

# **Local Government Audit Service**

**Report on Compliance Spot-Checks of  
Capital Projects funded by the Department  
of the Environment, Community and Local  
Government and undertaken by Local  
Authorities either in progress or completed  
during 2012**

**Department of the Environment,  
Community and Local Government**



**Comhshaol, Pobal agus Rialtas Áitiúil**  
Environment, Community and Local Government



**October 2013**

## **Local Government Audit Service**

The Local Government Audit Service (LGAS), incorporating the Value for Money (VFM) Unit, being an external audit service, provides independent scrutiny of the financial stewardship of local authorities.

The sectoral goals of the LGAS are to:

- carry out the audits of local authorities and other bodies in accordance with the Code of Local Government Audit Practice thereby fostering the highest standards of financial stewardship and public accountability
- promote the achievement of value for money in local authorities by undertaking Value for Money audits and publishing reports thereon.

It is the responsibility of local authority management to ensure that value for money is achieved by establishing and maintaining sound arrangements including procedures for planning, appraisal, authorisation and control of resources.

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This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report.

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# Contents

|  | PAGE |
|--|------|
| EXECUTIVE SUMMARY                            | 7    |
| PRINCIPAL FINDINGS BY EXPENDITURE RANGE      | 13   |
| SUMMARY OF FINDINGS AND RECOMMENDATIONS      | 27   |
| HOUSING CAPITAL PROJECTS:                    |      |
| SOCIAL HOUSING INVESTMENT PROGRAMME (SHIP)   | 33   |
| CAPITAL ASSISTANCE SCHEME (CAS)              | 36   |
| CAPITAL LOAN SUBSIDY SCHEME (CLSS)           | 40   |
| TRAVELLER ACCOMMODATION                      | 43   |
| REMEDIAL WORKS SCHEME (RWS)                  | 45   |
| REGENERATION                                 | 48   |
| WATER CAPITAL PROJECTS                       | 51   |
| WASTE CAPITAL PROJECTS                       | 55   |
| FIRE AND EMERGENCY SERVICES CAPITAL PROJECTS | 58   |
| LOCAL SERVICES CAPITAL PROJECTS              | 59   |



# Executive Summary

## Introduction

The Department of Finance guidelines entitled Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector (February 2005), require Departments and agencies under their auspices to carry out independent compliance spot-checks and reviews and report to the Department of Finance on capital investment programmes covered by the guidelines, to establish that the various appraisal and management requirements of the guidelines are being implemented.

The Department of the Environment, Community and Local Government which is referred to throughout this report as “the Department”, engaged consultants to undertake, on their behalf, spot-checks and reviews of capital projects funded by the Department and delivered either by the local authorities or directly by the Department. Their final report ‘Report on Spot-Checks of Capital Projects funded by the Department of the Environment, Heritage and Local Government’ was produced in October 2009 and examined capital projects relating to the years 2006 and 2007.

Compliance spot-checks of capital projects funded by the Department and undertaken by local authorities in 2008, 2009, 2010/11 and 2012 have been performed by the Department’s Local Government Audit Service (LGAS). The LGAS fulfils the requirement that the compliance spot-checks should be carried out by officials/persons who are independent of those directly involved in the appraisal and management of the projects, and independent of those involved in the delivery of the projects.

## Scope of the compliance spot-checks report

This is the fourth report produced by the LGAS covering compliance spot-checks of capital projects that were funded by the Department and undertaken by local authorities and deals with projects that were either in progress or completed during 2012. The sample of projects was carefully selected in accordance with a number of set criteria including estimated cost, geographical location, stage of project and programme to ensure a minimum coverage of 5% of approved capital expenditure was achieved. The sample of capital projects was selected from listings provided by the Department as outlined below.

## Sample selection criteria

As part of the initial stage of the selection process, each section within the Department submitted details of all capital projects at planning, design, implementation and completion stages during 2012 to the Value for Money Unit of the LGAS.

The key criteria in selecting the sample were:

- Type of programme
- Geographical location of borough, town, county and city councils
- Level of approved expenditure
- Stage of the project
- Value of the project.

Projects were selected on a random sample basis in order to achieve a minimum coverage of 5% of approved total estimated cost of capital projects and in addition there was a focus on high value projects. Projects that had previously been selected for capital spot-checks were excluded. City and county councils not included in the 2010/11 spot-checks were selected.

## Basis of selection of sample

| Capital Programme               | Sample selection process   |
|---------------------------------|--|
| Housing SHIP                    | All projects greater than €12m (five projects) and random interval selection of 3 projects less than €12m and also selection of a city council not included in the previous year's sample. |
| Housing CAS                     | All projects greater than €6.5m (two projects) and random interval selection of three projects less than €6.5m.  |
| Housing CLSS                    | The largest capital project and selection of a county council not included in other spot-check samples.  |
| Housing Traveller Accommodation | Random interval selection of 2 projects.   |
| Housing RWS                     | All projects (two projects) greater than €7.1m.  |
| Housing Regeneration            | All projects greater than €14.5m (one project) and random interval selection of 2 projects less than €14.5m.   |
| Water                           | All projects greater than €29.4m (four projects) and random interval selection of 3 projects less than €29.4m and also selection of one county council not included in other spot-checks.  |
| Waste                           | All projects greater than €4.6m (three projects) and random interval selection of 4 projects less than €4.6m and also selection of one county council not included in other spot-checks.   |
| Fire and Emergency Services     | Random selection of one project.   |
| Local Services                  | Random selection of one project.   |



## Key work undertaken

In early 2013 staff of the LGAS visited 26 local authorities and carried out compliance spot-checks on 41 capital projects which were either in progress or completed during 2012 with a total estimated cost of €356,861,015 across 10 programme areas. The key work undertaken included:

- Interviews with local government managers involved with overseeing capital projects and review of files and documents.
- Completion of checklists designed to evaluate the projects against the capital appraisal guidelines by project value under the life-cycle headings of appraisal, planning, implementation and post project review.
- Completion of checklists designed to evaluate the projects against other Department guidelines and procurement, tax clearance and audit trail requirements.
- Preparation of an individual summary report for each of the capital projects spot-checked for sign-off by the Director of Service in the local authority, as to the factual accuracy of the report. All project summary reports are sent to the appropriate section in the Department, the relevant city/county manager and each authority's Local Government Auditor.
- Preparation of final capital compliance spot-checks report.

## Overview

A summary of the total number and value of projects and sample selected is shown in Table 1. The approach taken for the 2012 work was in line with the previous years, with the focus on the materiality of projects. This means that projects were evaluated based on the value bands within which they fall; in addition to the programme areas they cover, as shown in Table 2. The value bands used are in accordance with the Department of Finance guidelines.

The matters, which arose from the compliance spot-checks of the capital projects, under the various appraisal and management requirements of the guidelines, are reported as exceptions. The most frequent occurring exceptions by programme are set out in Table 3. It must be emphasised that the work carried out is compliance spot-checks on a sample of projects. These are not full audits of capital projects.

Table 1 : Summary of total number and value of projects and samples selected

| Programme                       | Capital Projects       |                 |                  |  | Sample Selected        |              |                 |             |                  |
|---------------------------------|------------------------|-----------------|------------------|--|------------------------|--------------|-----------------|-------------|------------------|
|                                 | Total Estimated Cost € | No. of projects | Average Value €  |  | Total Estimated Cost € | %            | No. of projects | %           | Average Value €  |
| Housing SHIP <sup>1</sup>       | 538,167,554            | 170             | 3,165,691        |  | 77,788,527             | 14.5%        | 9               | 5.3%        | 8,643,170        |
| Housing CAS <sup>2</sup>        | 152,312,642            | 97              | 1,570,233        |  | 27,350,095             | 18%          | 5               | 5.2%        | 5,470,019        |
| Housing CLSS <sup>3</sup>       | 127,663,131            | 34              | 3,754,798        |  | 14,385,149             | 11.3%        | 2               | 5.9%        | 7,192,575        |
| Housing Traveller Accommodation | 5,601,654              | 31              | 180,699          |  | 970,043                | 17.3%        | 2               | 6.5%        | 485,022          |
| Housing RWS <sup>4</sup>        | 89,676,521             | 37              | 2,423,690        |  | 28,083,752             | 31.3%        | 2               | 5.4%        | 14,041,876       |
| Housing Regeneration            | 195,494,837            | 49              | 3,989,691        |  | 38,701,750             | 19.8%        | 3               | 6.1%        | 12,900,583       |
| Water                           | 977,604,392            | 138             | 7,084,090        |  | 141,822,000            | 14.5%        | 8               | 5.8%        | 17,727,750       |
| Waste                           | 208,784,793            | 146             | 1,430,033        |  | 23,459,699             | 11.2%        | 8               | 5.5%        | 2,932,462        |
| Fire and Emergency Services     | 11,602,500             | 10              | 1,160,250        |  | 1,300,000              | 11.2%        | 1               | 10%         | 1,300,000        |
| Local Services                  | 23,444,000             | 13              | 1,803,385        |  | 3,000,000              | 12.8%        | 1               | 7.7%        | 3,000,000        |
| <b>Total</b>                    | <b>2,330,352,024</b>   | <b>725</b>      | <b>3,214,279</b> |  | <b>356,861,015</b>     | <b>15.3%</b> | <b>41</b>       | <b>5.7%</b> | <b>8,703,927</b> |

<sup>1</sup> SHIP (Social Housing Investment Programme)

<sup>2</sup> CAS (Capital Assistance Scheme)

<sup>3</sup> CLSS (Capital Loan and Subsidy Scheme)

<sup>4</sup> RWS (Remedial Works Scheme)

**Table 2 : Capital Projects examined by programme and expenditure range**

| No. of projects examined by programme | €0 to €0.5 million range | €0.5 million to €5 million range | €5 million to €30 million range | > €30 million | Total 2012 | Total 2010/11 |
|---------------------------------------|--------------------------|----------------------------------|---------------------------------|---------------|------------|---------------|
| Housing:                              |                          |                                  |                                 |               |            |               |
| SHIP                                  | 2                        | 2                                | 5                               | 0             | 9          | 15            |
| CAS                                   | 0                        | 3                                | 2                               | 0             | 5          | 9             |
| CLSS                                  | 0                        | 1                                | 1                               | 0             | 2          | 3             |
| Traveller Accommodation               | 1                        | 1                                | 0                               | 0             | 2          | 3             |
| RWS                                   | 0                        | 0                                | 2                               | 0             | 2          | 2             |
| Regeneration                          | 0                        | 1                                | 2                               | 0             | 3          | 0             |
| Water                                 | 0                        | 3                                | 0                               | 5*            | 8          | 11            |
| Waste                                 | 2                        | 3                                | 3                               | 0             | 8          | 7             |
| Fire and Emergency Services           | 0                        | 1                                | 0                               | 0             | 1          | 2             |
| Local Services                        | 0                        | 1                                | 0                               | 0             | 1          | 2             |
| <b>Total</b>                          | <b>5</b>                 | <b>16</b>                        | <b>15</b>                       | <b>5*</b>     | <b>41</b>  | <b>54</b>     |

\* Two projects were connected and therefore reviewed under one capital spot-check.

## Overview of key exceptions for all projects

- Procurement issues in 23 projects
- No post project review in 17 projects
- Incomplete appraisals in 15 projects
- Insufficient or no audit trail in 14 projects
- Projects not delivered within budget timeframe in 13 projects
- Project not delivered within budget cost in 12 projects
- Project timelines/VFM considerations not identified at appraisal stage for 11 projects
- Project planning issues including no formal information flows defined in 7 projects
- No multi-criteria/sensitivity analysis in 6 projects
- No project brief or incomplete brief for 4 projects
- Lack of local authority oversight in 3 projects
- Tax clearance issues in 3 projects
- No evidence of formal Department approval for pre-tender documents in 2 projects.

This is the fourth report on compliance spot-checks produced by the LGAS and there has not been any significant improvement in the key exceptions arising.

