

Chairman



Mr Julian Hill MP  
Chair  
Joint Committee of Public Accounts and Audit  
PO Box 6021  
Parliament House  
Canberra ACT 2600

[jcpaa@aph.gov.au](mailto:jcpaa@aph.gov.au)

Dear Mr Hill

A handwritten signature in black ink that reads 'Julian'.

Please find attached the responses of Defence Housing Australia (DHA) to the four applicable recommendations (recommendations 5 to 8) of *Report 492 – Governance in the Stewardship of Public Resources* (the Report).

As DHA's Accountable Authority, the Board takes its responsibilities to the Joint Committee of Public Accounts and Audit seriously. I am pleased to advise that the Board and its sub-committee, the Board Audit and Risk Committee have taken steps, with the assistance of DHA's senior management team, to address the Reports' applicable recommendations.

DHA's purpose remains to provide adequate and suitable housing to members of the Australian Defence Force and their families. DHA always welcomes opportunities to improve our operations and governance.

Yours sincerely

Hon J.A.L. Macdonald AM  
**Chairman**

|| October 2022

Attachment A: DHA response to JCPAA recommendation 5.  
Attachment B: DHA response to JCPAA recommendation 6.  
Attachment C: DHA response to JCPAA recommendation 7.  
Attachment D: DHA response to JCPAA recommendation 8.

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**EXECUTIVE MINUTE**

**on**  
**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
**REPORT 492**  
*Governance in the Stewardship of Public Resources*

***Recommendation No: 5***

*The Committee recommends that Defence Housing Australia (DHA) and the Department of Defence report back on how the revised performance framework, introduced as part of the revised service agreement, implements the findings and recommendations of Auditor-General's Report 31 (2019-20). In particular, the Committee seeks details on how the performance information in the revised framework:*

- *relates to and supports the measurement of performance against all the objectives of the service agreement, including efficiency, cost-effectiveness and value for money*
- *provides a measure of DHA operating efficiency*
- *assesses the impact of DHA housing on Australian Defence Force member retention, and provides assurance to the Parliament that DHA is achieving its purpose.*

***Summary of response: Agreed***

Defence Housing Australia's (DHA) purpose is to meet the operational needs of the Australian Defence Force (ADF) and the requirements of the Department of Defence by providing adequate and suitable housing for, and housing related services to, ADF members and their families. This is consistent with the outcome articulated in the revised Defence Services Agreement (DSA) that states the agreement is intended to achieve the efficient and effective provision of contemporary housing solutions for ADF members and their families on behalf of Defence. The DSA describes the services that DHA delivers to meet this outcome. The primary objectives of the agreement are:

- a) to supply housing solution that meet the agreed targets of the Approved Provisioning Schedule (APS)
- b) to provide the Services in accordance with the agreed targets and standards
- c) to ensure that the services provided under the agreement deliver value for money for Government.

DHA's performance framework provides key performance indicators (KPIs) that DHA must meet or exceed, which are detailed in Appendix A. They include measurements of performance against operating efficiency, cost-effectiveness, and value for money.

DHA's performance is continually monitored to ensure we are meeting our purpose. Performance against our KPIs is measured by using internal DHA data and information collected from administrative survey data. Surveys are undertaken with the primary purpose of measuring member satisfaction with DHA's services. DHA surveys are also used to measure the outcomes of key initiatives, as well as to identify opportunities to improve performance outcomes.

DHA provides meaningful information to the Parliament and the public through performance planning and reporting in line with the Commonwealth Performance Framework, drawing clear links between the key activities and the results achieved. This provides a clear line of sight between planned and actual performance and provides Parliament with assurance that DHA is achieving its requirements under the DSA.

Performance is reported to Shareholder Ministers and Shareholder Departments on a quarterly and annual basis, consistent with requirements detailed in the DSA and the *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines*. DHA's annual performance statement is published in the Annual Report as per the *Public Governance, Performance and Accountability Act 2013*.

DHA is continuing discussions with the Department of Defence on how to effectively measure the impact of DHA on ADF member retention. This acknowledges that multiple factors may impact this retention, the majority of which are not directly within DHA's control.

