

Government Services

5

Main points	60
Introduction	61
Processes to plan accommodation.....	61
Background	61
Audit objective, criteria, and conclusion	62
Key findings and recommendations by criterion.....	63
Identify accommodation needs.....	63
Develop accommodation plan	66
Monitor implementation of plan	67
Processes to maintain buildings—a follow-up	68
Background	68
Accurate, complete, and available information.....	68
Adequate maintenance plans.....	69
Sign adequate agreements with clients.....	69
Processes for effective maintenance	70
Monitor processes	70
Glossary.....	71
Selected references	71

Main points

The Ministry of Government Services (Ministry) is responsible to provide accommodation for certain government agencies (clients), and to maintain its buildings.

Processes to plan accommodation

We found that the Ministry has processes in place to respond to individual client accommodation requests, and to plan accommodation on a building-by-building basis. But the Ministry also needs to consider the combined needs of clients. We concluded that the Ministry had adequate processes to plan accommodation for client agencies, except the Ministry needs to:

- ◆ Prepare an adequate overall accommodation plan (i.e., one that encompasses the needs of all clients), including a risk assessment
- ◆ Monitor implementation of the overall accommodation plan

Processes to maintain buildings—a follow-up

The Ministry has made progress on some of our past recommendations on its processes to maintain its buildings, but it has not yet fully implemented the recommendations. The Ministry still has work to do. 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.

Introduction

The mandate of the Ministry of Government Services (Ministry) is to support government program delivery by providing accommodation and property management, transportation, purchasing, risk management, records management, telecommunications and mail distribution services.¹ *The Public Works and Services Act, 2004* sets out the Ministry's responsibility for all matters relating to public works, including the responsibility to provide accommodation and to maintain buildings.

The Ministry owns or leases buildings, or space in buildings, in 166 communities across the province. These spaces make up the Ministry's accommodation portfolio. The portfolio includes provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, court houses, and historic properties. The Ministry owns 462 buildings and leases 267 buildings. The replacement value of owned buildings is \$3.03 billion.² For the year ending March 31, 2010, accommodation charges were over \$160 million.³

In this chapter we report on our audit of the Ministry's processes to plan accommodation for the government agencies that are its clients. We also report the results of our follow-up work on the Ministry's processes to maintain its buildings.

Processes to plan accommodation

Background

We audited the Ministry's processes to plan accommodation for the government agencies that are its clients. The Ministry is responsible for providing accommodation for certain government agencies. *The Public Works and Services Act, 2004* (section 3) states that the Ministry is responsible to provide accommodation unless an agency is itself responsible under its own legislation (e.g., Crown corporations). To carry out this role, the Ministry is responsible for the acquisition, alteration,

¹ Ministry of Government Services, *2009-10 Annual Report*, p. 7.

² <http://www.gs.gov.sk.ca/accommodation> (January 25, 2011).

³ Ministry of Government Services, *2009-10 Annual Report*, p. 23.

repair, maintenance, management, operation and disposal of real property.

To provide appropriate space for its client government agencies and the programs and services they deliver, the Ministry needs to have effective processes to plan for accommodation. If the Ministry does not have adequate processes to plan for accommodation, its clients could be hindered in delivering services and programs. This could lessen the clients' ability to fulfill their mandates and achieve their objectives. As well, inadequate processes could result in space not being optimally used. This would result in inefficiencies and unnecessary costs.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry had adequate processes for the year ended March 31, 2011 to plan accommodation for client agencies. To plan accommodation means planning to meet the overall current and future needs of its client agencies for physical premises to carry on their operations and deliver services.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria.

Our main criteria were as follows. To have adequate processes to plan accommodation for client agencies, the Ministry should:

- ◆ Identify accommodation needs
- ◆ Develop an accommodation plan
- ◆ Monitor implementation of the plan

The Ministry has processes in place to respond to individual client accommodation requests, and to plan accommodation on a building-by-building basis, but the Ministry also needs an overall accommodation plan that encompasses the needs of all its clients.

We concluded that the Ministry of Government Services had adequate processes to plan accommodation for client agencies for the year ended March 31, 2011, except the Ministry needs to:

- ◆ Prepare an overall accommodation plan, including a risk assessment
- ◆ Monitor implementation of the overall accommodation plan

Key findings and recommendations by criterion

We describe below what we expected (in italics) and our key findings for our three criteria, together with our recommendations.

Identify accommodation needs

To identify accommodation needs, we expected the Ministry to:

- ◆ *Have an established policy framework for accommodation*
- ◆ *Provide planning assistance to clients*
- ◆ *Identify client needs*
- ◆ *Document the inventory of current space*
- ◆ *Analyze the gap between existing inventory and future needs*

The Ministry has three documents that make up its policy framework. The policy framework clarifies rules and expectations, is current, and is approved. It provides detailed and relevant information to Ministry employees and clients on processes to respond to client accommodation requests. The framework is directed towards managing accommodation requests from individual clients and not towards planning to meet clients' combined accommodation needs overall. It does not specify that there should be an overall accommodation plan encompassing all its clients (discussed in the next section). By not looking at the combined overall needs of its clients, the Ministry may not identify all opportunities or pressures that it will face in fulfilling client needs.

