

# **PUBLIC ACCOUNTS COMMITTEE**

## **HOUSING AUTHORITY — RESPONSE TO AUDITOR GENERAL’S REPORT “FITTING AND MAINTAINING SAFETY DEVICES IN PUBLIC HOUSING”**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
WEDNESDAY, 27 JUNE 2018**

### **SESSION ONE**

#### **Members**

**Dr A.D. Buti (Chair)  
Mr D.C. Nalder (Deputy Chair)  
Mr V.A. Catania  
Mr S.A. Millman  
Mrs L.M. O'Malley**

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**Hearing commenced at 9:27 am****Mr GRAHAME SEARLE****Director General, Department of Communities, examined:****Mr GREGORY CASH****Assistant Director General, Commercial Operations, Department of Communities, examined:**

**The CHAIR:** Thank you for appearing today, to discuss the Housing Authority's response to the recommendations in the seventh audit report of 2016, "Fitting and Maintaining Safety Devices in Public Housing". My name is Tony Buti, I am the committee Chair, member for Armadale. To my left is Mr Dean Nalder, the committee's Deputy chair and member for Bateman, and to his left is Vince Catania, the member for North West Central. To my right, Mr Simon Millman, member for Mount Lawley, and to his right is Lisa O'Malley, member for Bicton.

I would like to advise you that committee has asked the Auditor General and officers from the performance audit team to observe today's proceedings from the public gallery. Following the hearing, the committee may consult with the audit team for clarification of matters raised. I would also like to advise that today's hearings will be broadcast live over the Parliament House website. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything you may say outside of today's proceedings.

Do you have any questions about your attendance here today?

**The WITNESSES:** No.

**The CHAIR:** Would you like to make brief opening statement before we ask you questions?

**The WITNESSES:** No.

**The CHAIR:** Thank you very much for coming in today. I will start off by referring to a matter in your annual report in which you list your head contractor of performance's KPIs. There is a list of KPIs and then you have got these regions, I assume—one, two, three, four, five, six and so forth. In the Auditor General's report, "Fitting and Maintaining Safety Devices in Public Housing—Follow-up" they looked at regions, like you have got, but they actually named the regions. Why do you not actually name the regions? There is a great variance in some of the KPIs. The issue in regards to "urgent", "within 24 hours", and "priority", there is some great variation between the regions, and I think it would be ideal and prudent that the names of the regions are included.

**Mr CASH:** Some of the information relates to the contract performance management arrangements. In our general reporting and annual report we have elected not to nominate the specific regions relative to the individual contractors. Contractors have individual regions attached to the contract and that relates to the performance management of each.

**The CHAIR:** So, in order to preserve reputation of the contractors, the public and policy officers and parliamentarians are unable to know whether their region is being properly serviced? For instance, most of us have Homeswest in our electorates, and we would like to know if the contractors are performing well or not, but by your annual report, we are unable to know that.

**Mr CASH:** We are happy to answer questions on contractor performance in any particular region if any members of Parliament have particular issues.

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**The CHAIR:** No. Thank you very much. I would think that would be the least you would like to do. Why can you not, in your annual report, provide the public with the performance of each region? It is totally unacceptable to just have one, two, three, four et cetera, et cetera.

**Mr SEARLE:** I am happy to take that as a constructive suggestion, and we will look at it in the construction of our next annual report.

**The CHAIR:** So you are not prepared to say that you will do it?

**Mr SEARLE:** There are a number of people who sign off the annual report after me. It may well be that we put a table that has the name of the region next to the number. Just the composition of the table becomes difficult if you put the names of the regions across the top. You cannot actually print it as a table. But we will have a think about putting in a table that just refers to number and region.

**Mr V.A. CATANIA:** The issue is that if you have a look at those contract areas, the percentages are much lower than your benchmarks, so obviously there are some issues around those contracts, say, in the Gascoyne, midwest, Pilbara, Kimberley, which I have brought up here before as a local member. Clearly, it looks to me that it is not working as efficiently as it perhaps could be when you look at all of the other performance indicators. How do you provide open transparency to look at whether the model is working?