**Table 3: Most frequent occurring exceptions by programme**

| Summary of completed spot-checks   |   |                |  |
|------------------------------------|---|----------------|--|
| Programme                          | Total estimated cost of projects reviewed | No of projects | Most frequently occurring exceptions (No. of projects)   |
| Housing: SHIP                      | €77,788,527                               | 9              | <ol style="list-style-type: none"> <li>1. Procurement issues (8)</li> <li>2. Project timelines/VFM considerations not identified (6)</li> <li>3. No sensitivity analysis/multi-criteria analysis (4)</li> <li>4. Incomplete appraisal (3)</li> <li>5. Project over-budget (3)</li> <li>6. Project over-timeframe (3)</li> <li>7. No post project review (3)</li> </ol> |
| Housing: CAS                       | €27,350,095                               | 5              | <ol style="list-style-type: none"> <li>1. Incomplete appraisal (5)</li> <li>2. No project brief (3)</li> <li>3. Lack of local authority oversight (3)</li> <li>4. Procurement issues (4)</li> <li>5. Tax clearance issues (3)</li> <li>6. No post project review (3)</li> </ol>  |
| Housing: CLSS                      | €14,385,149                               | 2              | <ol style="list-style-type: none"> <li>1. Incomplete appraisal (2)</li> <li>2. No audit trail (2)</li> <li>3. No formal information flows defined (2)</li> <li>4. Project exceeded planned completion date (1)</li> <li>5. No post project review (2)</li> </ol>   |
| Housing: Traveller Accommodation   | €970,043                                  | 2              | <ol style="list-style-type: none"> <li>1. VFM not examined at a high level (2)</li> <li>2. No project brief (1)</li> <li>3. Project over-budget (2)</li> <li>4. Procurement issues (1)</li> </ol>  |
| Housing: RWS                       | €28,083,752                               | 2              | <ol style="list-style-type: none"> <li>1. Project timelines/VFM considerations not identified(2)</li> <li>2. Project exceeded planned completion date (1)</li> <li>3. No Department approval for pre-tender documentation (1)</li> <li>4. Procurement issues (1)</li> </ol>  |
| Housing: Regeneration              | €38,701,750                               | 3              | <ol style="list-style-type: none"> <li>1. Procurement issues (2)</li> <li>2. No multi-criteria/sensitivity analysis (2)</li> <li>3. Project timelines/VFM considerations not identified(1)</li> <li>4. No pre-tender approval sought from Department (1)</li> <li>5. Project over-budget (1)</li> <li>6. Project exceeded planned completion date(1)</li> </ol>        |
| Water capital project              | €141,822,000                              | 8              | <ol style="list-style-type: none"> <li>1. Miscellaneous appraisal issues (4)</li> <li>2. Miscellaneous planning issues (4)</li> <li>3. Project not delivered within budget (2)</li> <li>4. Project exceeded planned completion date (3)</li> <li>5. Procurement issues (3)</li> <li>6. Insufficient audit trail (4)</li> <li>7. No post project review (1)</li> </ol>  |
| Waste Capital Project              | €23,459,699                               | 8              | <ol style="list-style-type: none"> <li>1. Project not delivered within budget (4)</li> <li>2. Project exceeded completion date (3)</li> <li>3. Procurement issues (3)</li> <li>4. No audit trail (7)</li> <li>5. No post project review (6)</li> </ol>   |
| Fire and Emergency capital project | €1,300,000                                | 1              | <ol style="list-style-type: none"> <li>1. No audit trail (1)</li> <li>2. No formal information flows defined (1)</li> <li>3. No post project review (1)</li> </ol>   |
| Local services capital projects    | €3,000,000                                | 1              | <ol style="list-style-type: none"> <li>1. Incomplete appraisal (1)</li> <li>2. Project exceeded planned completion date (1)</li> <li>3. Procurement issue (1)</li> <li>4. No post project review (1)</li> </ol>  |

# Principal Findings by Expenditure Range

**Projects > €30 million range**  
**Number of projects examined 5**

## Water Programme

There were four (two projects were connected and therefore reviewed under one capital spot-check) water projects within this expenditure range category.

- This project related to the construction of a waste water facility for the north county Dublin region. The origins of this project related back to 1999 at the simple assessment of needs. In 2000 consultants were appointed to prepare preliminary reports. Approval was given in 2005 to move to planning and tender stages. In 2006 the consultant engineers were appointed for the contract. In 2009 tender documents and recommendations were made to the Department for appointment of the main contractor and the contract was awarded in early 2010. At the time of spot-check the contract was substantially complete and awaiting final account from the construction contractor. The project is in compliance with the guidelines. However, the current level of construction expenditure is €31,669,626 which is €1,088,639 in excess of the contracted construction expenditure and the construction contractor exceeded the contractually specified construction period. Information flows had not been established early in the planning stage.
- This second capital project related to the expansion of capacity of a water treatment plant in South Dublin, which abstracts raw water from the river Liffey, produces and supplies drinking water to Fingal, Kildare, Meath and Dublin. The project originated back to 2003. A full cost benefit analysis was not performed by the local authority. The local authority, agreed with the Department, to terminate the original tender process under procurement rules, as all tenders received were considered non-compliant. It was decided to retender and not to pre-qualify again. One consortium challenged the decision as to their non-compliance and a settlement was reached for €1.75m, on the basis of legal advice and a risk assessment of the legal costs likely to be incurred and the delay likely to be incurred on this vital project to increase water production capacity for the Dublin area, were legal proceedings to ensue.

Shortly after being awarded the contract, one company from the consortium was placed in receivership, but the local authority gave approval to substitute another construction firm as both joint venture partner and civil engineering works specialist and the revised tender was accepted. The construction contract was contracted for a sum of €29,772,400 (incl. VAT). The current level of construction expenditure is €17m. The consultant engineer's contract was awarded for a sum of €1,104,470 (incl. VAT). The current level of expenditure regarding the consultant engineer's fees is €2,767,166 which is €1,662,696 in excess of the contracted fee proposal. This increase reflects the increased scope of a number of services required related to additional planning application, water

abstraction agreement, additional prequalification/multi-tendering processes and costs associated with legal challenge, construction management and supervision (not included in original fee proposal) etc.

- The third major water project (originated in 1974) consisted of three stages and this spot-check related to stage 3. Stage 1 was for the construction of intake and treatment works, water main and reservoir. Stage 2 was additional construction of reservoirs and extension of the rural water networks. Stage 3 related to an extension of a water scheme to two major towns in Mayo. The appraisal, planning, implementation and procurement guidelines were generally complied with. There was no description of the audit trail and has been no post project review. The lowest price compliant tender was recommended to the County Council by the consulting engineers in its detailed Tender Assessment Report and were awarded the contract in 2001 for £14,876,705 (€18,891,053) incl. VAT. The contractor's final account was agreed in 2006 in the amount of €25,668,053. Sanctioned extras to the contract were €1.38m and price variations were due to increased cost of labour and materials were €4.16m including VAT. The final cost including road restoration, ESB charges, advance works, archaeology and artistic feature was €27,549,706.
- The fourth project was an ongoing project for upgrading and expansion of wastewater collection networks for seven towns and villages and the Design Build Operate (DBO) of a new wastewater treatment facility in Meath. The project consisted of 4 contracts (site works and contracts A ,B and C). The project was not completed within the planned timeframe (mid 2010) due to delays and additional archaeological works, arising from finds unearthed during the construction stage at locations of historical importance. The contractor on Contract A, went into liquidation in November 2010 with outstanding works and snag items to finalise. The Council was engaged with the Liquidator and Surety to get another contractor on-site to complete the works by 2013. Contract B was substantially completed. This was a very difficult contract and included a conciliation process, the outcome of which the contractor did not accept. Before going to arbitration a settlement was reached, but the contractor ran into financial difficulties and effectively the contractor was off-site for a period of time. The Council successfully petitioned the Court to allow them appoint a sub-contractor who completed the works by May 2012, and the final account was being drafted at the time of this review. Contract C (DBO) was delayed due to archaeological works and problems adhering to contract specifications etc., but it was anticipated that the final account would issue in 2013.

The originally approved project budget was €43.7m. Project expenditure up to December 2012 reached €63m, which is an increase in expenditure of €19.3m from the original budget. In 2013 expenditure has increased to c. €67m, the budgeted final outturn is estimated to be c. €69.7m, the estimated increase in expenditure between the budgeted final outturn and the original budget will be c. €26m. The project's

expenditure increases are as a result of additional contract claims, variations, and unforeseen expenditure not envisaged at the planning and tendering stages of the project.

**Projects €5 million to €30 million range**  
**Number of projects examined 15**

## **Housing Programme - SHIP**

There were five social housing investment programme projects within this expenditure range.

- The first project involved the planning, design and construction of new housing on a site to meet social and affordable needs of the area by the County Council. This project had various revisions from 105 housing units (40% affordable and 60% social) and a resource centre, to the final 92 units only. Part 8 objections were made which led to suspension of works due to threatened injunction by local residents and extra costs were incurred in removing the partially built resource centre. This led to the project going over budget and exceeding its completion dates. The procurement of consultant engineers was not in compliance with the guidelines. There was an incomplete appraisal as there was no risk analysis performed and there was no project brief prepared although most of the elements were included in a cost plan, a post project review had been prepared which acknowledged that it did not deliver the 105 units and resource centre but did deliver 92 high quality units and all affordable units have been sold.
- The second project related to the planning, design and construction of 62 new houses, playground and community centre. There was an incomplete appraisal and the planning of the project was poorly managed and was not in compliance with the guidelines. The implementation stage of the project was poorly managed as there was no clerk of works appointed and there was a lack of communication with the Department (over several years) in relation to the additional works, time delays and cost overruns being experienced on the project. Disputes with the contractor had to go to conciliation. The procurement process used for the engagement of the main contractor appears to be appropriate with a tender assessment report having been prepared for same. However, additional site development works were given to the firm who had worked on the earlier phase, without any tendering process. The consultant engineers and consultant quantity surveyors were appointed (upon the recommendation of the consultant architects) without any tendering process. The project was not completed within the original budget or timeframe. No post-project review has yet been carried out on the project despite it being substantially completed in 2006.

- The third project was for phase 1 construction of 227 dwellings made up of a mixture of affordable and social houses. A post project review was not performed for the project, although the local authority stated that review of the development was discussed in detail at monthly meetings with the architects and the housing department. Total construction expenditure was €24,037,577 which is €2,200,197 in excess of the contracted construction expenditure. The selection and subsequent appointment of the consultant engineer was not subject to the performance of a tender evaluation process but on the recommendation of the Senior Quantity Surveyor and the Senior Architect.
- The fourth project was for phase 2 construction of 128 dwellings (86 social and 42 affordable) on lands owned by the local authority. The total construction expenditure was €17,422,250 which is €1,069,047 in excess of the contracted construction expenditure of €16,353,203. The first 33 houses were completed at the end of May 2008. The remainder were completed between October 2008 and September 2009. The original completion date was December 2008 and was subsequently revised to March 2009. The selection and subsequent appointment of the consultant engineer was not subject to the performance of a tender evaluation process, but on the recommendation of the Senior Quantity Surveyor and the Senior Architect.
- This fifth project was for the construction of 79 social housing units. There was an incomplete appraisal and planning guidelines were not fully adhered to as no steering committee was set-up to oversee the execution of the project. However, the project formed part of the housing programme managed and monitored by senior personnel with regular meetings held in relation to the execution of the projects. There was non-compliance with procurement guidelines for the main contractor as technical requirements were not fully complied with and the appointment of consultant engineer and quantity surveyor were from panels which had expired. The construction of the project was completed in October 2008, and a post project review was conducted in May 2009. The final account was submitted in May 2011 and Department approval was received in October 2012 for the final cost of €17.4m.

## Housing Programme – CAS

There were two capital assistance scheme projects within this expenditure range.