Signed by



*The Hon J.A.L. (Sandy) Macdonald AM  
DHA Board Chair on behalf of the DHA Board  
Accountable Authority of DHA*

## Appendix A – Key performance indicators in the DSA

The following table defines the key performance indicators DHA must meet or exceed in order to demonstrate it has met the objectives detailed in the DSA. These are reported on annually.

KPI	
a.	At least 99% of Housing Solutions must be provided in compliance with the APS for the period 1 July to 30 June each year
b.	At least 80% of respondents must rate their level of satisfaction with Housing Solutions as "satisfied" or "very satisfied" in DHA's Occupant Survey
c.	The Services required under this Agreement must be delivered by DHA so as to demonstrate value for money by achieving KPIs and Performance Measures

The Performance Measures that contribute to KPI C are detailed below.

### Performance Measures - Provisioning

Performance measure	KPI	Reporting frequency
Provisioning in compliance with the APS	A mismatch of Properties provisioned in line with the APS by Property type, Classification and Region cannot exceed +/- 5%, on a monthly basis	Monthly
Readiness for occupancy	At least 95% of new occupancy Properties must be available for occupancy on the Confirmed Delivery Date, measured on a monthly basis	Monthly
Members on rent allowance	The total number of Members on Rent Allowance must not exceed 100% of the provisioned Rent Allowance level set out in the APS, on an annual basis	Quarterly and Annually.
Vacancy rate	DHA must maintain a vacancy rate no higher than 7.5% for Service Residences and MCA annually	Quarterly and Annually

### Performance Measures - Defence services

Performance measure	KPI	Reporting frequency
Disposals in accordance with the APS	At least 95% of Disposals (by Property) of Defence Owned Service Residences and Annuity Properties must be in accordance with the APS, or as otherwise agreed between the Parties, per Financial Year	Quarterly and Annually
Acquisitions in accordance with the APS	At least 95% of acquisitions (by Property) of Defence Owned Service Residences and Annuity Properties must be in accordance with the APS, or as otherwise agreed between the Parties, per Financial Year	Quarterly and Annually
Construction works in accordance with the APS	At least 95% of Construction Works (by Property) of Defence Owned Service Residences and Annuity Properties must be in accordance with the APS, or as otherwise agreed between the Parties, per Financial Year	Quarterly and Annually
Upgrades in accordance with the APS	At least 95% of Upgrades (by Property) of Defence Owned Service Residences and Annuity Properties must be in accordance with the APS, or as otherwise agreed between the Parties, per Financial year	Quarterly and Annually

Heritage Property upgrade in accordance with the APS	At least 95% of Upgrades (by Property) of Heritage Properties must be in accordance with the APS, or as otherwise agreed between the Parties	Quarterly and Annually
Upgrade and construction works within budget	At least 95% of all Upgrades and Construction Works projects undertaken by DHA in respect of Defence Owned Service Residences, Annuity Properties and Heritage Properties must be completed within the approved budget	Quarterly and Annually

**Performance Measures - Property services**

Performance measure	KPI	Reporting frequency
Completion of emergency repairs	At least 90% of Emergency Repair requests received by DHA must be completed within 24 hours of DHA receiving the request, measured on a monthly basis	Monthly
Completion of responsive repairs	At least 90% of Responsive Repair requests received by DHA must be completed within 28 Days of DHA receiving the request	Quarterly
Repairs request telephone line	The Repairs Requests Telephone Line must be available through the reporting period 100% of the year (24 hours a day, 7 days a week) in respect of requests relating to Emergency Repairs, and during Core Business Hours and Extended Business Hours in respect of requests relating to Responsive Repairs	Monthly

**Performance Measures - Member services**

Performance measure	KPI	Reporting frequency
Resolution of complaints	At least 90% of Member complaints received by DHA must be resolved by DHA within 21 Days of receipt	Monthly
Member customer service satisfaction	At least 85% of respondents must rate their level of satisfaction with DHA's customer service (in respect of accessibility, timeliness, ability to provide information and resolve issues and professionalism) as "satisfied" or "very satisfied" in DHA's survey(s)	Quarterly
Booking and allocation contact centre availability	The contact centre that forms part of DHA's dedicated service channel must be available during Core Business Hours and Extended Business hours for all bookings, allocations, enquiries and complaints	Monthly