**Mr SEARLE:** With due respect, Chair, my understanding is that we came here to talk about electrical safety devices, so we have come prepared to talk about electrical safety devices, not annual reports and other things.

**The CHAIR:** I do understand. It is just that in the research for this hearing, it did come up. It was striking that in the Auditor General's follow-up report, regions are included. I take your point. As Vince, member for North West Central said, if you look at "Urgent 24", KPI four, region three has 96 per cent and region nine has 65 per cent. As the local member for whatever that region is, we would like to know.

But I take your point that you have not come prepared for that, and thank you. Does anyone else have a question? Can we move on?

**Mr S.A. MILLMAN:** : I accept the point, but it can be germane to the analysis of the way in which your department is discharging its statutory obligations. If you do not know—in terms of how you manage your performance—if you cannot identify where your contractors are not doing their jobs properly, you end up with precisely the situation that we had in your department. I accept your explanation, and you will provide us with a full explanation in due course, but it is germane to the inquiry that we are doing this morning.

**Mr SEARLE:** I accept that.

**The CHAIR:** In regards to the recommendations of the Auditor General, recommendation 2(b), which was—

Housing should by April 2017

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- b) Formally assess the risks associated with maintaining its properties in a safe condition and use this information to manage properties and set priorities.

That, if I am correct, was taken verbatim from 2010 audit report, so that would indicate that there was a six-year period where nothing was done to address that recommendation. That is why I am asking, and it will be good for you to respond. It would appear, that if it is in one report, and then it is repeated again six years later, there is an issue. Would you like to address that?

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**Mr SEARLE:** Yes, I accept that we may not have fully addressed that, and hence it was repeated, but that does not mean that happened in the interim. There have been a whole lot of things happen in our emergency electrical safety devices and emergency devices, more generally, that have happened over that period. It is just that we had not got to the level that the Auditor General wanted us to, but the Auditor General's office can speak for themselves about that.

**The CHAIR:** Okay, fine, so something was done, but why was it not to the level of the Auditor General —

**Mr CASH:** Just to give a bit of background to the extent of the volume of work that was required to adequately address that concern, post-2010 we identified that we had significant data collection and retention challenges, which coincided with our corporate data system starting to become superseded, which prompted us to commence a project to replace our core computer systems, which would allow us to capture and retain the necessary data on an individual property level for individual elements of electrical safety devices. A significant project was undertaken to replace our core computer system, which would position the organisation to be able to capture the data required. Once that computer system was replaced, which was a three-year project, we then needed to undertake a detailed, individual property assessment, and visit all relevant properties to capture the individual property level data, which was the electrical safety device project.

**Mr D.C. NALDER:** So you would not retrofit—put in an RCD—until you had fixed your IT system and gone and done your analysis on how many needed to be done?

**Mr CASH:** Hang on, members. There are two things. One is to be able to adequately address the expectations that the Office of the Auditor General had on us to be able to understand and strategically manage the risks associated with all electrical safety devices, which was, ultimately, to be able to know what type of device was present, to be able to know if there was a recall on that item that we would know at an individual property level that that device was in place on that property on Smith Street that had a particular brand with a particular model, so that we could actually go in and replace that and not have to go in and replace every smoke alarm around the state. So, to get our data systems right, we needed to change our computer system, which was a lengthy project—significant capital investment. We also then needed to undertake a process to inspect and capture individual data on every device on properties within that category. That is the longer-term strategic project work.

In addition to that, what we do is we have an annual inspection process that goes and visits every property on a 365-day cycle. That ensures that electrical safety devices—smoke alarms and RCDs—are in place and are working. We test them when we go there; we press the buttons and make sure they are working, or we press the button in the roof to make sure that it sends the smoke alarm. That is conducted every 365 days, and that is conducted by an individual housing services officer to make sure that they are present and working, and we have got systems in place to report on that so we know that every property meets that 365-day time frame. In addition to that, every time we go to a property and an electrician touches a circuit, interferes with a circuit, we have a compliance certificate issued to confirm that the RCDs are present, located in the right locations, and working. They actually fully test it. So, that confirms that every time an electrician leaves the property, the property is safe.