- The first project consisted of the construction of a sheltered housing development of 37 units for the elderly and communal facilities. There was an incomplete appraisal, no project brief and a lack of involvement of the local authority with the voluntary body during the project. The guidelines relating to procurement of the main contractor were not followed and appointment of consultant architects, quantity surveyors and engineer were by invitation. The project originated in 2004, funding was approved and construction commenced in 2007 and was completed in 2008 with final account agreed in November 2010.



- The second project related to the demolition of 2 blocks and the construction of 100 social housing units. The origin of the project was in 2004 when proposals to redevelop were rejected by the City Council. In 2006 it was decided to demolish and redevelop the site. The City Council vacated the units in 2006 and has been paying for rents on private properties. Planning permission was granted in 2007, and blocks were demolished in 2010/11 and tender granted in 2010. There was an incomplete appraisal and planning process. This project is ongoing, the construction commenced in April 2012 and the expected completion date is January 2014. A restricted tender took place for the main construction contract but there was no advertisement for the award of tender. The voluntary body hired via a tendering process the consultant architects, quantity surveyors and engineers.

## Housing Programme – CLSS

There was one capital loan subsidy scheme project within this expenditure range.

- This project related to the refurbishment of 75 houses on an estate which had been sold by the Town Council to a voluntary housing authority in February 2005. A loan of €12.9m was approved in April 2009 by the County Council for the refurbishment works which commenced in January 2010 and completed in February 2012. The County Council had no direct involvement in managing or controlling the project but they did review expenditure and the Architect's Department reviewed each valuation certificate before payment. An independent review of the housing association's tendering procedures was conducted by the Quantity Surveyor (QS) who concluded that it was robust and fair. A final account has not yet been submitted but the local authority intends to carryout a post project review when it is received.

17

## Housing Programme – RWS

There were two remedial works scheme projects within this expenditure range.

- The first project relates to the demolition of two existing block of flats and construction of 56 apartments, car parking and community buildings. This project was at implementation stage and the construction contract commenced in January 2013 for a period of 104 weeks. The appraisal and planning stages were mainly in compliance with the guidelines. The appointment of the architects to phase 1 had their contract extended to phase 2. This was not subject to the performance of a tender evaluation appointment but was given Department approval.
- The second project relates to the construction of 30 apartments, 12 duplex houses and the refurbishment of 16 existing apartments, along with site works, civic space and playgrounds. At the time of the spot-check the contract was 26 months over the time budget, mainly due to changes to site works and bringing forward the construction of a playground, and civic space. The main construction was completed in October 2011 and at the time of the spot-check the project was awaiting the final account.

## Housing Programme – Regeneration

There were two regeneration projects within this expenditure range category.

- The first related to the demolition of 3 blocks containing 46 dwellings and the construction of 53 residential apartments and communal facility. The appraisal and planning process was well documented and is therefore largely in compliance with the capital guidelines. The implementation stage of the project appears to have been well managed with regular meetings held and reports prepared on progress being made throughout the project construction stage. A post project review is planned following agreement of the final account, which is 4.5% above the last approved budget. The project ran over planned timeframe due to exceptional inclement weather in winters of 2009/10 and 2010/11. The procurement process used for the engagement of the main contractor appears to be appropriate and evidence of tender competition advertising was provided and a tender assessment report was prepared. Procurement guidelines were not observed in the initial appointment of the consultant quantity surveyor or in the contract extensions for the consultant architect.
- The second project is the planned demolition of approximately 3,053 housing units in a number of estates as part of a city regeneration programme. Originally the plan was for a 10 year regeneration programme, with a three billion Euro spend, consisting of €1.67 billion public expenditure and €1.4 billion private investment. The regeneration project is ongoing in nature and no timeframe is set for the completion of the demolitions element. The approved budget of €20,517,368 for the Demolitions Programme is the accumulated figure for approved expenditure on the demolitions works and associated works since the programme commenced. This figure does not include funding received for other related expenditure on the overall regeneration process. The Department fully funds the Demolitions Program. Up to the end of September 2012, 967 houses were demolished in four estates. The appraisal, planning and implementation processes are in compliance with the guidelines. Framework agreements have been put in place for procurement of the main contractors, and the main consultants engaged on the project appear to be in compliance with the guidelines. A detailed mapping exercise was carried out in November 2012 and January 2013 to review the extent of demolitions and refurbishments and identify proposed future locations. Currently a provisional plan is prepared involving an additional 931 demolitions at an estimated cost of €135m. This was proposed in a submission to the Department in January 2013.

## Waste Programme

There were three waste programme projects within this expenditure range.

- The first project was for upgrading of a composting facility which was originally designed to process green and household organic waste into compost which is used as a soil enricher, by the Council in their parks and open spaces. In January 2008, the

Department of Agriculture Fisheries and Forestry (DAFF) issued a formal notice under Animal By-Products Regulations to close the facility immediately due to non-compliance with the regulations. Following discussions between the City Council and the DAFF the facility was upgraded.

Works on the project were carried out in two phases, phase 1 (2 construction contracts – design and construction of the slab) and phase 2 (5 construction contracts - design, ground preparations, piling, slab and waste management building construction, and ancillary works). Four of the contracts were awarded to external contractors (along with 2 design contracts). The remaining three contracts were carried out by direct labour by the City Council.

Grant approval was received from the Department in November 2002 to commence works. Part 8 Planning Permission was received in January 2003. Total expenditure on the project to date has been €5.8m. Three of the five contracts have been completed under budget, with two contracts over budget due to ground preparations, 32% and piling 21%. A post project review has not yet been carried out on this completed capital project.

- The second project was for remediation to a non-engineered landfill site. The site had been accepting waste since the 1950's and was closed since 1998. The works (comprising preparatory works, leachate and gas collection, and capping and sealing the waste mass) were required for an Environmental Protection Agency (EPA) waste license. Works commenced on the site in July 2006 and were substantially completed in July 2010, an overrun on time of 3 years. The project has now been completed with the final cost running at €5,562,429 which represents a cost overrun of 30% due mainly to variations on the cost of imported subsoil and extensions of time due to weather conditions. Two firms of consulting engineers were engaged on this project. The first were engaged in 1999 to undertake a design study, a Manager's Order appointing this firm was found, but no evidence of a procurement process was located. A procurement process was held in April 2004 for the engagement of consultants for the role of client's representative. The tender process was held but the tender report was not located. A post project review, however, has not yet been carried out on this completed capital project.
- The third project was carried out in order to comply with a European Court of Justice Ruling. The initial remediation plan was prepared in response to a Section 63(3)(c) Notice issued by the Environment Protection Agency to the local authority in February 2007 in respect of the remediation of two areas of landfill wetlands which were previously in-filled with construction and demolition material. This material was excavated to facilitate the return of the sites to wetland habitat and was processed to form engineering grade materials which were then used to construct an embankment to allow formation of a compensatory wetland on a third site located within the back-strand area.

This project was carried out under consultation with the Department, EPA, National Parks and Wildlife Service (NPWS), and Coastwatch. The main construction contract was scheduled for 16 months. Project completion is currently anticipated in 2013. This is on schedule with the timeframe per the construction plans. The current budget approval from the Department is €7.6m and there are no additional claims to date. It is likely that there will be some additional variations that will increase the overall cost above the current budget approval amount.

### **Projects within the €0.5 million to €5 million range Number of projects examined 16**

#### **Housing Programme - SHIP**

There were two social housing investment programme projects within this expenditure range.

- The first project comprised of a grouping of 5 social houses and a second grouping of 4 social houses, and the development of a small residential park. There was compliance with the appraisal, planning, implementation and evaluation of the project. The tender price for the construction was below the EU threshold and was awarded on a Most Economically Advantageous Tender (MEAT) basis. However, the most competitive tenders were not invited to present/elaborate on bids and the evaluation team did not include independent representative (i.e. a competent person from outside the area directly involved with placing the contract). However, the Council was satisfied that the tender documentation both issued and received was clear and unambiguous, and accordingly all tenders were evaluated objectively and transparently, without need for elaboration, in accordance with public procurement legislation and regulations.
- The second project involved the construction of 7 housing units on a derelict site belonging to the Council. It was completed within budget and timeframe. There was compliance with procurement guidelines for the main construction contract, but the consultant architects, were selected from an existing panel. However, for a contract of this value at least 5 members of the panel should have been invited to submit quotations for the consultancy services for this project.

#### **Housing Programme – CAS**

There were three capital assistance scheme projects within this expenditure range.

- The first project related to the construction of four 2-bed units for the elderly and extension of a previous eight unit scheme. CAS funding application was submitted and the grant was approved in 2006. Construction commenced in June 2006 and was completed in August 2007. The scheme was occupied in August 2007. The final account

was not agreed until December 2012, a 5 year delay from completion. There was an incomplete appraisal and the project brief did not include a programme for the completion of the work as specified in the detailed appraisal. There was compliance with the capital guidelines in relation to the implementation of this capital project. However there was a lack of local authority oversight /involvement in the implementation stage of the project. A post project review has not been completed for the project. There was non-compliance with procurement guidelines as the contract was not advertised on eTenders and there was no evidence of the relevant advertisement in the national media. There was no evidence provided to show that the housing association obtained a C2/ tax clearance certificate for the building contractor.

- This project consists of the construction of a women's refuge consisting of four units of accommodation with a communal facility. The scheme was completed in January 2012 but was not yet occupied at the time of the spot-check. The voluntary body is still in the process of finalising the operational funding required to run the scheme from the Health Service Executive (HSE). There was an incomplete appraisal, a project brief was not prepared for the project and there has been no post project review. There was compliance with the implementation guidelines but not with the procurement guidelines as the architect, quantity surveyors, civil and structural engineers were all appointed by invitation and a proper tender process was not held for the appointment of the mechanical and electrical engineers.
- The third project was for the provision of nine units of accommodation for people with special needs (and formed part of a larger Part V agreement with a developer from 2005 grant of planning permission). The Department gave grant approval in December 2007 and the houses were purchased from the developer by the Affordable Housing Body (AHB) in January 2008. At the time of the spot-check, the mortgage agreement had not yet been registered. There was non-compliance with the appraisal, planning and implementation guidelines mainly as this formed part of an original larger Part V agreement. A post project review was carried out by the local authority in November 2012, but it did not address whether project appraisal and management procedures were adopted satisfactorily, no conclusions were drawn which were applicable to other projects, to the ongoing use of the asset, or to associated policies and it did not identify how any stage of the project could have been done better and any lessons applied elsewhere. There was not compliance with the capital guidelines in relation to tax clearance as no documentation was supplied by the AHB to show that tax clearance certificates or C2 certificates were obtained from the building contractor. There was compliance with the capital guidelines in relation to audit trail.

## Housing Programme – CLSS

There was one capital loan subsidy scheme project within this expenditure range.

- This project related to the funding for the construction of 13 housing units by a housing association who had been approached by a developer with a design and build proposal, on a site he owned. Following an assessment of need and negotiations on costs approval was received from the Department in 2001 for a loan for the construction of the units. Work commenced and payments were made to the housing association based on certificates of valuation. The project was completed sometime in 2004/05 with total payments made of €1,005,000 and there was no further correspondence until a request for final payment of €140,416 in February 2011. A final account was received in February 2012 and the final amount due had not been agreed at the time of this spot-check.

## Housing Programme – Traveller Accommodation

There was one traveller accommodation project within this expenditure range.

- This project related to the construction of 2 single storey detached houses with boiler houses and service unit. There was no procurement process required for the main construction work as this was carried out by the Council's own direct labour team and their own architects designed the scheme. Procurement rules were followed for all other works that were required to be carried out. The appraisal category shows compliance with the guidelines. The planning and implementation phases of the project are well documented and both appear to be generally in compliance with the guidelines. The Department agreed a budget cost of €595,300 in July 2011. In September 2012 the Council submitted a request to the Department for an approved budget cost of €794,294 for variations including increasing the size of the caretakers office, security costs, clearing of illegal dumping, recanting of residents. No formal response has issued from the Department for this request at the time of the spot-check. A post project review report has been finalised.

