

## Chapter 10 – Department of Defence

### 10.1 Building Maintenance

#### Background.

The Department of Defence (the Department) owns a substantial portfolio of land and buildings in various locations throughout the country, for use by the Defence Forces.

The land, including a Naval Base and an Aerodrome, measures about 8,500 hectares whilst the buildings comprise 28 permanently occupied barracks, married quarters, a number of rifle ranges and FCA premises, and miscellaneous training areas. The state of repair of the buildings varies significantly because of their age, past use and upkeep. No estimate is available as to the total area of the buildings.

Responsibility for the maintenance and upgrading of all military facilities lies with the military Corps of Engineers. The Corps supervises capital works such as the provision of new buildings and major upgrading of existing facilities, major maintenance projects such as rewiring and re-roofing and routine minor maintenance.

Outside contractors are employed to carry out capital works and major maintenance projects. Minor maintenance jobs are carried out by either civilian employees under military direction or by outside contractors. The trend over the past 10 years has been to make more use of external contractors and to reduce the numbers of directly employed civilians engaged in maintenance work.

In 2001 €54.6m was spent on capital works while €22.9m was spent on maintenance. Expenditure on maintenance comprised payroll costs of €12.7m for civilian employees, €0.9m on materials and €9.3m for outside contractors.

#### Objectives and Extent of Audit

The objectives of the audit were to establish

- The extent to which the effectiveness of the building maintenance programme is assessed.
- The procedures in place for ensuring that all maintenance work is carried out efficiently and economically.
- If the costing and accounting systems in place provide the requisite information for both the day to day management of the civilian staff and to make long term planning and strategic decisions.
- The extent to which building maintenance work is contracted out and the procedures followed in arriving at and authorising the decision to contract out work.

During the course of the audit three locations were visited – Curragh Camp, Naval Base Haulbowline and Custume Barracks, Athlone.

Discussions also took place with Department of Defence and Defence Forces personnel.

### ***Management and Organisation***

The costs of running the Defence Forces, including the maintenance of military buildings are funded from the Defence Vote. The Secretary General of the Department, as Accounting Officer for the Defence Vote, is responsible for the proper expenditure of all money from the Vote. The overall military buildings maintenance budget is decided as part of the annual provision of resources for different areas within the Defence Forces.

Since 1990 the Secretary General of the Department has delegated to the Chief of Staff of the Defence Forces a considerable degree of control and authority in relation to expenditure and agreed budgets are allocated by the Department to the Defence Forces in respect of the functions delegated to them.

In regard to the maintenance function, at present only contracts over €75,000 for maintenance work and over €25,000 for materials are administered by the Department while contracts below those values are administered by the Defence Forces. Contract documents and specifications are drawn up by the Corps of Engineers who also evaluate the tenders received from prospective contractors and supervise the completion of the work.

The Department retains responsibility for determining the numbers of civilian employees and making decisions on termination of employment and replacement of departing employees, following consultation with the Defence Forces. The costs of civilian employees are charged to subhead F of the Defence Vote which is controlled and operated by the Department. However responsibility for the day to day management and supervision of these employees as well as the allocation of tasks to them is exercised by military management.

### ***Planning and Budgeting***

Maintenance work is defined by the Department as work, not involving capital expenditure, having as its objective the keeping in good condition and repair of buildings, works, plants, installation and lands under its control. It mainly involves the refurbishment, repair and painting of buildings, and the servicing of heating and electrical equipment.

Formerly the budget had been based to a high degree on historical expenditure in the area rather than on a defined quantum of work properly costed. However, in recent years following a realisation that the standards of upkeep of some buildings had deteriorated to an unacceptable level the budget has been increased and it is felt that the increased amounts have brought standards up to a generally acceptable level taking account of competing priorities within the Defence Forces and the overall limits on funding for the Defence Forces provided by the State.