In addition to that, the replacement of our computer systems and the electrical safety device project—which sends an electrician out on site to inspect the smoke alarms; to identify and capture the make, model and expiry date, because they all have 10-year expiry dates; to capture that information, to capture the make and model of the RCDs—allows us to capture that information and retain it within our computer systems, which will allow us to have a nine-year replacement cycle

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to replace all of those smoke alarms on a rolling basis to ensure that they are all within the expiry date, they are all current, they are all working. It will also be able to allow us to deal with any recalls and make sure that if any item—or if there is a recall or warranty issue on a particular brand or model, we are able to identify which properties have those, and we are able to go in and replace those on the individual properties and not be concerned about properties that do not have that brand.

[9.40 am]

So, it was a lengthy process between the 2010 to the 2014 report, which we were not able to complete prior to the Office of the Auditor General coming in. Now we have got all of these measures in place, we have replaced our system, we are 66 per cent of our way through the electrical safety device project to actually inspect all of our properties and capture that property-level data as well as overlaying our day-to-day management of risk through the 365-day inspection process.

**Mr D.C. NALDER:** This is eight years after the initial audit.

**Mr S.A. MILLMAN:** So it will be finished in about four years' time.

**Mr CASH:** No, no, no.

**Mr SEARLE:** Let us go back about three steps here. There are two different things; right? There is: are we doing safety audits to make sure that those devices are in place in all our houses? The answer to that is yes, and we have been doing that for a number of years.

**Mr D.C. NALDER:** And the 36 600 now have RCDs fitted.

**Mr CASH:** Yes.

**Mr SEARLE:** Yes. We are really confident about that. The level of reporting —

**Mr V.A. CATANIA:** How confident are you?

**Mr CASH:** A hundred per cent. Every one of our properties has working RCDs and smoke alarms.

**Mr D.C. NALDER:** And smoke alarms.

**Mr CASH:** And we inspect them every 365 days, and I get reports to my managers weekly and monthly telling them which properties have or have not had inspections scheduled within 300 days to enable them to get into the property within the 365.

**Mr V.A. CATANIA:** So, if I throw a town to you—say, Wiluna or Meekatharra—you can say they have all been inspected.

**Mr CASH:** Yes, and I can tell you the date that the person went.

**Mr SEARLE:** And we will probably have photos of the device to prove that it was there.

**Mr V.A. CATANIA:** And communities that you look after, are they in the same category?

**Mr CASH:** Yes. They are inspected twice a year.

**Mr V.A. CATANIA:** So, Burringurrah —

**Mr CASH:** They are inspected twice a year.

**Mr V.A. CATANIA:** The lands —

**Mr SEARLE:** Can we be really clear here; there are two separate things. There is: did we inspect and are we sure they are there? What we can say is when we inspected, they were there. That doesn't mean somebody the next day didn't take a cricket bat and knock the smoke detector off the roof; all right?

**Mr V.A. CATANIA:** Yes.

**Mr SEARLE:** But when we there, it was there. The second thing is: did we have a system where we recorded the make, model, expiry date? No, we did not. Now, that is the bit of work that required all the systems to be built; right? The inspection process went on all through this period.

**Mr V.A. CATANIA:** So, in terms of your 67 per cent right the way through, can you give me a breakdown of metropolitan area versus the regions? Is it much lower in the regions, because obviously it is very difficult to get to a lot of places?

**Mr CASH:** No, no. We have done 23 500 inspections; they have been completed. We have completed the south east metro region. We have completed the Pilbara. We have completed the great southern, the wheatbelt. We have nearly completed the midwest–Gascoyne and we have nearly completed the south west, and we are rolling through the rest of the metropolitan area and the East and West Kimberley at the present moment.

**The CHAIR:** So that basically goes to, you know, a large part of recommendation 2 of the Auditor General's report; right? There is an annual inspection—okay, we have got that—of all your properties; fine. In regards to that whole process, in regards to those four parts of recommendation 2 of the Auditor General That Housing should by April 2017—those four parts of that recommendation, have they all been achieved and satisfied?

