

Contract Leakage Risks

This guide is an advisory note on contract leakage risks and documents the process for managing contract leakage under the Across Government Facilities Management Arrangements.

Agencies are obliged to procure works and services under the AGFMA, per the 2014 Cabinet mandate and in accordance with the requirements of the [Agency Work Procedure Manual](#).

'Contract Leakage' occurs when Agencies do not adhere to the Cabinet mandate and instead engage services outside of the AGFMA.

The risks of contract leakage are:

1. **Work Health and Safety:** as the Person Carrying a Business or Undertaking (PCBU), Agencies may expose individuals or groups on site to unnecessary harm if contractors do not apply adequate Work Health and Safety procedures and practices. Specifically at risk are workers, site staff, site users (e.g. children, inmates, etc.), the public and other contractors.
2. **Lack of proper specification and related contracts:** This may manifest in inadequate warranties or insurances, poor design or construction, lack of asset management synergies and efficiencies.
3. **Lack of project management:** The Facilities Management Service Providers' and DIT Building Projects have designated project managers who are experienced in engaging works contractors and managing risks. They have established contracts that can remedy poor work, incomplete work or processes to manage time, scope, quality and budget.
4. **Data management:** Facilities Management Service Providers' are obliged to capture and record data to ensure that systems are updated. Contract leakage may result in assets being overlooked, subsequently increasing the risk of assets not being appropriately maintained.
5. **Increased costs:** Works may not be fully specified or costed, subsequently resulting in variations and / or remediation costs, or delay costs.
6. **Effective management:** Agency management of, and responsibility for, subcontractors on site. The larger the project value, the more likely Facilities Management Service Providers are to have site control and responsibility. Facilities Management Service Providers' are responsible for contractors on site to some degree, including a duty of care in accordance with the *Work Health and Safety Act (SA) 2012*.
7. **Responsibility for licences and appropriate clearances of subcontractors:** Facilities Management Service Providers engage subcontractors with appropriate licences and clearances (e.g. SAPOL, DHS, Aged Care, etc.). Evidence of a Spotless card is proof of a person being appropriately vetted.
8. **Transfer of assets to Facilities Management Service Providers:** Agencies may pay for repair or replacement services when the asset is still technically under warranty, subsequently resulting in unnecessary expenditure.
9. **Fraud and corruption:** The procurement of contractors for Minor Works, Replacement / Refurbishment or Small Construction Works is managed by the Facilities Management Service Providers, mitigating procurement and probity risks for the Agency.

AGFMA will:

- Collate contract leakage information from the Facilities Management Service Provider's and report to the Facilities Management Government Group
- Agency representatives will verify and advise on the reported contract leakage and action taken to AGFMA
- Periodic contract leakage reports will be provided to the Agency Chief Executive.