A Maintenance Works Programme is drawn up annually by the Director of Engineering in the Defence Forces in conjunction with the Contracts Manager of the Department based on the priorities identified by the military. This programme covers the larger maintenance contracts costing in excess of €75,000 which are awarded to outside contractors following competitive tendering. A list of smaller more routine jobs for completion in the year is also drawn up and, depending on the number and grades of staff available, decisions are made as to which will be contracted out and which will be completed in-house. Generally speaking, specialised work such as servicing equipment would be contracted out whereas small roof repairs and minor painting projects would be done in-house.

Monthly progress reviews are carried out between the Director of Engineering and Contracts Section of the Department to ensure that both monetary and work targets are being met in relation to the work being

carried out by external contractors. Contract expenditure is monitored against a budget profile throughout the year to ensure compliance with budget limits. Expenditure on materials and pay is also monitored to ensure compliance with budget provisions.

In 2001 €5.9m was expended by the Military from its delegated budget comprising €5m on external contractors and €0.9m on materials. The Department expended €4.3m on external contractors from the portion of the budget administered by it, and a further €12.7m on pay from the civilian pay budget.

### *Cost Control*

Good management systems should have procedures in place to ensure that the cost of inputs used in delivering work or outputs is reasonable and competitive. While management systems to ensure this are in place in relation to work done by external contractors, the position in relation to the work carried out by the civilian employees is less satisfactory. For external contractors records kept by the military for each contract show the type of work, the location of the work, the cost including details of competitive tenders obtained, and contractor details. However, while records in relation to jobs undertaken by employees are maintained showing commencement and completion dates for jobs as well as the quantity of materials used, they do not show the number of labour hours taken to complete the jobs. No use is made by management of these records and it would appear their main purpose originally was to control the usage of materials.

For this reason no records are available to show the proportion of time employees were engaged in carrying out work and the level of downtime which there may have been between jobs, and information is not available to enable the labour input of jobs carried out by civilian employees to be costed.

Furthermore when jobs are allocated to employees, planned or target times are not specified or recorded, and jobs are allocated on a day to day basis rather than being scheduled in advance. While this might not be worthwhile or feasible for minor jobs of short duration, many of which might be urgent, it would be worthwhile for larger jobs of longer duration, which an analysis of the jobs book indicated constituted a high proportion of the total time.

Employees are given a standard quantity of materials in carrying out different tasks allocated to them. However no standard is set as to the length of time which the employees should spend in carrying out the task, even though pay is a significantly greater cost than materials. In fact, the Internal Audit Section in a 1997 report commented on the high ratio of labour costs to materials, which was then 10:1, as an area requiring attention. It was also noted that while the Department has issued instructions to the military on the importance of using materials and outside contractors in a way which ensures that value for money is obtained, no such instructions have been issued in relation to the use of directly employed labour.

In my Value for Money Report No. 27 on Defence Property (December 1998) I found that there was insufficient information available to monitor the economy and efficiency achieved from property maintenance and in particular from the work activities and output of the civilian maintenance staff.

Table 40 below shows the costs incurred in carrying out the maintenance programme for 2001 compared to 1990.

Table 40 - Cost Comparisons 1990 - 2001

	1990 Actual €	1990 costs at 2001 Prices (Estimate) €	2001 Actual €	Increase/Decrease €
Labour	11,305,246	20,232,394	12,478,662	(7,753,732)
Materials	1,364,996	1,668,443	905,323	(763,120)
Contractors	3,755,857	6,362,423	9,299,446	2,937,023
<b>Total</b>	<b>16,426,099</b>	<b>28,263,260</b>	<b>22,683,431</b>	<b>(5,579,829)</b>

The figures show a decrease of €7.8m in real terms in the cost of civilian employees, a decrease of €0.8m in the cost of materials and an increase of €2.9m in the cost of works contracted out. This reflects a trend away from using civilian employees coupled with a move to allocating more work to outside contractors.

The overall reduction in cost in real terms would suggest that significantly less maintenance work is being done compared to 10 years ago. However, account must be taken of the fact that a number of barracks have been closed in this period and that there have been internal administrative staff transfers which affect the costs. According to the Department the volume of work done pro rata has actually increased over the period. However, information that would underpin this view is not maintained.

#### *Civilian Employees*

The number of civilian employees has been decreasing steadily in the past twenty years or so. In 1980 there were 1150 maintenance employees, by 1990 this had reduced to 835 and at May 2002 the figure stood at 515.