**Mr CASH:** Yes.

**The CHAIR:** Right. Okay. Now —

**Mr CASH:** To the extent that we have got that data on the individual make, model and expiry date.

**The CHAIR:** Now, is there any publicly available information that will attest to—you know, you have told us a date line. Could the general public go and satisfy themselves?

**Mr CASH:** In our annual —

**The CHAIR:** Do you include that anywhere so people —

**Mr CASH:** In our annual report we include what we do.

**The CHAIR:** It is in your annual report. Okay. That is why I think it would be really prudent if we could have the regions in the annual report.

**Mr CASH:** The reporting on the process —

**The CHAIR:** No —

**Mr CASH:** The individual—no, no. The reporting of the progress of the electrical safety device project, we have not reported in a granular level in the annual report, but we certainly report on what we do for the management of electrical safety devices in our annual report.

**Mr S.A. MILLMAN:** For how long have you been confident that your stock, 36 600—you said you are 100 per cent certain that they have working RCDs and smoke alarms.

**Mr CASH:** When we leave the property, yes.

**Mr S.A. MILLMAN:** For how long have you been confident that it is 100 per cent? When did you hit that target?

**Mr CASH:** We were confident that our process was in place to undertake the annual inspections and to inspect all of those devices when the Auditor General came last time.

**Mr S.A. MILLMAN:** In 2016 or 2010?

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**Mr CASH:** In 2016. The nature of the strategic management of the risk was one of the critical elements, and the Auditor General staff can talk more about that, their perspective of that, which was more about our ability to know where and when particular items failed and the rate of failure of particular items. So, if there was a particular brand that we had repeated failures in, could we go and deal with that particular issue? That relates to the strategic management and the strategic replacement versus the day-to-day management of risk, which we had a process in place.

**Mr S.A. MILLMAN:** Is there a time by which you were confident that you had 100 per cent coverage?

**Mr CASH:** Yes.

**Mr S.A. MILLMAN:** Or for as long as you have been there, it has always been 100 per cent?

**Mr CASH:** At least since 2016, we are confident. We had the systems in place. We have improved, through continuous improvement, our reporting and management of the information to ensure that those inspections were all completed, one every 365 days.

**Mr S.A. MILLMAN:** An auditor coming along and examining the way in which you had recorded your information by 2016 was anxious about whether or not they could interrogate your record keeping to satisfy themselves about what you have just said.

**Mr CASH:** Yes. So, we have had our internal auditors, KPMG, review our processes around electrical safety devices —

**Mr S.A. MILLMAN:** When?

**Mr CASH:** — in 2017, and they had no negative findings.

**Mrs L.M. O'MALLEY:** Just a point of clarification. I just want to double-check: with the inspections happening—365—to look at all those 36 600 properties, was that 100 per cent achieved inspection in 2016 and 2017?

**Mr CASH:** There are minor instances where we are unable to access the property because the tenant fails to provide appropriate access, and our expectation is that we commence legal action to gain access to the property. So there are minor failures in terms of meeting the time frame, but our management regime says that everybody must have either the inspection conducted or legal action commenced to gain access to the property to enable the inspection to occur.

**Mrs L.M. O'MALLEY:** Do you have figures on that?

**Mr CASH:** I do not have the —

**Mrs L.M. O'MALLEY:** Or are you able to —

**Mr CASH:** I can provide some, yes. I am more than happy to provide information. Access to properties is the main reason that we are not able to complete the 365 days. If the tenant fails to provide access or make themselves available to allow us in, then we commence legal action to gain access to ensure that they are safe and that the property is safe.

**Mr S.A. MILLMAN:** The 365-day inspection is conducted by an employee of the Department of Communities.

**Mr CASH:** Yes.

**Mr S.A. MILLMAN:** Now, if you have a contractor go out to those properties during that time frame, does the Department of Communities ever rely on information that you receive from those contractors to abrogate that obligation?

