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The Ministry of Defence's facilities management

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Danish Ministry of Defence's facilities management (FM). The Danish Defence Estate Agency (DDEA) is responsible for FM of all Danish military barracks, air bases, exercise ranges, etc.

2. The Ministry of Defence employs well over 21,000 people in more than 560 locations, spreading over 32,000 hectares, and is thus one of the largest employers, property and land managers in Denmark. The FM contract that the ministry entered into with ISS in 2017 was not only the largest integrated FM contract in Denmark, but in the Nordic countries. The contract comprised delivery of services in several areas, including buildings, outdoor maintenance, technical installations and catering.

The value of the contract was DKK 3 billion covering the period from 1 February 2018 to 31 January 2024 and it included delivery of a broad range of services in nine areas in all the locations under the Ministry of Defence. The FM contract was intended to ensure a consistent, high level of service across the country and fully exploit the benefits of economies of scale, that were expected to flow from having a single FM service provider. The purpose of the contract was to maintain a high level of service and at the same time achieve savings.

ISS was required to provide a number of fixed services in all nine service areas and be paid on account. Additional services could be delivered on order and paid for separately. The task of the DDEA was partly to ensure that all services were delivered in the amount, quality and at the price agreed, partly to ensure that only what was needed was ordered. The DDEA was also required to follow up on whether the performance targets set for the FM contract were achieved whilst expenditure fell.

3. Early in the contract period, it became clear that the service level did not meet the expectations of the Ministry of Defence. Nor were savings achieved as expected. For instance, the DDEA had received more than 3,300 complaints about the level of service by the end of the first year of the term of the FM contract. In June 2021, the DDEA and ISS agreed to terminate and phase out the contract during the first six months of 2022.

Locations

Grounds with buildings.

Service areas

The nine service areas covered in the FM contract:

- cleaning
- catering
- outdoor maintenance
- waste management
- buildings
- technical installations
- internal services
- shooting and exercise ranges
- firefighting services.

The Ministry of Defence's total FM expenditure

DKK 525 million in 2018
DKK 600 million in 2019
DKK 569 million in 2020.

4. Rigsrevisionen initiated the study in April 2021. The background for the study is the fact that Rigsrevisionen has previously commented on the DDEA's management of procurement in general in connection with financial audits and major studies of the agency. Moreover, the DDEA has had difficulties managing the FM contract from the very beginning and the number of complaints received about the quality of services has been significant.

5. The purpose of the study is to assess whether the Ministry of Defence has ensured satisfactory management of the FM contract in the period from February 2018 to March 2021. The report answers the following questions:

- Has the Ministry of Defence provided a clear basis for checking services delivered under the FM contract, the performance targets and the economy?
- Has the Ministry of Defence ensured that services were delivered in the amount and quality agreed?
- Has the Ministry of Defence adequately monitored achievement of the performance targets set for the FM contract?
- Has the Ministry of Defence adequately followed up on the economy of the FM contract?



Main conclusion

The Ministry of Defence has not managed facilities in a satisfactory manner, since ISS took over FM in all locations under the ministry in 2018. The consequence is that the ministry has not, at any time during the period examined, had an adequate overview of whether services paid for by the ministry were delivered in the amount and quality agreed.

The Ministry of Defence has not provided a clear basis for checking services delivered under the FM contract, the performance targets and the economy of the contract

It took more than 18 months before the DDEA established business procedures for managing facilities and thus also procedures for checking services, achievement of performance targets and follow-up on the economy. Since then, the business procedures have been revised and expanded several times, as they turned out to be incomplete. Thus, significant elements of the DDEA's control measures were defined as late as in 2020, whereas others remain unresolved. However, due to a number of initiatives implemented by the DDEA, the basis for the control measures has been improved in 2021, compared to previous years.

The Ministry of Defence has not ensured that services were delivered in the amount and quality agreed

During the first two years under the FM contract, the DDEA has not systematically checked the delivery of additional services upon receipt. In the course of these two years, the Ministry of Defence ordered approx. 86,000 additional services at a total price of approx. DKK 300 million. Since 2021, receipt of goods and services has been checked against the relevant purchase orders daily and on an ongoing basis. The DDEA has not ensured that the procurement process was supported by an underlying system and has thus failed to ensure that the data and registrations needed to check the delivery of additional services were valid. Due to the missing system support, the DDEA is also unable to check that only authorised individuals make purchases, and that the same individual is not both ordering, approving and receiving services.

The checks performed by the DDEA have been too few and inadequate to confirm that fixed services were delivered in the amount and quality agreed. The DDEA has not systematically followed up on reported errors and complaints since 2019. Nor has the DDEA carried out sample checks of the services systematically or to an extent that makes the DDEA able to assess whether the services, overall, were delivered in the amount and quality agreed. The DDEA has not had access to the required amount of data and information about the delivery of fixed services to be able to check the deliveries. Additionally, a final definition of what is included under fixed and additional services for each type of services delivered was not provided until late in the period examined.

Fixed services and additional services

Fixed services are delivered continuously without a prior order, whereas additional services are one-off services ordered separately.

The Ministry of Defence has not adequately monitored achievement of the performance targets set for the FM contract

The DDEA has not on all occasions followed up on the performance targets. Additionally, the DDEA has not consistently launched initiatives like, for instance, action plans to ensure future achievement of the performance targets. The DDEA has failed to do so partly, because a statement of errors relating to the services had not been prepared, partly because the performance targets were not likely to be achieved.

The Ministry of Defence's follow-up on the economy of the FM contract has been characterised by significant uncertainties

The DDEA has followed up on the development in expenditure for FM regularly throughout the period. Follow-up has been hampered by inadequate data and uncertainty about the basis for the follow-up. Therefore, the Ministry of Defence was unable to respond in time, when it became clear that more additional services than expected were ordered in 2018. The development in expenditure also shows that the targets set for reducing expenditure in the contract period were not achieved. Instead, expenditure increased over the years. It is Rigsrevisionen's assessment that the DDEA has failed to achieve the efficiency gains that the ministry expected, when it decided to outsource the entire FM operation to a single service provider.

Rigsrevisionen notes that the DDEA was not from the beginning adequately prepared to manage the FM contract. More than 18 months passed before the ministry implemented basic control measures, and management of the contract has, in the entire period, been affected by significant shortcomings and weaknesses. In the opinion of Rigsrevisionen, the lack of preparation has played a part in the DDEA's failure to achieve a satisfactory service level and realize efficiency savings.