## Housing Programme – Regeneration

There was one regeneration programme project within this expenditure range.

- This project was phase two of a regeneration project for the construction of 29 apartments and communal facility and was at construction stage with an estimated completion before the end of 2013. The appraisal, planning and implementation stages appear to be well managed. The appointment of the consultant architect was by invitation as they had worked on phase one of the regeneration project and was seen as the appropriate method to achieve consistency, and at the same fee as phase one, the Council considered this represented value for money.

## Water Programme

There were three water programme projects within this expenditure range.

- This is a completed project which involved the extension of the City and Harbour Water Supply Scheme to surrounding towns, a booster pump, a rising main to a local existing reservoir and the relocation of existing water mains within an IDA Industrial Estate. The Departments current approved budget for Contract 3 is €3,144,000. The contract awarded also incorporated the upgrading of a sewerage scheme, an approved Serviced Land Initiative Scheme project, as the infrastructure for both projects were in the same location and these were covered under the associated works of the contract. The accepted tender for the contract and the associated works was €3,450,241.

The final account cost of the contract and associated works elements is €4,722,406 including VAT. This sum includes a special contribution from a commercial industrial enterprise of €814,930 for the relocation of the existing water mains. The final account cost to the County Council is therefore €3,907,476 and includes the buyout agreed for the contract, together with a number of post buyout additional works for additional work carried out for their benefit. There were a number of contract increase claims submitted for difficult ground conditions and price variations. The final account contract cost of the Contract 3 Mechanical and Electrical (M & E) and Associated Works element of the contract is €251,286 representing a 53% increase in the applicable portion of the original tender sum. A request was due be submitted to the Department for an increased budget to agree to the final account figures which was scheduled to be submitted during 2013. The project commenced in October 2006. The planned project timeline was 18 months and was completed within this time frame. Sufficient evidence was not on file to determine the procurement process for the initial appointment of the consultant engineers. Subsequent extensions to this contract were not carried out in accordance with EU Procurement directives. The project was completed successfully and is fully operational. No post project review has yet been performed. Final Accounts for the Civil Works Contract and the M&E Works Contract have not been submitted to date to the Department.

- This project was contract 4 for the main leak repair to existing water mains and service pipeline of the City Council located in public areas. A leak detection team identify leaks in the water network, which is bundled into work packages for the contractor to repair. The contract is not a fixed price contract. Tenderers were asked to quote prices for repairing different types of leaks. Eleven leak types were specified in the tender documents. The number of leaks was not specified, but is dependant on the leaks identified by the leak detection team. However it is expected that the project will finish by year-end. A Project Engineer has been appointed to monitor and supervise the overall scheme with a Clerk of Works appointed to supervise the contractor works. The appraisal, implementation and procurement processes have been well managed, but there was no documented audit trail.

- This is an ongoing project related to stage two water treatment upgrade works followed from previous stage one emergency works, conducted at the treatment plant as a result of an audit carried out by the EPA regarding quality of water produced from the facility. Consultants were engaged following the audit to advise on the most effective method to address the problems identified and they recommended emergency works followed by facility upgrade. The appraisal was incomplete as the works were required following EPA audit. Procurement guidelines were not followed as the contract of a consultant engineer who was working on a separate but related project was expanded. The project has not tendered for the stage 2 works as funding from the Department has not yet been agreed.

## Waste Programme

There were three waste programme projects within this expenditure range.

- The first project related to remediation works on a landfill site in order to comply with EPA licensing requirements. The project had been completed within budget, with the final account cost of €1,267,852. The project was not completed on time, however, two time extensions were granted, extending the date for completion from the 31 July 2009 to the 19 March 2010. No evidence of a procurement process was found for the appointment of consultants to prepare the Restoration and Aftercare Plan, but all other procurement procedures were in compliance with the guidelines. A post project review has yet to be performed.
- The second project related to the remediation of a non-engineered landfill site in order to comply with the EPA waste license requirements. The works included preparatory works, leachate and gas collection, and capping and sealing the waste mass and were carried out on a direct labour basis. Consultants were appointed to prepare applications to the EPA for waste licences. Plant hire contractors, drilling contractors and capping contractors were engaged following a tendering process. The project has been completed since 2006 with the final cost running at €1.1m. A post project review, however, has not been carried out on this completed capital project.
- The third project related to the construction of a civic amenity site for household waste, recycling facilities and household hazardous waste. The project was completed on time with a final cost of €901,732 which represents a cost overrun of 44%, mainly due to additional works, increased quantities and variations to works. The appraisal, planning, implementation and procurement of this project complies with the guidelines, however, no post project review has yet been performed.



## Fire and Emergency Services

There was one fire and emergency services project within this expenditure range.

- This project related to the demolition and rebuilding of a fire station and drill tower in order to accommodate new fire fighting appliances and provide training and shower facilities. The construction was completed on time and within the overall project budget, and is in operation. As the contractor went into liquidation, retention monies have been held pending completion of a snag list. Capital appraisal guidelines were mainly complied with the exception of audit trail and evaluation requirements. A post project review is planned in 2013.

## Local Services

There was one local services project within this expenditure range.

- This project related to the design and construction of a new public library, with an approved budget cost of €6m which was grant aided by the Department to a maximum of €3m in October 2009. In 2008 the Department informed the Council that they would not fund the project as the contract awarded was not a fixed price contract, and was then re-tendered. Construction began in December 2009 but halted in November 2010 as the builder had gone into receivership. Following a second re-tendering process building recommenced in October 2011 and the library opened to the public in November 2012. There was an incomplete appraisal for this project, and delays due to re-tendering, but this also led to significant cost savings achieved probably due to the downturn in the economy. Consultant architects were appointed by invitation and not by a tendering process. No post project review has yet been carried out as the final account had not been prepared at the time of the spot-check.

**Projects within the €0 to €0.5 million range**  
**Number of projects examined 5**

## Housing Programme – SHIP

There were two social housing investment programme projects within this expenditure range.

- The first project related to the construction of two one-bed maisonettes on a derelict site. The appraisal, planning and implementation process of the project is well documented and is in compliance with the capital guidelines. A post project review was completed for the project. The selection and subsequent appointment of the construction contractor was subject to the performance of a tender evaluation process. In August 2012 approval was sought from the Department for a revised final account for the construction contractor of €194,255 and an overall project cost for a total sum of €238,871. The claim

for the overall project cost represents an overrun of 18% from the original project cost of €202,163.

- The second project related to the demolition and reconstruction of a purpose-built (special needs) two-storey dwelling. The appraisal did not indicate a timeline for the project. The construction contract was awarded in January 2012 and was completed in November 2012. The final account was outstanding at the time of the spot-check, but expected in 2013 when a post project review would be performed. Procurement guidelines were not complied with as the construction tender was not advertised and the consultants were hired by invitation.

## Housing Programme - Traveller Accommodation

There was one traveller accommodation project within this expenditure range.

- This project was for the refurbishment and extension of a 3-bay halting site. The appraisal and planning process for the scheme is well documented and broadly well managed and is therefore largely in compliance with the capital guidelines. Implementation is still ongoing and though it is scheduled to be completed on time, it is anticipated that costs will exceed the budget cost approval figure. Although the procurement process used for the engagement of the main contractor complies with the guidelines, the procurement process for the appointment of the consulting architect was by invitation.

## Waste Programme

There were two waste programme projects within this expenditure range.

- The two projects within this band related to civic amenity sites for household waste and recycling facilities. In the first project there were non-compliance issues relating to some aspects of planning and implementation of this project. No post project review was performed and the total expenditure at the end of 2012 was €554,612 which exceeded budgeted expenditure by 19%.
- The second project was at implementation stage as the project was about to be awarded. The site was acquired on a 99 year lease for €80,000. The appraisal, planning and procurement processes were all in compliance with the guidelines.

# Summary of Findings and Recommendations

The summary of findings and recommendations (categorised by project stage) for the compliance spot-check of projects either in progress or completed during 2012 are outlined below. The findings are very much in line with those of the previous capital spot-check report and therefore there has been only minor amendments made to the recommendations.

## Appraisal Stage

There were incomplete appraisals for over 36% of the projects examined. The value range of the project determines the type of appraisal required under the guidelines from a simple assessment to a detailed appraisal.

Detailed appraisals includes criteria comprising the following; clearly defining and measuring the needs to be met, costs and contingency costs including ongoing capital and lifecycle costs, risk assessments and multi-criteria analysis etc.

Elements of appraisals which were incomplete included:

- Project timeline/ value for money considerations not identified/ documented at appraisal stage
- No risk analysis and/ or no multi-criteria analysis performed
- No sensitivity analysis carried out, which should include an evaluation of the project over a range of assumptions such as prices, costs, interest and growth rates and demographic changes

Programme areas which had incomplete appraisals (required under the capital appraisal guidelines) related mainly to housing, waste and water. As in previous reports, under the housing programme, it was found that capital projects were generally undertaken where there was a housing need identified in areas with waiting lists as opposed to a complete capital appraisal undertaken. Other projects with incomplete appraisals were usually found where work was required under an EU Directive, such as upgrading of waste/ water treatment facilities and to comply with licensing requirements for landfill waste facilities with the EPA.

Although many projects did have related documents, which incorporated some of the appraisal requirements, nevertheless they did not satisfy all the requirements of the Department of Finance capital appraisal guidelines.

## Recommendation

Local authorities and voluntary bodies who are carrying out appraisals for capital projects must ensure that they fully comply with the Department of Finance capital appraisal guidelines and the Department guidelines (and circulars). All aspects of appraisal should be completed for the appropriate expenditure level of the project.

## Planning Stage

There were issues relating to lack of compliance with the capital appraisal guidelines for the planning stage in approximately 24% of the projects selected for review. The most common issues arising were:

- Projects had no evidence of formal management structures in place. However the actual management structures did follow established structures within the local authorities.
- No formal information flows were defined, especially in relation to projects undertaken by voluntary bodies. The information needs at the various levels of the management structure should be identified, along with the format and frequency of the submission of reports and the person who is responsible for the supply and compilation of the reports identified.
- Lack of documented project brief setting out the project options, detailed objectives and parameters to be taken into account by the planning professionals for the client's requirements. The brief should also include cost limits, targets for the project and a programme for the completion of works.

### Recommendation

Clearly defined project management structures with roles, responsibilities and reporting arrangements to senior managers should be documented, especially in relation to projects undertaken by voluntary bodies. A project manager of sufficient seniority should be appointed to all projects including those undertaken by voluntary bodies. The guidelines set out the key steps within the planning stage of the project which should be closely followed.

28

## Implementation Stage

A number of issues arose relating to lack of compliance with capital appraisal guidelines for the implementation stage in approximately 50% of the projects selected for review. The most serious issues arising were:

- Project not delivered within budget (29%)
- Projects exceeded their budget timeframe (31%)
- Lack of local authority oversight (7%)

The main programme areas where projects were not delivered within budget were for the SHIP, Water and Waste projects examined.

Under the SHIP programme two projects were both over the budget and exceeded the timeframe for completion. The first project had to go to conciliation due to disputes with the contractor and the project was delayed by approximately 2 years. The second project had delays due to issues with the Part 8 planning process and delays caused by suspension of works due to threatened injunction by local residents and extra costs incurred in removing a partially built

resource centre and three dwellings. A third project exceeded the original contracted construction expenditure, however additional houses were constructed. The fourth project exceeded the budget timeframe due to the contractor going into liquidation.

Cost overruns on the water programme were incurred in two projects. The first due to additional works, claims submitted for difficult ground conditions and price variations. The second project has exceeded the original completion date by two years and is estimated to be over-budget by c. €26.046m (59%). The original budget for the project was c. €43.685m; the estimated outturn is expected to be €69.731m. Examples of significant factors contributing to the additional expenditure are work variations; having to enter into a conciliation process and additional archaeological works. The underlying causes giving rise to the above factors were unforeseeable issues not envisaged at the planning and tendering stages.