**EXECUTIVE MINUTE**

**on**

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT  
REPORT 492**

***Governance in the Stewardship of Public Resources***

***Recommendation No: 6***

*The Committee recommends that the Defence Housing Authority (sic) (DHA) report back:*

- *on staff training provided with regards to its revised procurement arrangements and on implementation of the November 2020 EY procurement audit recommendations*
- *whenever its next procurement compliance audit takes place, on the outcomes of this process, particularly in terms of instances of non-compliance with DHA procurement policy.*

***Summary of response: Agreed***

Defence Housing Australia (DHA) is committed to the continued application of a procurement framework appropriate for a non-prescribed Corporate Commonwealth Entity. DHA has been proactive in implementing measures to address the recommendations of the November 2020 EY procurement audit and ensure continued alignment with the Commonwealth Procurement Rules.

Part of the implementation of the audit recommendations includes staff consultation on a revised, robust procurement framework consisting of policy, internal guidelines, standard operating procedures (SOPs), and templates. A phased approach to implementing the framework is being undertaken to allow for full uptake via a comprehensive change management and communication program, which will include training for staff.

The framework provides strong governance by clearly defining roles and responsibilities throughout the procurement process. These are detailed within process maps, SOPs, and internal guidelines, all of which align to DHA's Board-approved Accountable Authority Instructions (AAIs). All relevant touch points along a procurement lifecycle are considered including finance, legal, risk, workplace health and safety and governance, with ongoing communication between the procurement team and these areas to maintain alignment of policies and procedures.

The procurement framework applies a risk-based approach to procurement with roles and responsibilities defined to include reference to the value and risk assessment of a procurement activity. Complex and strategic procurement activities will be centre-led (by DHA's central

procurement team), while individual business areas take greater ownership and accountability for procurement activities within the minor and simple procurement categories. This model gives greater autonomy and efficiencies resulting in better value outcomes. DHA's central procurement team remains available to assist and support all procurement activities undertaken by DHA. The procurement knowledge, capability, and experience requirements for roles within the central procurement team have been defined and are used to inform hiring activities. Work is underway to implement the requirements for procurement and contract managers within the business areas.

DHA has developed three critical e-Learning packages to support the procurement framework: Contract Management, Introduction to Procurement and Modern Slavery Awareness. Both the Contract Management and Modern Slavery Awareness courses are readily available to DHA staff, with the Modern Slavery Awareness course mandatory. The Introduction to Procurement course provides foundational guidance and is appropriately updated to ensure alignment with procurement procedures and in the future, the implementation of a technology-based procurement system due in 2023. Additionally, individual support and training is provided where required with ongoing support and updates provided via fortnightly and monthly meetings with key business areas.

DHA is investing in procurement related infrastructure and systems which includes the provision of a procure-to-pay solution as part of updating DHA's financial systems. The system will facilitate end-to-end procurement and provide the capability to track procurement activities, embed controls, monitor compliance and deliver reports. The system is expected to be implemented in 2023.

DHA will acquit all recommendations from the EY audit by 30 June 2023. Implementation is being tracked by DHA's Board Audit and Risk Committee with assistance from our internal audit providers. DHA has scheduled a procurement compliance audit in the 2023–24 financial year to review implementation and ongoing conformance with the revised procurement framework after implementation of the procure-to-pay technology.