**Mr CASH:** No. The inspections to identify that the devices are in place and appear to be working are by our staff, who are trained and competent. We have a competency-based training regime to

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ensure that nobody goes out and does the inspections without being assessed as being competent. They are conducted by Housing staff. When an electrician goes out and interferes with the circuitry then they issue a compliance certificate that confirms that the RCDs are in place and are working on that date when they leave.

**Mr S.A. MILLMAN:** And that certificate is also a function of their registration as an electrician, is it not?

**Mr CASH:** No. It is a —

**Mr S.A. MILLMAN:** A separate requirement that you guys have.

**Mr CASH:** It is an additional requirement that we require of our contractors to ensure that I can stand before you and say, “When we left the property, when we last did electrical work on the property, we knew that RCDs were in place and working.”

[9.50 am]

**Mr S.A. MILLMAN:** Has there ever been a case where a certificate has been issued by an electrician and then subsequently there has been an inspection by one of your certified inspectors and they have found that it is not up to scratch?

**Mr CASH:** Not that I am aware of.

**Mr S.A. MILLMAN:** Okay.

**Mr CASH:** Our staff inspect to ensure that the items are in place and appear to be working. An electrician is a trained, licensed trade. We have a quality assurance regime over our maintenance contracting model that ensures that we sample test a range of contract works, of which electrical safety devices and the reports that are provided are tested as part of that regime too. So, there is a lines of defence model that we use that tests the quality of the performance of the contracting model.

**Mr SEARLE:** There has been a case where we have had a certificate from an electrician to say something was done when it was not, but that —

**Mr S.A. MILLMAN:** Yes, that is my concern.

**Mr SEARLE:** There has been a case of that, but we have changed our reporting regime since then to try and make sure that at least at the 365-day inspection, we pick that up.

**Mr S.A. MILLMAN:** Can I just ask a follow-up question to that: how often are your contracts reviewed with your subcontractor electricians?

**Mr SEARLE:** We do not deal with the subcontractors; we deal with the head contractors. They are five-year contracts, but I think we have regular performance meetings, particularly to monitor the percentage tables that were shown before.

**Mr S.A. MILLMAN:** And when the subcontractor electrician issued that certificate which was erroneous, was there a penalty? Was there some breach provision in the head contractor contract that you could call upon?

**Mr SEARLE:** It was prior to the head contractors model being in place.

**Mr S.A. MILLMAN:** All right. Is there some breach provision in the head contractor contract now in case a subcontractor fails to discharge his obligations?

**Mr CASH:** Yes. In relation to electricians, if it is a licensing matter, it would also be referred to the Electrical Licensing Board.

**Mr S.A. MILLMAN:** All right. Thank you.

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**The CHAIR:** And that is why it is imperative that we know the regions. Still following up from Lisa, but specifically in regards to recommendation 2(d), it states —

Modify processes to ensure that receipt of a travel claim from a contractor who was unable to gain entry to a property to carry out electrical safety device work does not lead to the closure of the work order.

You said that is now complied with. Can you actually tell us how you modified the process?

**Mr CASH:** Okay. So, what happens is when we issue works to the contractor, they are expected to attend at least on two occasions to try and gain access, and if they are unable to gain access, they return the works order to us for payment of the travel component, not for the works. The issue that the Auditor General's office raised is that there were instances where weaknesses in our process allowed for the travel fee to be paid and the works order to be closed without the action being taken. What we do now is that we make sure that in any instance where an electrical works order is returned to us, we have a follow-up process that allows for the travel to be paid but the region must then follow up an action to ensure that the issue of the electrical safety matter is resolved by gaining access to the property, contacting the tenant, following up to make sure that we are able to gain access and reissue the work.

**The CHAIR:** The KPMG audit that you referred to, would we be able to get a copy?

**Mr CASH:** I am happy to provide that.

**The CHAIR:** Thank you. We may have some follow-up questions by letter. Thank you for your evidence before the committee. We will forward a copy of this hearing to you for the correction of transcription errors. Please make these corrections and return the transcript within 10 working days of receipt. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you again.

**Mr CASH:** Thanks.

**Hearing concluded at 9.54 am**

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