Works carried out under the waste programme were mainly for remediation works on non-engineered landfill sites for compliance with EPA licence requirements. Half the projects examined ran over budget mainly due to additional works, disposal of material excavated to landfill, variation on the costs of imported subsoil, extension of time due to adverse weather conditions etc.

### **Recommendation**

Work performed at the appraisal and planning stages should be more thorough and robust to identify potential variations which may occur and reduce the amount of post tender contract amendments which incur extra costs. At implementation stage strict budgetary control should include the production of regular costing reports, analysing budget versus actual costs incurred by project, and detailed explanations for cost overruns.

29

A total of 22% of SHIP, Water and Waste programmes projects exceeded the planned completion date.

The reasons for delays with the SHIP projects included cases where there were difficulties with the contractors which led to delays. Water projects also exceeded planned completion dates due to variations, claims etc. Waste projects were delayed due to extensions in time required due to some additional works and adverse weather conditions.

### **Recommendation**

At the appraisal stage project timelines and key milestones should be identified and then monitored during the implementation stage by the project manager through regular team meetings and site progress reports to ensure that projects are completed within the agreed timescales.

There was a lack of local authority oversight where capital projects were undertaken by voluntary bodies. The voluntary bodies undertake responsibility for project management, implementation and monitoring, however, according to the Department guidelines, the local

authorities are responsible for the management and monitoring of these projects. During the capital spot-checks on these projects it was found that most documentation was maintained by the voluntary bodies and not by the local authorities.

For some of these projects, the local authority would have liaised with the voluntary body and reviewed architects certificates before payment, during implementation of the project. Procurement processes for these projects were carried out by the voluntary bodies, and therefore the local authority had no evidence of how the procurement of main contractors and consultants were performed.

### **Recommendation**

The Department's guidelines for the overview of procedures for the appraisal, management and review of capital schemes lays out a framework for the local authorities role in the management and monitoring of voluntary and co-operative housing projects. The local authorities and voluntary bodies should be reminded of the importance of implementing these procedures and making the relevant reports to the Department.

- Contractors getting into trading difficulties  
Of the 41 projects examined, four projects referred to the contractors running into financial/trading difficulties and going into liquidation or receivership. Three projects had to re-tender, leading to delays with completion. The fourth project was at the snag-list stage and retention monies were held pending completion of the works.

### **Recommendation**

The local authority should ensure that an appropriate level of performance bond cover (as laid out in capital works management framework guidelines) is in place and this should be a condition of the contract. In the case where contractors are in difficulty and cannot complete the project, the bond can then be called in to finance the completion of the project.

## **Evaluation Stage**

At the time of the capital spot-checks 27 out of the 41 projects were completed. There was no post project review performed in 17 of these 27 completed projects (63%).

Department Circular SHIP 2010/12 requires a post project review on all capital projects involving expenditure under SHIP including: social housing construction, regeneration projects, remedial works, works under the traveller accommodation programme and projects undertaken directly by approved housing bodies. This circular outlines the post project review process and requires that the review should take place within six months of substantial completion of the project and a report submitted to the Department within eight months of substantial completion of the project.

In evaluating the project post-completion, it should be established whether the basis on which the project was undertaken proved to be correct. The post project review should also establish whether the expected benefits and outcomes materialised, and whether the planned outcomes

were appropriate responses to the actual public need. It should identify whether any stage of the project could have been done better and whether any lessons learned could be applied elsewhere.

### **Recommendation**

The Department should continue to monitor and follow-up on post project review reports due on all completed capital projects, including those undertaken directly by voluntary housing bodies. Circular SHIP 2011/07 issued in March 2011 reiterated the importance of performing and submitting post project review reports to the Department as soon as possible, and that the detail of the report should be commensurate with the scale, complexity and issues encountered on the project.

In over 30% of the projects examined there was a lack of audit trail. There was no evidence of a lead sheet or a schedule containing important project information.

### **Recommendation**

In order to ensure a complete audit trail each project file should contain a lead sheet or schedule containing the following information:

- The location of the projects records (including technical specifications, project plans, progress reports, tender documentation etc.)
- A list of all entities involved in the project, and corresponding key contacts.
- Information regarding the processing of financial transactions, such as the projects job code reference, which individuals have right of access to financial information, who is responsible for approving expenditure pertaining to the project.
- Which individual(s) is responsible for maintaining the project's audit trail.

31

## **Procurement procedures**

There were procurement exceptions in over 50% of the projects examined. The majority of which do not relate to the main building contracts but rather the ancillary consultancy services on these projects, which very often can exceed the EU thresholds for advertising in the Official Journal of the European Union (OJEU).

The most serious exception was found in relation to a project where the local authority and the Department agreed in 2009, to terminate the original tender process under procurement rules, as all tenders received were considered non-compliant. It was decided to retender in 2010, and not to pre-qualify again. In early 2011, one consortium challenged the decision as to their non-compliance and a settlement was reached for €1.75m, on the basis of legal advice and a risk assessment of the legal costs likely to be incurred and the delay likely to be incurred on this vital project to increase water production capacity for the Dublin area, were legal proceedings to ensue.

The most common area of exceptions was found in relation to the appointment by invitation of consultants such as architects, engineers, and quantity surveyors etc. who were awarded

contracts without a tendering process. Consultants on some projects had their contracts extended, without a tendering process required under the procurement guidelines, where they had already worked on an earlier phase of the project or a related/connected project. In another instance, consultants were selected from an earlier established panel, which had expired before commencement of the project. One project had to be re-tendered as the incorrect form of contract was used.

In general, exceptions only related to the procurement of the main contractor in cases where the tender competitions were held by voluntary bodies. There was a lack of evidence available to establish that the procurement processing procedures were fully followed by these bodies such as contracts advertised in OJEU, appropriate time allowed for submissions of tenders, evidence of tenders awarded using scoring sheets, evidence that contract award notices were published in OJEU or other media, unsuccessful tenderers notified and debriefed etc. Voluntary bodies had also appointed (by invitation) consultants to projects, without holding proper tender competitions.

### **Recommendation**

Procurement guidelines and procedures must be fully complied with especially in relation to the awarding of consultancy contracts. All procedural matters should be followed and evidence maintained to demonstrate that value for money has been achieved in awarding capital and consultancy contracts. Procurement guidelines training should be provided to both local authorities and voluntary bodies where they are awarding such contracts. The local authority should ensure that the voluntary body complies with all procurement procedures.



# Housing Capital Projects

Compliance spot-checks on housing capital expenditure projects were performed on six programme areas, the Social Housing Investment Programme (SHIP), the Capital Assistance Scheme (CAS) and the Capital Loan and Subsidy Scheme (CLSS), Traveller Accommodation, Remedial Works Scheme (RWS) and Regeneration.

Twenty three housing capital projects were examined with a total estimated cost of €187,279,316. The capital projects (which were completed or in progress during 2012) were selected from each housing scheme as follows:

SHIP - 9 projects with a value of €77,788,527

CAS - 5 projects with a value of €27,350,095

CLSS - 2 projects with a value of €14,385,149

Traveller Accommodation - 2 projects with a value of €970,043

RWS – 2 projects with a value of €28,083,752

Regeneration - 3 projects with a value of €38,701,750

## Social Housing Investment Programme (SHIP)

This scheme provides funding for the development of social housing projects. The objective of the scheme is to provide tailored housing services to those who cannot afford to meet their own housing needs. Substantial investment is devoted to social and affordable housing measures under the SHIP.

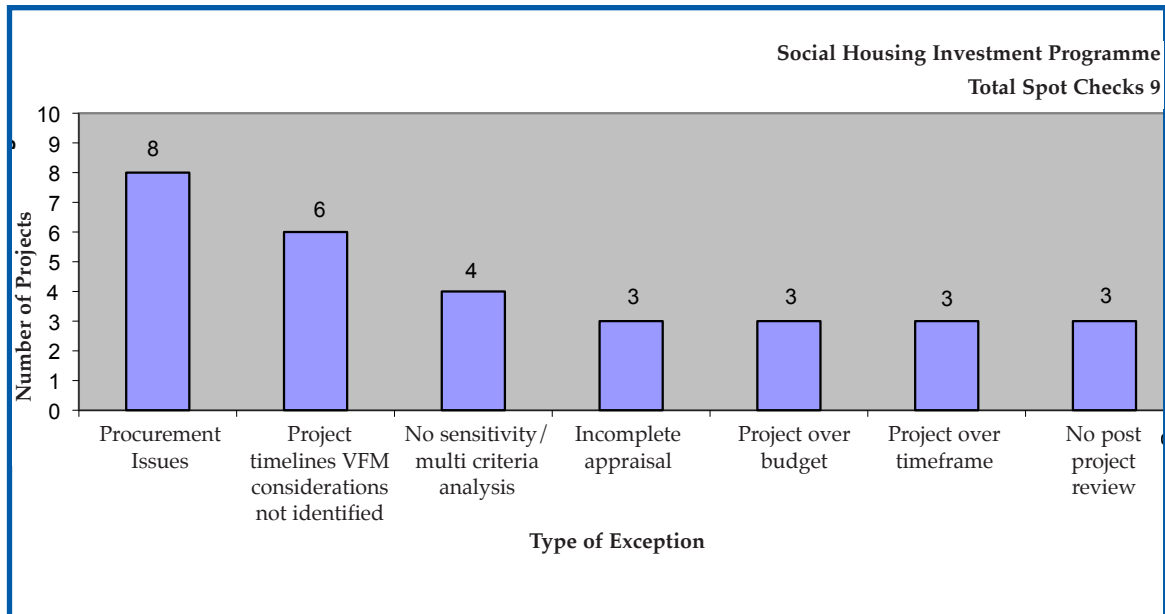
The table below shows the values and numbers of projects examined.

| Social Housing Investment Programme Capital Projects |                 | Sample Selected           |       |                 |      |                    |
|--|-----------------|---------------------------|-------|-----------------|------|--------------------|
| Total Estimated Cost<br>€                            | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %    | Average Value<br>€ |
| 538,167,554  | 170             | 77,788,527                | 14.5% | 9               | 5.3% | 8,643,170          |

The range of expenditure on SHIP programme reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 2                  | €455,862             |
| €0.5 million to €5 million | 2                  | €2,622,270           |
| €5 million to €30 million  | 5                  | €74,710,395          |
| <b>Total</b>               | <b>9</b>           | <b>€77,788,527</b>   |

The chart below outlines the most frequently occurring exceptions identified during the spot-checks on the SHIP programme. All nine projects reviewed were completed.



## Summary of Findings

### Procurement

In the course of the performance of the spot-checks it was found that procurement guidelines were not adhered to in eight projects. Failure to follow procurement guidelines on the tendering for consultancy services or minor contractors was noted in seven of the eight projects. In four of these seven projects, instances were found where there was a failure to carry out a tender process as required by procurement guidelines. One instance was noted where there was no advertisement of a tender competition in the national press or eTenders and one instance where other firms on a panel were not invited to submit quotations for consultancy services. In a seventh project it was identified that both the consultant engineer and quantity surveyor were selected from a panel which had expired.

Failure to follow procurement guidelines on the tendering for construction contractors was noted in three of the eight projects. In one instance, it was noted that the most competitive tenders were not invited to present on/elaborate on bids and that the evaluation team did not include independent representation (i.e. a competent person from outside the area directly involved with placing the contract). In the second project it was identified that the most economically advantageous tender was set as the basis for the award of the construction contract. However the lowest price was used as the basis for the award of the contract, the weighted award criteria and selection/qualifying criteria were not set and recorded and tenders had not been evaluated using weighted scoring sheets. In the third project it was identified that the project was not advertised on eTenders.

### **Project timelines VFM consideration not identified**

For six of the nine capital projects reviewed either project timelines or VFM considerations were not identified and considered during the appraisal stage of the project.

Identifying project time lines and examining VFM considerations at an early stage is an important step in the initial appraisal stage of a proposed project.