The policy framework does not require an overall risk assessment. Without a policy that requires an overall risk assessment, there is increased likelihood that an overall risk assessment will not take place. Without an overall risk assessment, the Ministry will not know if its plan is addressing key risks in providing accommodation to its clients.

1. We recommend that the Ministry of Government Services specify in its policy documents the requirement to prepare an overall accommodation plan, including a risk assessment.

The Ministry provides planning assistance to its clients. The assistance includes:

- ◆ Access to manuals and guides
- ◆ Access to planners (employees of the Ministry)
- ◆ Planning templates
- ◆ Education on new space standard guidelines

The Ministry also provides tools and information to its own planners. For example, the planners have access to numerous forms and checklists that they use when assisting clients. The Ministry informs and educates their planners and client agencies when there are significant changes to the Ministry's processes.

The Ministry does not have a formal process to request information from its client agencies about their changing accommodation needs every year. Rather, the Ministry told us it expects clients to advise it of any expected changes. This increases the risk that the Ministry might not know about future needs.

To mitigate the risk that the Ministry may not know about future accommodation needs, the Ministry asks some of its clients about their capital plans and priorities. However, it does not do this for all clients. Also, the Ministry looks at budget submission documents for any projects that clients are planning in the upcoming year. In addition, if there are leases that will be expiring soon, the Ministry will contact the client agencies to inquire about their future needs. This helps the Ministry to determine if it should continue leases and to identify required changes to lease agreements.

The Ministry has taken steps to mitigate the risk that it may not have all the information it needs. However, by not regularly requesting information from all clients, the Ministry remains at risk of not having all of the information it needs to create an overall accommodation plan. This could result in decisions that are not cost-effective for the government.

2. We recommend that the Ministry of Government Services regularly request information from clients on their future accommodation needs.

The Ministry uses a computer system to track the total space available in the buildings it owns or leases. The Ministry's system identifies space available and which clients are renting specific space. The Ministry uses industry standards for calculating available space.⁴ The Ministry considers the space that agencies use to be either program space⁵ or office space.

The Ministry's mandate includes implementing a new space standard for its clients to reduce the total amount of space it uses. The Ministry's approved office space standard for its client agencies is 18.6 m² (square metres) per full time equivalent (FTE).⁶ The Ministry analyzed the total office space in its portfolio including, for each client agency, the number of FTEs, the current space occupied, and the total space that would be required under the 18.6 m² per FTE standard. The analysis was limited to office space, and did not include information on the potential future needs of clients, or assess whether reductions were attainable for its clients.

In 2010-11, the Ministry examined program space used by three of its clients and identified over/under use of space. Management told us the Ministry is planning to do a similar analysis of other clients' program space in the future. Because this analysis was only for program space for three client agencies, it is not a complete analysis of existing inventory and future needs.

3. We recommend that the Ministry of Government Services identify the gap between its existing accommodation portfolio and future accommodation needs.

The Ministry's clients provided the Ministry with their FTE numbers. The Ministry uses this information to evaluate agency space requirements.

⁴ Industry standards used by the Ministry are set by BOMA (Building Owners and Managers Association). These standards set out how to measure the space available for use within a building.

⁵ Program space is space that agencies use to meet their program needs (e.g., space for storage buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, court houses, historic properties).

⁶ The space standard was approved by Treasury Board. Ministry of Government Services, 2009-10 Annual Report, p. 14.

The Ministry does not verify the FTEs reported to them overall, or on a building-by-building basis. The Ministry requires accurate information on agency FTEs to adequately plan to meet the 18.6 m² per FTE standard.

4. We recommend that the Ministry of Government Services verify staffing information provided by its clients for the Ministry's buildings.

Develop accommodation plan

We expected the Ministry to develop an overall accommodation plan for its client agencies. In developing this plan, we expected the Ministry to:

- ◆ *Assess risks to delivering appropriate accommodation*
- ◆ *Develop alternatives to meet needs*
- ◆ *Align the plan with strategic objectives*

The Ministry's senior management is knowledgeable regarding risks and has procedures to address risks in specific projects involving individual client agencies. However, as noted previously, the Ministry has not carried out an overall risk assessment related to its ability to provide accommodation to its overall portfolio of clients.

The Ministry has several documents that make up its current accommodation plan. These documents do not constitute a complete plan because they do not reflect the future program and office space needs of all of its clients. The Ministry needs to have an overall accommodation plan to help ensure it can effectively and efficiently meet all of its clients needs.

5. We recommend that the Ministry of Government Services develop an overall accommodation plan.

The Ministry analyzed ways to reduce the total amount of space that government agencies occupy and total office space within its portfolio (see above). The Ministry plans to work with its clients to identify opportunities for future reductions in space.

As previously noted, the Ministry's analysis is not complete because it did not consult with its clients to determine if their needs will be met. The Ministry told us that it will obtain this information from clients in the future.

