normally the secretary or deputy secretary at that level?

Ms Mills: I would expect that for this scale of contract, but again I would have to take that on notice. I am sorry.

Answer

A contract was signed between the Commonwealth of Australia (represented by the Department of Parliamentary Services) and HANZ (Canberra) Pty Ltd for the provision of catering services at Parliament House. The contract was signed for DPS by the acting Secretary, Mr Russell D. Grove. The contract was executed on 13 April 2012. The contract term commenced on 1 January 2012.

DPS Financial Paper 8 – Financial Governance requires that “all contracts with a value greater than \$2million are to be forwarded to the Secretary for signing”. The value of this contract exceeds \$2million.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Catering contract**
Question: **10**
Hansard reference **p. 23**

Date set by the committee for the return of answer: 12 November 2012

Senator FAULKNER: ... Following up on one or two of those questions that Senator Parry asked about catering, are you able to say to us what the current subsidy is that is paid to the catering contractors?

Ms Mills: I can say that it is approximately half a million dollars a year. Again, as part of my review I am trying to really firm up whether that is the picture. That is certainly the target. We will probably be in a better position in a couple of weeks to provide final advice on that.

Senator FAULKNER: Fair enough. I appreciate that. I am interested to understand why that figure actually is not precise and why there is that element of uncertainty around it.

Answer

The catering contractor is not paid a subsidy. The contract provides for DPS to pay the catering contractor an annual management fee of \$530,000 per annum ex-GST (CPI indexed from 1 July each year). The management fee reflects:

- services provided by the contractor to the Parliament. The contract requires the contractor to cover the costs of the set-up of parliamentary funded activities (including CERHOS in the Great Hall), up to 220 events per calendar year. If the number of events exceeds 220 per calendar year, DPS pay the contractor at a rate of 0.1% of the management fee for each additional event; and
- the challenges of operating at Parliament House (such as irregular trade, requirement to give precedence to parliamentary activities, security and other requirements).

Payment of the management fee in full is contingent on the contractor meeting key performance indicators set out in the contract. Up to 50 per cent of the management fee can be withheld. In accordance with transition in plan set out in the contract, for the first year of the contract (2012), DPS will pay the management fee in full.

Senate Finance and Public Administration Legislation Committee —Inquiry into the performance of DPS—Hearing 30 October 2012

Answers to Questions on Notice

Topic: **Catering contract**

Question:

Hansard reference **pp 20, 21 and 23**

Date set by the committee for the return of answer: 12 November 2012

Senator PARRY: ... This might be a difficult question, and I am very happy for you to take it on notice: do you think that that contract measures up to other contracts considering the complexity that Parliament House poses with peaks and troughs? Do you think it was a competitive contract?

Ms Mills: I am currently trying to explore the details of the contract and would be happy to provide you with advice when I feel better informed. ...

Again, I am very happy to provide more detail when I feel confident to give you advice about whether this is an effective contract or not.

Senator PARRY: ... If you could provide a statement to us when you get further facts in relation to the contracting, and any irregularities you may find with that process, or indeed, if there are not any irregularities, could you spell that out as well?

Senator FAULKNER: ... Is the subsidy audited in some way?

Ms Mills: I do not know how it has been dealt with in the past but it is certainly my intention that all of our contracts are appropriately audited so that any payment made by the department is treated the same as it would be to any other contractor through invoice and an audit trail.

Senator FAULKNER: I would be interested. I do not expect you to be able to provide this information tonight, but any historical information going back three or four years on the auditing processes, in other words, the extent of auditing, who is undertaking it, any costs, and so forth, would be useful information from the point of view of this committee.

Ms Mills: Certainly. I would be happy to provide that.

Ms Mills: That is the sort of agreed subsidy, as I understand, in the new contract. The reason there may be a variable is there are also terms in the contract that certain fees that common across to DPS or that are attributable to DPS in the agreement do not flow until the major work in the main kitchen is completed, and that work is not yet finalised. So, although the cash subsidy maybe appropriate, the actual cost to the department, what I would call 'cash in' and also 'revenue lost' will not be fully known for a few months.

Senator FAULKNER: Well, we might be able to break then the answer to this question on notice into two parts.

Ms Mills: Yes.

Answer

DPS is providing the Committee with a brief statement covering the remaining aspects raised about the catering contracts.