### **Sensitivity analysis/multi-criteria analysis**

The performance of a sensitivity analysis was applicable to five of the nine projects reviewed, as the proposed project expenditure exceeded €5m. Of these five projects, four had not performed any sensitivity analysis. The sensitivity analysis should include an evaluation of the project over a range of assumptions such as prices, costs, interest rates, growth rates and demographic changes. These analyses are important steps in the detailed appraisal of projects and are requirements set out in the 2005 Department of Finance Capital Appraisal guidelines.

The performance of a multi-criteria analysis was applicable to five of the nine projects reviewed, as the proposed project expenditure exceeded €5m. Of these five projects, four had not performed a multi-criteria analysis. A multi-criteria analysis should reflect the cost of the capital project and also the potential size of the public contribution to it.

### **Incomplete/no formal appraisal performed**

The compliance review of the SHIP capital projects indicated that three projects proceeded to construction without the performance of a project appraisal that would satisfy the provisions of the 2005 Department of Finance Capital Appraisal Guidelines. There were a number of projects which pre-dated the 2005 guidelines in regard to the appraisal stage.

However it should be noted that the procedures, which were reinforced through the publication of the 2005 guidelines, were in place since 1994.

### **Project over budget and project exceeded timeframe**

There were three projects over budget and three exceeded the planned timeframe. Two projects were both over the budget and exceeded the timeframe for completion. The first project had to go to conciliation due to disputes with the contractor and the project was delayed by approximately 2 years. The second project had delays due to issues with the Part 8 planning process and delays caused by suspension of works due to threatened injunction by local residents and extra costs incurred in removing a partially built resource centre and three dwellings. A third project exceeded the original contracted construction expenditure, however additional houses were constructed. The fourth project exceeded the budget timeframe due to the contractor going into liquidation.

### **No post project review**

Three of the projects, which were all completed did not have a post project review carried out. In one local authority, it stated that a post project review of the development was discussed in detail at monthly meetings between the Architects and the Housing Department.

## Capital Assistance Scheme (CAS)

Under the Capital Assistance Scheme voluntary housing bodies provide accommodation to meet social needs such as those of the elderly, people with a disability, homeless, returning emigrants or smaller families. The approved voluntary housing bodies are responsible for tenancy allocations in consultation with the local authorities.

Five housing capital projects with a total spend of €27,350,095 were reviewed. Four of the projects were completed and the remaining project was at implementation stage.

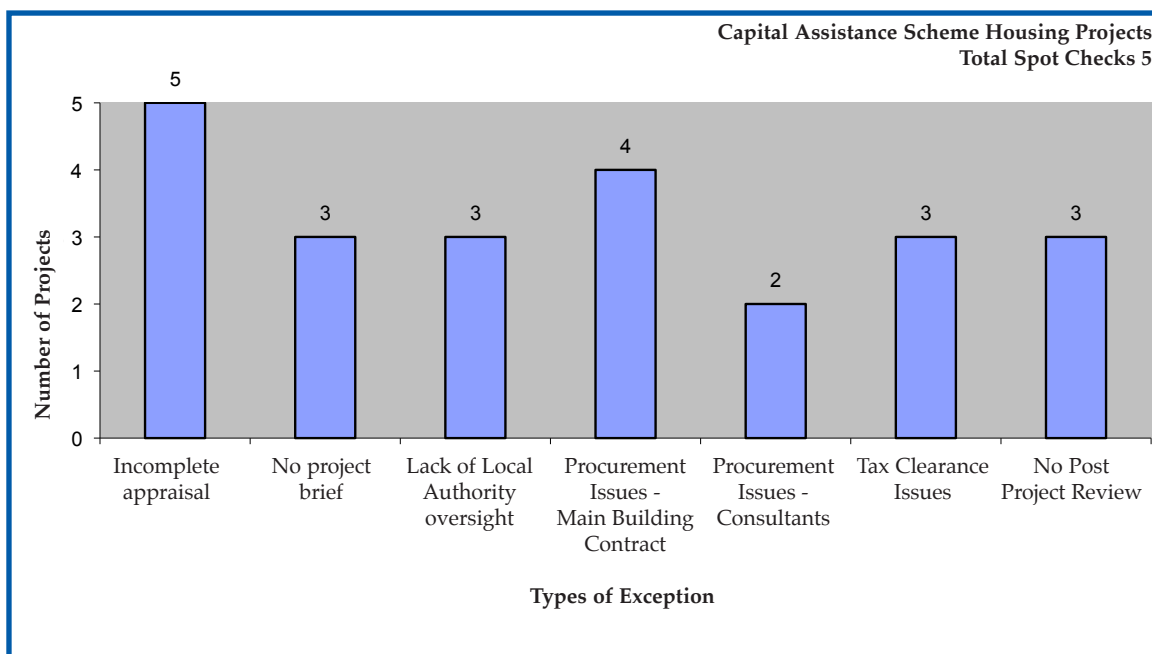
The table below shows the values and numbers of projects examined.

| CAS Projects              |                 | Sample Selected           |       |                 |      |                    |
|---------------------------|-----------------|---------------------------|-------|-----------------|------|--------------------|
| Total Estimated Cost<br>€ | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %    | Average Value<br>€ |
| 152,312,642               | 97              | 27,350,095                | 18.0% | 5               | 5.2% | 5,470,019          |

The range of expenditure on CAS projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 3                  | €2,753,194           |
| €5 million to €30 million  | 2                  | €24,596,901          |
| €30 + million              | 0                  | €0                   |
| <b>Total</b>               | <b>5</b>           | <b>€27,350,095</b>   |

The chart below outlines the most frequently occurring exceptions identified during the spot-checks of the Capital Assistance Scheme programme.



## Summary of Findings

### Incomplete appraisal

All five of the projects reviewed had incomplete appraisals performed i.e. they did not conform to the prescribed procedures set down in the guidelines. For example, incomplete simple assessment performed, no timeline indicated for project delivery, no examination at a high level VFM of the project, incomplete preliminary/detailed appraisal prepared, no multi-criteria analysis completed, no identification of project risks, and no sensitivity analysis undertaken. It should be noted that while some of these projects pre-dated the 2005 guidelines with regard to appraisal and planning stages, the capital appraisal guidelines in place since 1994 are similar to those published in 2005 both in form and content. Therefore many of the procedures which were reinforced through the publication of the 2005 guidelines were in place since 1994.

### No project brief

Three of the projects reviewed did not have a project brief available at the time of the spot-check. A project brief should be developed for all projects which have been approved in principle and should provide a description of the project options and the detailed objectives and parameters to be taken into account by the planning professionals. Any client requirements should also be set out in detail. The programme for the completion of the work as specified in the detailed appraisal should be outlined and any services which are to be provided by consultants, engineers, and architects clearly identified. The brief should also include cost limits and targets for the project as included in the detailed appraisal.

### **Lack of local authority oversight**

For three of the projects reviewed, there was a lack of involvement by the local authority at the implementation phase of the projects. For example, documentation was maintained by the voluntary bodies but not by the local authority, voluntary bodies were responsible for project management, project implementation and project monitoring.

### **Procurement issues – main building contract**

For four of the projects reviewed there were issues with how the main building contractors were procured. For example, for some contracts no evidence was presented to show that the contract was advertised on OJEU, no evidence was presented to show the contract was advertised on eTenders or other media, not enough time was allowed for the submission of tenders, not enough candidates were selected/shortlisted who met qualification criteria, no evidence was presented to show that the contract award notice was published in OJEU or other media, and the evaluation team did not include independent representation.

Contracts above the EU thresholds must be advertised in the Official Journal of the European Union (OJEU) and minimum prescribed times allowed for responses. There should be adequate evaluation criteria in place to evaluate all tenders and evidence of this evaluation should be maintained by authorities to demonstrate that the most suitable supplier was selected based on the evaluation criteria.

### **Procurement issues - consultants**

For two of the projects reviewed (included as part of the four projects above) there were issues with how the consultants hired for the projects were procured. For one project, a public tendering process was not gone through for the appointment of consultants. The consultants were hired by invitation. For the other project, there was no evidence presented re the procurement process employed by the voluntary body for the appointment of consultants. Therefore it appears that the consultants were appointed by invitation. Public procurement procedures should be followed for the appointment of consultants.

### **Tax clearance issues**

For three of the projects reviewed there were tax clearance issues. All payments were made by the local authorities to the voluntary bodies concerned, which were all registered charities. However no documentation was supplied by the voluntary bodies at the time of the spot-check to show that tax clearance certificates or C2 certificates were obtained or maintained for the building contractors and consultants hired for these projects.

### **No post project review**

Of the five projects reviewed, four projects were completed at the time of the spot-check. Post project reviews were not completed for three projects. In evaluating a project post-completion, it should be established whether the basis on which the project was undertaken proved to be

correct. It should also establish whether the expected benefits and outcomes materialised, and whether the planned outcomes were appropriate responses to the actual public need. It should review the project appraisal and management procedures adopted to determine if they were satisfactory, and whether or not there were any conclusions drawn that may be applicable to other projects, to the ongoing use of the asset, or to associated policies. The post project review should identify whether any stage of the project could have been done better and whether lessons can be applied elsewhere.

## Capital Loan and Subsidy Scheme (CLSS)

The accommodation needs of households who are not in a position to provide housing from their own resources are met through a number of schemes. The Capital Loan and Subsidy Scheme is one such scheme whereby houses are provided by Approved Housing Bodies. The scheme is designed to assist approved Voluntary Bodies to provide accommodation for persons in need of housing. The scheme is intended primarily to encourage the provision of family-type accommodation. The financing of accommodation is by way of loan and subsidy.

A local authority may advance a loan to an approved body to cover 100% of the cost of dwellings. The local authority must approve the costs in advance. A maximum amount applies per unit and 75% of houses must be let to households who are qualified for local authority housing.

Two capital loan and subsidy scheme projects with a total spend of €14,385,149 were reviewed. Both projects were completed, one project since 2005 and the other since 2011.

The table below shows the values and numbers of projects examined.

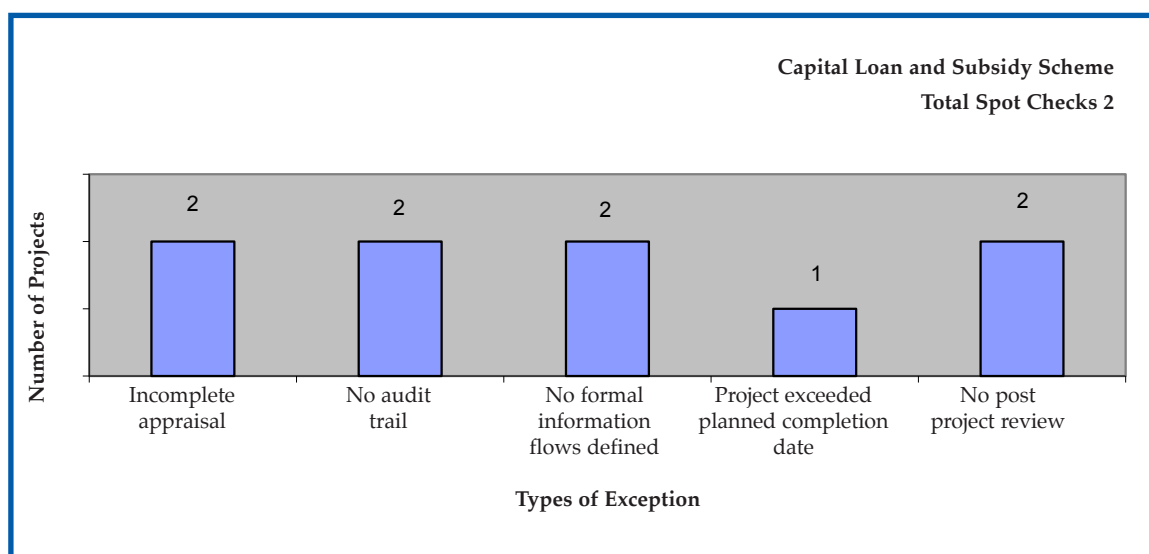
| Capital Loan and Subsidy Scheme Capital Projects |                 | Sample Selected           |       |                 |      |                    |
|--|-----------------|---------------------------|-------|-----------------|------|--------------------|
| Total Estimated Cost<br>€                        | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %    | Average Value<br>€ |
| 127,663,131                                      | 34              | 14,385,149                | 11.3% | 2               | 5.9% | 7,192,575          |

The range of expenditure on CLSS projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 1                  | €1,485,149           |
| €5 million to €30 million  | 1                  | €12,900,000          |
| €30 + million              | 0                  | €0                   |
| <b>Total</b>               | <b>2</b>           | <b>€14,385,149</b>   |



The chart below outlines the most frequent occurring exceptions identified during the spot-checks on the Capital Loan and Subsidy Scheme programme.