The figures would suggest that there is a policy to reduce the reliance on direct hiring of staff to carry out the function and to rely more on external contractors. However no formal policy has been determined by the Department as to the level of civilian employees it wishes to employ. Similarly no evidence was found of any systematic evaluation of the mix (of employees and external contractors) necessary to carry out the programme of maintenance work in the most effective manner taking account of factors such as cost, reliability and quality of work.

The Department's internal audit section in 1997 recommended "*that a strategic policy decision is taken by the Secretariat in relation to the recruitment and retention of civilian employees*" because the Department does not have a stated policy on the level of directly hired staff there is little to guide managers in making decisions on a day to day basis on the retention and replacement of staff, and for this reason decisions tend to be made on a rather ad hoc basis which is not conducive to efficient and effective management in the long term, and has according to the military given rise to a sub-optimal mix of skills in the work force. In response the Department stated that all requests to fill vacancies are carefully considered on their individual merits in consultation with the military authorities.

#### *Absenteeism*

Absenteeism due to illness among the civilian employees has been high for a number of years. An absence control programme was introduced in 1990 to address the problem whereby the responsible military officer reported excessive or consistent absenteeism of employees to the Department, who in conjunction with the relevant military officer would take appropriate disciplinary action. However, the examination revealed that the control of absenteeism programme had ceased to operate in four of the six functional areas of the Defence Forces, even though according to the Director of Engineering it was effective in reducing absenteeism. Similarly the Department is of the view that the programme has reduced absenteeism in the two functional areas where it continues to operate. The absence of any quantification of the claimed

## Defence

improvement is attributed to the lack of absenteeism statistics. No explanation was given as to why the absenteeism programme had been allowed to lapse in the other four functional areas.

The results of a random test check carried out during the audit in respect of 44 maintenance employees for the years 1998 to 2001 together with an analysis of absenteeism statistics held in two of the three locations visited are set out Table 41. The third location visited was not operating the absenteeism control scheme.

**Table 41 - Absenteeism**

	<b>Random Sample 44 Employees</b>	<b>Location 1 18 Employees</b>	<b>Location 2 102 Employees</b>
<b>Trades/Operatives</b>			
Average number of days absent per year	28 days	68 days	29days
Up to 20 days	12 (43%)	2 (15%)	46 (58%)
21 – 40 days	10 (36%)	3 (23%)	13 (16%)
Over – 40days	6 (21%)	8(62%)	21 (26%)
Sub - total	28 employees	13 employees	80 employees
<b>Admin/Tech/Supervisory</b>			
Average number of days absent per year.	8 days	8 days	15 days
Up to 20 days	14 (88 %)	5 (100%)	15 (68%)
21 –40 days	0	0	4 (18%)
Over – 40 days	2 (12%)	0	3 (14%)
Sub total	16 employees	5 employees	22 employees

The results from the random test indicate absenteeism of 21 days per annum among civilian employees generally, with a much higher rate of absenteeism in the Trades and Operative category when compared with the Administrative/Technical/Supervisory category. The analysis of statistics in the two selected locations confirms this trend as well as highlighting a stark difference in absenteeism levels between the two locations.

## Conclusions

- Contracted out maintenance work would appear to be generally well managed and supervised. The increased emphasis in latter years of basing budgets on the amount of work perceived as being necessary has given rise to increased funding. This has allowed the programme to be operated in a more planned and systematic way leading to improved maintenance with resultant benefits to the personnel working in and occupying military buildings.
- There is a need to improve the way and the means by which the work of civilian employees is managed. The lack of standard times for jobs and information on time spent on jobs is a serious hindrance to effective management in this area.
- Absenteeism should be systematically recorded and actively managed in all cases. The absence control programme should be reintroduced where it is no longer operating.
- The relative costs of undertaking the different elements of the maintenance programme by contract or using direct employees should be assessed taking into account factors such as continuity of supply and quality. This information should be used to inform policy choices as to the optimum mix of internal and external resources to be used to provide an effective maintenance service for military establishments.