*Signed by*



*The Hon J.A.L. (Sandy) Macdonald AM  
DHA Board Chair on behalf of the DHA Board  
Accountable Authority of DHA*

**EXECUTIVE MINUTE**

on

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

**REPORT 492**

*Governance in the Stewardship of Public Resources*

***Recommendation No: 7***

*The Committee recommends that Defence Housing Authority (sic) (DHA) report back to the JCPAA on how the DHA Board, as DHA's governing body and accountable authority:*

- *is 'determining the policy of DHA with respect to any matter', as set out in the Defence Housing Australia Act 1987;*
- *is ensuring strategic oversight of regulatory compliance risks, such as those related to land development and civilian tenancy; and*
- *has concluded the next capability assessment and review.*

***Summary of response: Agreed***

Defence Housing Australia (DHA) established Accountable Authority Instructions (AAIs) in June 2020. AAIs are approved by the DHA Board (as the Accountable Authority) and set out the overarching policy framework that DHA operates under, including the Board's directions around corporate governance, procurement, making payments, managing money, debtors and property. Under the AAIs, different levels of management are provided delegation to approve internal policies, guidelines, and standard operating procedures, which give operational effect to the AAIs. As part of a regular review process, the AAIs are due to be reviewed in the latter half of 2022. DHA has a dedicated Corporate Policy and Quality team which manages DHA's policies and a Policy Library on the DHA intranet for ease of reference for all DHA officers.

Since July 2021, DHA has undertaken a significant uplift of its risk management capabilities through delivering upon an 18-month risk roadmap. This has included reviewing our strategic risks (one of which is compliance), identifying and assessing our critical controls, tailored risk management training being run across the organisation and a new risk framework that reflects changes in our environment. This uplift in capability, which is still ongoing, is designed to ensure we have an empowered workforce that is able to innovate while considering risk and are prepared to meet future challenges. DHA's strategic risks are regularly reviewed by DHA's Board Audit and Risk Committee and the Board.

To ensure DHA's compliance with regulatory risks related to land development and civilian tenancy, DHA's Board sought advice from the Australian Government Solicitor (AGS)



concerning both matters. Both sets of advice provided a checklist designed to ensure that DHA considers all regulatory items relating to DHA's purpose and powers under the *Defence Housing Australia Act 1987* before it proceeds with land development or civilian tenancy. The DHA Board has instructed that if a proposal for either of these matters is brought before it, the completed checklist must also be provided to ensure the assessment has been undertaken. As of 31 July 2022, no such proposals concerning land development or civilian tenancy have been presented to the DHA Board.

In accordance with the requirements of the *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines*, the DHA Board undertook an internal assessment of its performance by survey during July 2022. A report on the outcomes, including review of the capability matrix, is being prepared.

Signed by  


*The Hon J.A.L. (Sandy) Macdonald AM  
DHA Board Chair on behalf of the DHA Board  
Accountable Authority of DHA*

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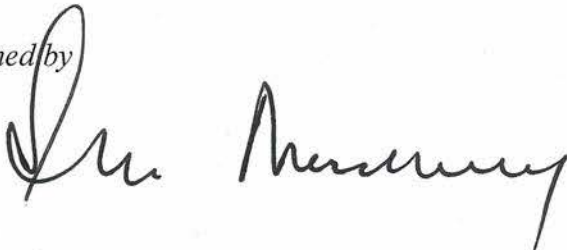
***Recommendation No: 8***

*The Committee recommends that the Defence Housing Authority (sic) report back on the outcomes of its 2021 review of the use of civilian tenancies, particularly with regard to previous legal advice received on this matter and the relevant audit findings in Auditor-General Report 31 (2019-20).*

***Summary of response: Agreed***

Defence Housing Australia (DHA) has adopted the Australian Government Solicitor's (AGS) advice and associated guidance that when considering whether DHA can exercise its statutory powers for the purpose of leasing DHA housing to members of the public, it will always be necessary to consider the sufficiency of the connection between the proposed exercise of power and the performance of DHA's housing-related functions under ss 5 and 6 of the *Defence Housing Australia Act 1987*.

In March 2020, DHA amended its procedures relating to civilian tenancies and suspended entering into new civilian tenancy agreements until a review of the process was completed. A review of the advice and guidance provided by the AGS was conducted in 2021 and related DHA policies, procedures and work instructions (including the recording of decisions relating to civilian tenancy) have been aligned to this advice. DHA has resumed civilian tenancies in a limited capacity and continues to act in accordance with the AGS advice and within its statutory powers.

Signed by 

*The Hon J.A.L. (Sandy) Macdonald AM  
DHA Board Chair on behalf of the DHA Board  
Accountable Authority of DHA*