## Summary of Findings

### Incomplete appraisal

The two projects subject to the spot-checks were very different in nature. One was the development of a “green field” site, while the other was a regeneration of an existing local authority estate, with tenants in situ. The appraisals performed did not conform to the prescribed procedures set down in the guidelines. One project had a detailed appraisal, following a long consultation process with stakeholders, including tenants. The second project was effectively a “turnkey” development, which had an appraisal of the cost of the units, and an appraisal of demand for social housing in the area. Approvals were received from the Department for both applications.

It should be noted that while some of these projects pre-dated the 2005 guidelines with regard to appraisal and planning stages, the capital appraisal guidelines in place since 1994 are similar to those published in 2005 both in form and content. Therefore many of the procedures which were reinforced through the publication of the 2005 guidelines were in place since 1994.

### No formal information flows

For both projects reviewed, formal information flows were not identified and documented. It is essential that information flows are documented and updated as necessary. In the case of one of the projects reviewed, there was a lack of local authority oversight as they had no active part in monitoring or managing the project. The project was completed around 2005, but there was no further information from the housing association until a request for final payment of €140,416 was received in February 2011. A final account was received in February 2012 but this matter was still unresolved at the time of the spot-check.

### **Audit trails**

Formal audit trails were not documented and recorded in either project. A description of the audit trail was not provided in the documentation presented at the spot-check for any spot-check. The audit trail should specify the location of accounting records (including technical specifications), financial plan, progress reports, tender documentation, a list of all entities involved and also the basis for the allocation of costs/expenditure where costs relate only partly to a project.

### **No post project review**

Both projects were completed at the time of the spot-check. A post project review has not been completed for either project. However, the regeneration project was completed a year ago, and the local authority plan to conduct a comprehensive review, to include the views of tenants. In evaluating the project post-completion, it should be established whether the basis on which the project was undertaken proved to be correct. It should also establish whether the expected benefits and outcomes materialised, and whether the planned outcomes were appropriate responses to the actual public need. It should review the project appraisal and management procedures adopted to determine if they were satisfactory, and whether or not there were any conclusions drawn that may be applicable to other projects, to the ongoing use of the asset, or to associated policies. The post project review should identify whether any stage of the project could have been done better and whether lessons can be applied elsewhere.

# Traveller Accommodation Capital Projects

Traveller accommodation capital expenditure compliance spot-checks were performed in relation to the construction and refurbishment of two halting bays.

Two traveller accommodation capital projects (which were completed or in progress during 2012) were examined with a total estimated cost of €970,043. The table below shows the values and numbers of projects examined.

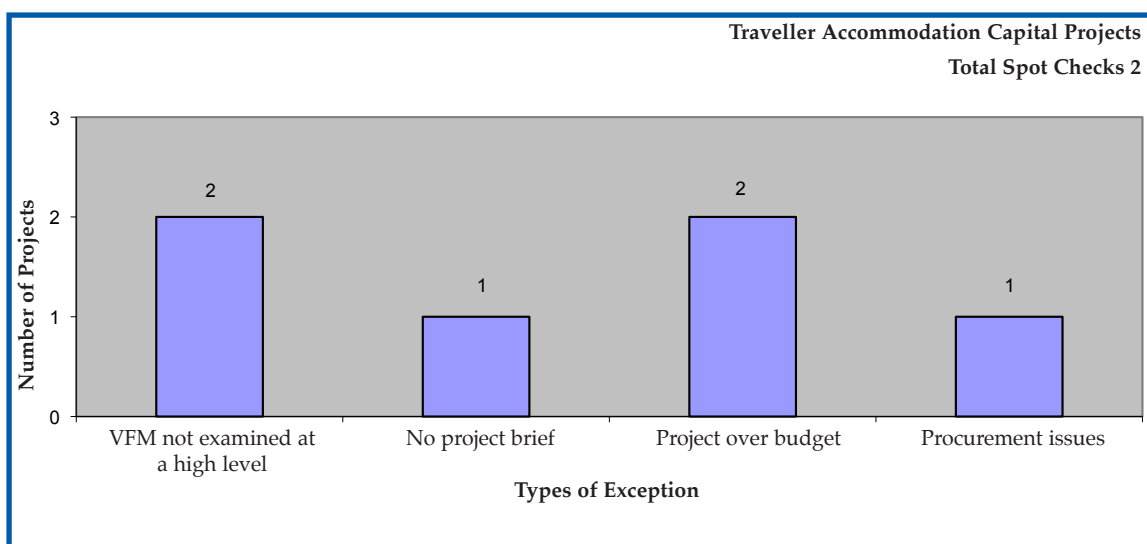
| Traveller Accommodation Capital Projects |                 | Sample Selected           |       |                 |       |                    |
|--|-----------------|---------------------------|-------|-----------------|-------|--------------------|
| Total Estimated Cost<br>€                | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %     | Average Value<br>€ |
| 5,601,654                                | 31              | 970,043                   | 17.3% | 2               | 6.5 % | 485,022            |

The range of expenditure on traveller accommodation capital projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 1                  | €375,043             |
| €0.5 million to €5 million | 1                  | €595,000             |
| €5 million to €30 million  | 0                  | €0                   |
| <b>Total</b>               | <b>2</b>           | <b>€970,043</b>      |

43

The chart below outlines the most frequently occurring exceptions identified during the compliance spot-checks of the traveller accommodation capital projects. Two projects were examined, one was completed, and the second project was at the implementation stage and was approximately midway through the construction phase, at the time of the compliance spot-check.



## Summary of Findings

### No VFM examined at a high level

In the simple assessments carried out for both projects, VFM at a high level was not examined.

### No project brief

A project brief as envisaged by the guidelines, was not prepared in one of the projects, but a preliminary appraisal submission was made to the Department which addressed a number of the factors expected to be referenced in a project brief.

### Project over budget

In the completed project, a revised budget cost approval was sought to cover the cost of additional works carried out, that were not included in the original plan. Some of these works should probably have been included in the original project plan. Department approval for the extra expenditure had not yet been granted at the time of the capital spot-check.

At the time of the capital spot-check, the cumulative amount spent to date on the second project had not exceeded the approved budget cost. However, it is expected that the final cost of that project will exceed the approved budget and that the Council will apply for additional funding from the Department.

### Procurement

The Department gave approval in one of the projects for the Council to utilise its' own direct labour team and consequently there was no tender process for a major contractor. The project was designed in-house using the Council's own architects. The only outside consultant hired on this project was for less than €1,000. The procurement guidelines were followed in relation to all other works that were carried out on this project.

In the second project, the consultant architects were appointed by invitation. The value of the contract was of a size that warranted it to be advertised and for tenders to be sought. No such competition was carried out and the appointed firm were given additional work on the project for which tenders should also have been sought.

# Remedial Works Scheme

Under the Remedial Works Scheme (RWS), which was introduced in the mid-1980s, capital assistance may be made available to local authorities to fund major refurbishment works to their rented dwellings which they cannot fund from their own resources. These dwellings fall into the following categories:

- those with serious design or construction defects;
- run-down urban estates.

It is no longer a requirement that dwellings must be constructed pre-1960. Dwellings purchased from a local authority may be included in a project where it is considered by the local authority that their inclusion is necessary in order to avoid an unacceptable or incongruous result to the refurbishment of the estate. In these cases the maximum capital contribution is 50% of the cost of the eligible works. Works of an environmental nature may also be included where they are considered necessary to support the works undertaken to the dwellings. The refurbishment of single dwellings does not qualify under the scheme. It is a condition of funding under the RWS that the local authority implements improved management and maintenance procedures for the estates involved.

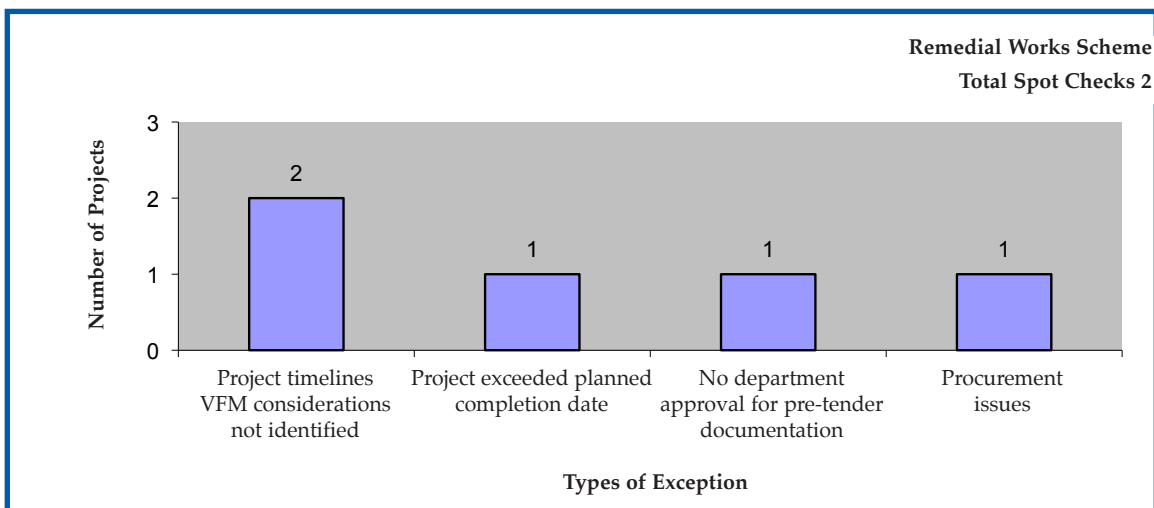
Two Remedial Works Schemes (which were completed or in progress during 2012) were examined with a total estimated cost of €28,083,752. The table below shows the values and numbers of projects examined.

| Remedial Works Scheme Capital Projects |                 | Sample Selected           |       |                 |      |                    |
|--|-----------------|---------------------------|-------|-----------------|------|--------------------|
| Total Estimated Cost<br>€              | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %    | Average Value<br>€ |
| 89,676,521                             | 37              | 28,083,752                | 31.3% | 2               | 5.4% | 14,041,876         |

The range of expenditure on Remedial Works projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 0                  | €0                   |
| €5 million to €30 million  | 2                  | €28,083,752          |
| <b>Total</b>               | <b>2</b>           | <b>€28,083,752</b>   |

The chart below outlines the most frequently occurring exceptions identified during the compliance spot-checks of the remedial works scheme projects. There were two projects selected for examination, one has been completed and the other project is ongoing. Both projects were for the refurbishment of houses in estates constructed prior to 1960.



## Summary of Findings

### Project timelines VFM considerations not identified

Appraisals were located for both projects and Department approval was received. However, appraisals consistent with the Department of Finance guidelines were not obtained. Appraisals did not include details of brief estimates of costs and resources for the projects, did not indicate a timeline for the projects, and did not examine the value for money of the projects at a high level.

### Project exceeded planned completion date

The construction period for one project was 92 weeks as specified per the construction contract. However, the project was 26 months over time budget as at January 2013 as there were changes to site works drawings regarding phase 1. A playground and football pitch was brought forward from phase 3 to phase 1, and the civic space was brought forward from phase 2 to phase 1.

