

Government Services

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Main points

The Ministry of Government Services (Ministry) is responsible for all matters relating to public works including the responsibility to maintain buildings. The Ministry owns approximately 800,000 square metres of space in 476 buildings. The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

The Ministry did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008. The Ministry needs to:

- ◆ ensure the information on its buildings is accurate, complete, and available
- ◆ approve adequate maintenance plans for all the buildings it owns
- ◆ sign adequate agreements with its clients that describe each of the parties' responsibilities
- ◆ ensure maintenance is effectively carried out on all of its buildings
- ◆ provide senior management adequate reports to monitor the process to maintain its buildings

Introduction—maintaining buildings

The Ministry of Government Services (Ministry) manages an extensive portfolio of buildings and provides centralized support services to government ministries and agencies. For the year ended March 31, 2009, the Ministry estimated expenses of \$161.5 million and recoveries of \$151.8 million from ministries and agencies for the operation and maintenance of buildings.¹

The Public Works and Services Act sets out the Ministry's responsibility for all matters relating to public works including the responsibility to maintain buildings. The Ministry told us it owns approximately 800,000 square metres of gross exterior space in 476 buildings. This includes 105 buildings for which the Ministry has delegated the authority to do preventative maintenance to its clients (mainly other government agencies). The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The Ministry uses a facility condition index (FCI), expressed as a ratio of the cost of deferred maintenance to the current replacement value of the building, to measure the condition of its buildings. The higher the FCI, the poorer the condition of the building. The Ministry's standards indicate that a building with a FCI of less than 5% is in good condition, 5 to 10% fair condition, 10 to 30% poor condition, and above 30% in critical condition. In 2008, the Ministry estimated the index for its portfolio of buildings to be 15.5%.² This represents approximately \$327 million in deferred maintenance.

The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

¹ *Saskatchewan Provincial Budget 2008-2009*, p.84.

² *Province of Saskatchewan Plan for 2009-10* – Ministry of Government Services, p.5.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry had adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The exhibit below sets out the criteria that we used to assess the adequacy of the Ministry's processes. We based our criteria on international literature and the work of other auditors listed in the selected references. The Ministry agreed that the criteria are reasonable and attainable.

Exhibit – Audit criteria

To have adequate processes to maintain its buildings, the Ministry of Government Services should:

- ◆ Obtain reliable information on assets
- ◆ Develop a maintenance plan
- ◆ Carry out maintenance effectively
- ◆ Monitor performance

We concluded the Ministry of Government Services did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008.

Key findings by criterion

Obtain reliable information on assets

Collecting information about capital assets helps managers identify maintenance needs and make informed decisions. To obtain reliable information on assets, we expected the Ministry to:

- ◆ *identify assets that must be maintained*
- ◆ *assess asset condition and expected remaining service life*

- ♦ *assess risk that assets will not meet required service objectives*
- ♦ *determine value (cost/replacement value)*

The Ministry used four computer systems to document information about its buildings.

- ♦ The maintenance management system contained information on the asset location, age, equipment type, and manufacturer. The system also tracked work orders on equipment and building maintenance.
- ♦ The capital planning system contained information on location, condition, and data to forecast the risk, timing, and costs of significant replacements.
- ♦ The capital asset sub-ledger contained information on costs, estimated useful life, and depreciated value for financial reporting purposes.
- ♦ The property management system (i.e., the billing system) contained information on location, square meters, and the replacement value of assets.

Information is not readily comparable among these systems because common identifiers for assets are not used. For example, the property management system lists all the buildings in a complex (e.g., SIAST – Regina campus), the maintenance management system only reports one building number for a complex, and the capital asset sub-ledger has several asset numbers for some buildings.

The Ministry does not have processes to ensure the information in each system is accurate, complete, and comparable. As a result, the Ministry may not have adequate, readily available information to make informed decisions about its buildings.

The Ministry makes periodic building inspections to determine the condition of its buildings. The Ministry uses engineers, architects, or professional building condition assessors to do these inspections. These inspectors made recommendations to the Ministry on required significant maintenance including estimated costs and the timeline for maintenance.

Our audit found that the Ministry did not always update the information in its systems for significant projects on a timely basis. For example:

- ◆ The Ministry did not update deferred maintenance of \$25.7 million for the Regina Correctional Center after completing the \$51.5 million construction of a new building. The building was officially opened in August 2008. By March 2009, the Ministry had not completed itemizing the components of this building into its system nor determined the preventative maintenance schedule. The Ministry told us it has not received information from its design consultants.
- ◆ The Ministry did not update deferred maintenance of \$4.6 million for Cooper Place (location of Ministry of Finance) after subsequent upgrades of \$13.5 million over several years.