The Government's strategic objectives for this Ministry's clients include reducing the workforce and reducing costs. The Ministry considers this strategic direction in planning accommodation. The Ministry told us that it requested funding for planning to reduce client space.

Monitor implementation of plan

To monitor implementation of its accommodation plan, we expected the Ministry to:

- ◆ *Set measures*
- ◆ *Review results*
- ◆ *Evaluate planning processes*
- ◆ *Report results to senior management*

The Ministry has measures to monitor its accommodation portfolio. For the most part its measures are informal (i.e., not set out in policy) and are not tied to an overall plan.

The Ministry uses the results of some of these measures in its planning. Management told us that the Ministry plans to make more frequent use of the new space standard measure (m² per FTE). The Ministry also has regular meetings and occasionally more detailed project follow-up meetings to review results at the individual project level.

The Ministry periodically reviews the planning tools and documents it uses in order to make changes where required. The Ministry does not carry out regular, documented evaluations of its planning processes.

Senior management receives occasional updates on its accommodation portfolio in notes or reports prepared for specific purposes. Senior management should require regular status reports describing progress against an overall accommodation plan.

- 6. We recommend that the Ministry of Government Services monitor and report on implementation of an overall accommodation plan.**

Processes to maintain buildings—a follow-up

Background

In 2009, we assessed the Ministry of Government Services' processes to maintain its buildings. Our 2009 Report – Volume 1, Chapter 6 (pp. 81-90) concluded that the Ministry of Government Services did not have adequate processes to maintain its buildings. We made five recommendations.

On February 2, 2010, the Standing Committee on Public Accounts agreed with our recommendations.

We set out below our past recommendations (in italics) and the Ministry's actions up to March 31, 2011. We found that the Ministry still has work to do for each of the five recommendations.

Accurate, complete, and available information

We recommended that the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete, and available. (2009 Report – Volume 1)

The Ministry uses four computer systems to document information about its buildings. The Ministry is implementing a process to reconcile the buildings across each system annually. To complete this reconciliation, management compiles a list of all of the buildings in each system and then compares for exceptions. Management investigates the exceptions to determine why they occurred. Through this process the Ministry can identify any buildings that are missing from any of the systems, or information that is not correct. The Ministry is continuing to refine this process and is working towards completing its second reconciliation since our 2009 audit. Management told us that the Ministry has not prepared a policy on this reconciliation process because it is still making changes to the process.

The Ministry does not always update the information in its systems for significant completed projects on a timely basis. Management told us that it continues to have difficulty in getting information on projects from its design consultants on a timely basis. Management told us that if the

Ministry is unable to get the required information on a timely basis, it manually adjusts the deferred maintenance totals to reasonable amounts. The Ministry continues to work towards designing a process to obtain timely information on completed projects from its design consultants.

The Ministry has implemented a new model for calculating the current replacement value of its buildings. This new model ensures that the calculation of replacement values are consistent across buildings.

Status – We continue to make this recommendation.

Adequate maintenance plans

We recommended that the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns. (2009 Report – Volume 1)

The Ministry has preventative maintenance plans for the buildings where its own staff do the preventative maintenance. The Ministry still does not have plans for those buildings where it has delegated the authority for preventative maintenance to clients. The Ministry has developed a form that it plans to use for buildings where clients perform preventative maintenance. Management told us that this form will be used to identify work, monitor work, and identify gaps for building maintenance. Management told us that the Ministry will begin using these forms once it has signed agreements with clients for preventative maintenance.

Status – We continue to make this recommendation.

Sign adequate agreements with clients

We recommended that the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities. (2009 Report – Volume 1)

The Ministry does not have agreements with its clients for buildings where the Ministry has delegated the authority to do preventative maintenance. Management told us that it is in the process of reviewing the buildings where it has delegated the authority and that it has begun discussing responsibilities and agreements with clients. Management told us that it is

planning to begin signing agreements with its clients in the next fiscal year (i.e., 2011-12). Management noted that it would likely take longer than one year to determine responsibilities and sign agreements with some of its larger and more complex clients.

Status – We continue to make this recommendation.

Processes for effective maintenance

We recommended that the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings. (2009 Report – Volume 1)

Management told us that the Ministry has not yet developed a process to ensure that maintenance is effectively carried out on buildings where it has delegated the authority for maintenance. Management told us that the Ministry is targeting a reduction in the cycle time between on-site, third-party inspections (i.e., asset validation surveys). Management thinks that this will provide them with some assurance that preventative maintenance work has been done.

Status – We continue to make this recommendation.

Monitor processes

We recommended that the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings. (2009 Report – Volume 1)

The Ministry provides monthly reports to senior management on all major maintenance projects. The Ministry now also provides quarterly reports to senior management that show issues involving planned preventative maintenance. The Ministry has not yet developed reports on maintenance for buildings where it has delegated the authority for preventative maintenance.

Status – We continue to make this recommendation.

Glossary

Current replacement cost – The total expenditure in current dollars required to replace any facility at the institution, 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 accomplished when they should have been, not funded in the current fiscal years, or otherwise delayed to the future.

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Chapter 5 – Government Services

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