The Ministry used various industry methods to estimate the replacement cost of its buildings. We found that 56 buildings may not have reasonable estimated replacement costs. For these buildings, the deferred maintenance was greater than the estimated replacement cost of the building. One building had deferred maintenance of \$1.9 million and a replacement cost of only \$0.3 million. Another building had deferred maintenance of \$10.2 million and a replacement cost of only \$7.5 million. The Ministry needs to review its method for estimating the replacement cost of its buildings.

1. **We recommend the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete, and available.**

Develop a maintenance plan

Planning for asset maintenance helps an agency take targeted, timely action to keep assets more efficient and reliable for the lowest possible long-term cost. To develop a maintenance plan, we expected the Ministry to:

- ◆ *establish specific maintenance objectives (based on required level of service), strategies, and performance measures*
- ◆ *set maintenance priorities (short, medium, and long-term)*

- ♦ *estimate cost of strategies based on priorities (short, medium, and long-term costs)*
- ♦ *rank priorities against available resources (short, medium, and long-term)*

The Ministry “must ensure its buildings are kept in good condition to meet program needs and safety requirements.”³ The Ministry developed a preventative maintenance plan and maintenance strategy for 371 of the buildings it owns. The objectives of this plan were:

- ♦ to preserve and potentially extend building systems/equipment and /or component life
- ♦ to improve system operations (maintain design efficiencies)
- ♦ to reduce system/equipment/component breakdowns
- ♦ to provide a safe, efficient (cost effective) and comfortable working environment to clients
- ♦ to maintain assets in accordance with regulations

However, the Ministry had not developed specific performance measures to monitor the performance of its preventative maintenance program.

The Ministry did not develop a preventative maintenance plan for 105 of the buildings it owned. Examples of these buildings include provincial correctional facilities, a hospital in Swift Current, and a district care centre in North Battleford. The Ministry told us it had delegated the authority to do preventative maintenance for these buildings to its clients. However, the Ministry did not have adequate agreements that describe what preventative maintenance should be carried out. For these buildings, the Ministry did not receive or approve maintenance plans from its clients. As a result, the Ministry did not know if the preventative maintenance planned was adequate to maintain the buildings in a satisfactory condition on an ongoing basis.

³ *Ministry of Government Services Plan for 2009-10*, p.5.

As described above, the Ministry does complete periodic building inspections to determine the condition of its buildings. The Ministry set maintenance priorities and estimated its buildings' costs over the short, medium, and long-term. The Ministry also identified and ranked significant projects to be included in its annual and five-year capital and maintenance plan. The annual work plan was done based on available funding.

- 2. We recommend the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns.**
- 3. We recommend the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities.**

Carry out maintenance effectively

To carry out maintenance effectively, we expected the Ministry to:

- ♦ *use recognized maintenance standards*
- ♦ *establish maintenance procedures consistent with standards*
- ♦ *track maintenance activities*

For the 371 buildings the Ministry owned and carried out its own preventative maintenance, the Ministry established maintenance procedures using industry and manufacturers' standards for preventative maintenance activities. The Ministry also established a branch, specializing in heating, ventilation, and air conditioning repairs, staffed with qualified trades persons. The Ministry used a system to track and manage preventative maintenance related activities.

The Ministry, however, for the 105 buildings it told us it had delegated the authority to do preventative maintenance to its clients, did not know if preventative maintenance was carried out. As stated above, the Ministry did not have adequate processes for preventative maintenance for these buildings. If adequate preventative maintenance does not regularly occur, more significant repairs, at a higher cost, will likely be required later.

4. **We recommend the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings.**

Monitor performance

To monitor performance, we expected the Ministry to:

- ♦ *analyze reports on progress*
- ♦ *review results*
- ♦ *use information to adjust plans*

The Ministry's senior management received and reviewed monthly financial reports on operating expenditures and significant maintenance projects. It also received annually the facility condition index to monitor the sustainability of its building portfolio. On a bi-annual basis, senior management receive the results of a client satisfaction survey to monitor client satisfaction with its services. However, these reports are not sufficient for senior management to adequately monitor the process to maintain its buildings.

The Ministry did not establish specific performance measures to monitor performance of its preventive maintenance program. The Ministry also did not establish performance objectives or measures for the 105 buildings it told us it had delegated the authority to perform preventative maintenance.

As indicated above, senior management did not approve the preventative maintenance plan for 105 of its buildings. And, senior management did not receive any analysis of the preventative maintenance work carried out on these buildings.

Also, the information on its buildings (i.e., deferred maintenance, replacement cost) used to calculate a key performance measure, the facility condition index, may not be accurate and complete.

5. **We recommend the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings.**

Glossary

Current replacement cost – The total expenditure in current dollars required to replace any building, inclusive of construction costs, design costs, project management costs, and project administrative costs.

Deferred maintenance – The total dollar amount of existing maintenance repairs and required replacements (capital renewal), not completed when they should have been, not funded in the current fiscal year, or otherwise delayed to the future.

Gross exterior space – the sum of the floor areas on all levels of an organization's buildings measured from the outside faces of exterior walls.

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