### No pre-tender review

Information flows were identified, project briefs were developed and project management structures were established for both projects that were reviewed. The selection and subsequent appointment of both construction contractors was also subject to the performance of tender evaluation processes and Department approval was given for the appointment of the two construction contractors.

However, it was identified for one project that Department approval for the contract documents to proceed to tender was not obtained as no pre-tender documentation was submitted to the Department for approval.

**Procurement Issue**

Procurement guidelines were not always completely followed. There was no evidence of a tender process for the engagement of the architect on one project, as they had worked on Phase 1 and had their contract extended to Phase 2 of the project.

# Housing Regeneration

The national regeneration programme targets the country's most disadvantaged communities; those defined by the most extreme social exclusion, unemployment and anti-social behaviour. This programme of regeneration seeks to address the causes of disadvantage in these estates through major regeneration projects including refurbishment, demolition and construction works. The major regeneration projects currently being supported are in Limerick City, Dublin City, Cork City and Waterford City, along with estates in Sligo, Tralee and Dundalk.

Three regeneration housing capital projects were examined with a total estimated cost of €38,701,750. This scheme provides funding for the regeneration of housing estates. The table below shows the values and numbers of projects examined.

| Housing Regeneration Capital Projects |                 | Sample Selected           |      |                 |     |                    |
|---------------------------------------|-----------------|---------------------------|------|-----------------|-----|--------------------|
| Total Estimated Cost<br>€             | No. of Projects | Total Estimated Cost<br>€ | %    | No. of Projects | %   | Average Value<br>€ |
| 195,494,837                           | 49              | 38,701,750                | 19.8 | 3               | 6.1 | 12,900,583         |

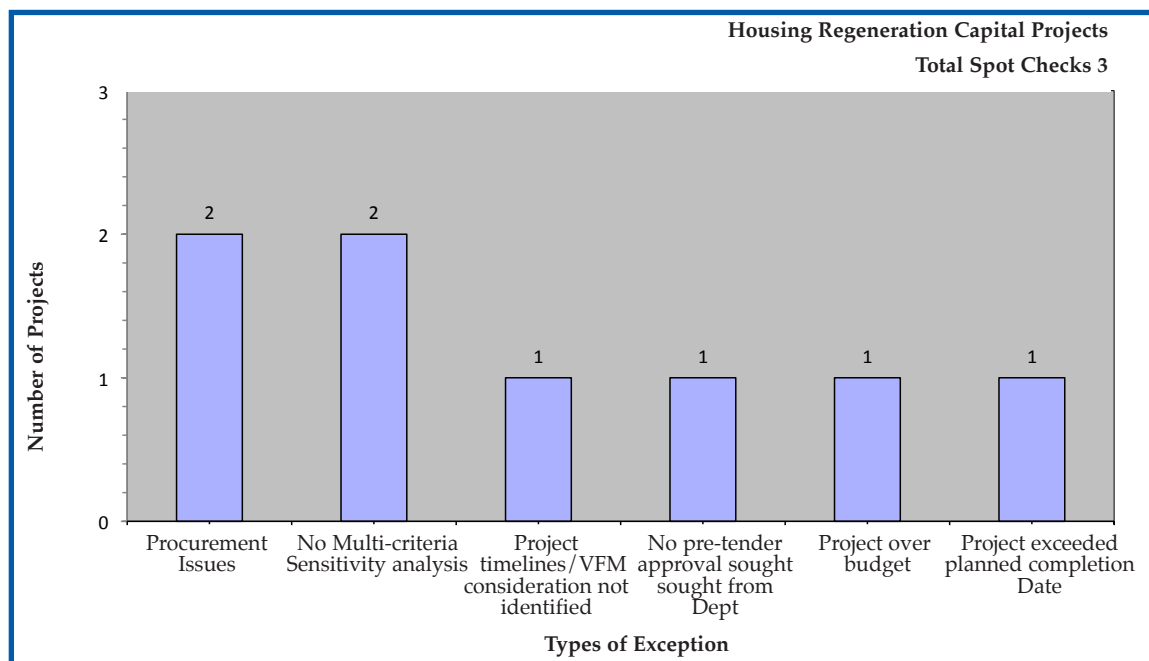
The range of expenditure on regeneration programmes reviewed was:

48

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 1                  | €4,335,097           |
| €5 million to €30 million  | 2                  | €34,366,653          |
| <b>Total</b>               | <b>3</b>           | <b>€38,701,750</b>   |



The chart below outlines the most frequently occurring exceptions identified during the spot-checks on the regeneration projects. It should be noted that one project was completed and two projects were at implementation stages.



## Summary of Findings

### Procurement

In the course of the performance of the spot-checks it was found that procurement guidelines were not adhered to in two projects. Failure to follow procurement guidelines on the initial appointment for consultancy services and in the extension of consultant's contracts was noted. In two of the projects there was a failure to carry out a tender process as required by procurement guidelines prior to the appointment of consultants. Payments to one of these consultancy firms have exceeded the EU threshold level requiring an open and transparent tendering process and that the competition be advertised in the OJEU.

In one of the projects the employment of a consultant, initially appointed in compliance with procurement guidelines, was extended with a significant increase more than doubling the contract value without a new tender competition having taken place. Where significant contract increases are identified for consultants engaged on a project EU Procurement Directives require that a new tender competition be carried out.

### Multi-criteria and sensitivity analysis

The performance of a multi-criteria and sensitivity analysis was applicable to two of the three regeneration projects reviewed as the approved project expenditure exceeded €5m. Of these it was found that two had not performed a multi-criteria analysis and one of these two had not carried out a sensitivity analysis. A multi-criteria analysis should reflect the cost of the capital

project and also the potential size of the public contribution to it. The sensitivity analysis should include an evaluation of the project over a range of assumptions such as prices, costs, interest rates, growth rates and demographic changes. These analyses are important steps in the detailed appraisal of projects and are requirements set out in the 2005 Department of Finance Capital Project guidelines.

#### **Project timelines VFM consideration not identified**

Identifying project time lines and examining VFM considerations at an early stage is an important step in the initial appraisal stage of a proposed project. One of the projects reviewed did not examine VFM considerations and identify project timelines during the appraisal stage of the project.

#### **Pre-tender approval not sought from the Department**

At pre-tender stage the most recent cost estimates, designs and planning information for the project should be submitted to the Department for approval to proceed to the procurement stage. The project should not proceed to tender unless approval is received from the Department. Pre-tender stage approval was not sought from the Department for one project reviewed. The Department was not contacted to request pre-tender approval however the Department were aware of progress on the project and did not request the project be submitted for pre-tender approval. Project costs estimates at this stage were below the approved budget.

#### **Project over budget**

The one completed regeneration project reviewed had exceeded the approved budgeted costs. The two projects at the implementation stage were currently within their approved budget. In the project where the approved costs were exceeded the final account is €641,723 (4.5%) above the Departments approved budget as of October 2012. At the time of the spot-check, the Department has not increased the approved budget for this project.

#### **Projects exceeded planned completion date**

The one completed regeneration project reviewed was not delivered within the original timeframe. The two projects at the implementation stage were expected to be completed within the planned timeframe. Unforeseen difficulties with underground substructures encountered when excavations were made for the foundations, the exceptionally inclement weather in the winters of 2009/10 and 2010/11, the delay in sourcing windows to meet the performance level required in the specification and the addition of the solar water heating panels installation to the scope of works resulted in delays. The project was subsequently completed successfully.

# Water Capital Projects

The Water Services Programme is divided into two main elements:

- Water Services Investment Programme (WSIP)
- Rural Water Programme (RWP)

The Water Services Investment Programme is the largest component of the Water Services Programme and relates to the provision of major water and sewerage schemes to meet the strategic objectives for investment in water services infrastructure.

The Serviced Land Initiative (SLI) is a sub-programme of the WSIP for new residential developments. Projects costing less than €5m are eligible for exchequer funding of 40%, with the balance being met by the local authorities, mainly through development levies.

The Rural Water Programme comprises of a number of measures to address deficiencies in group water schemes, small public water and sewerage schemes and private supplies where no alternative group or public supply is available.

Eight water capital projects were examined with a total estimated cost of €141,822,000. Two of the eight projects were completed with the other six at implementation stage. Two of the sampled projects were related as they were a water network and DBO contract and for the purpose of this review they have been examined together as a complete project. The table below illustrates the monetary values and numbers of projects examined. Costs for the reviewed projects have increased between the time of receiving the Department figures, to the point of carrying out the capital spot-check reviews.

All reviewed projects are included in the WSIP. The sampled projects were reviewed in terms of their compliance with the 2005 capital appraisal guidelines. However, in some cases, elements of individual projects pre-date the 2005 guidelines and were reviewed for compliance in line with the Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector published in July 1994.

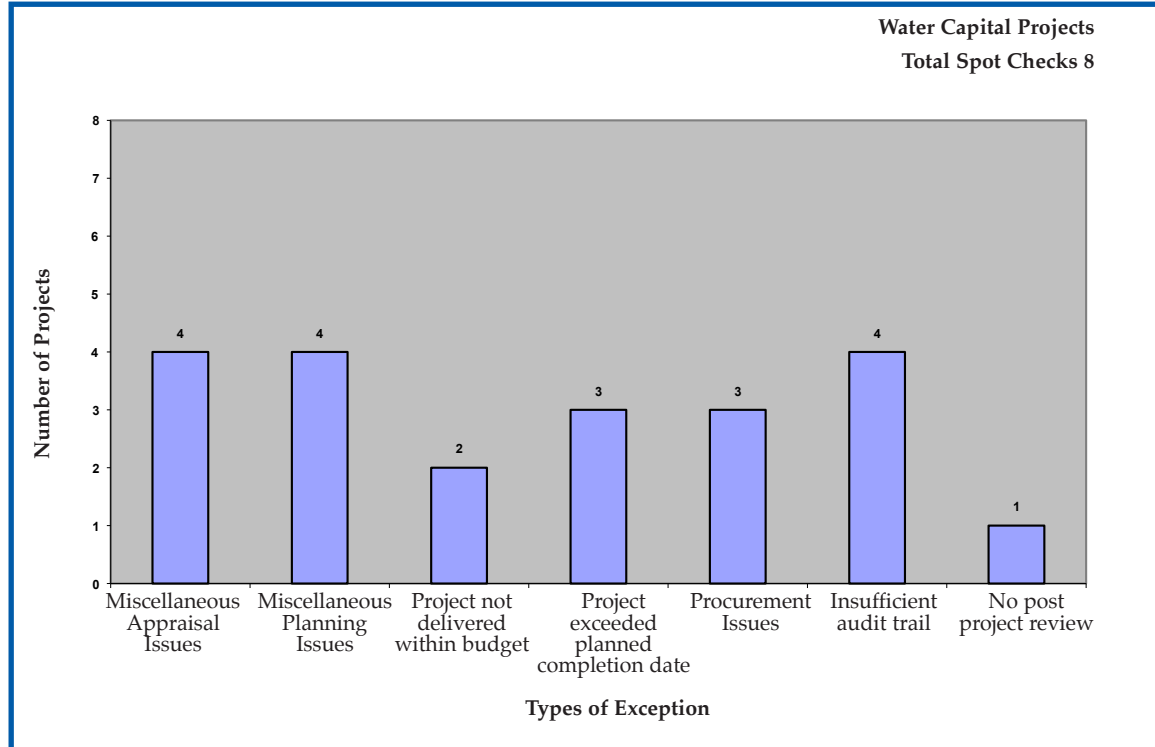
| Water Capital Projects    |                 | Sample Selected           |       |                 |      |                    |
|---------------------------|-----------------|---------------------------|-------|-----------------|------|--------------------|
| Total Estimated Cost<br>€ | No. of Projects | Total Estimated Cost<br>€ | %     | No. of Projects | %    | Average Value<br>€ |
| 977,604,392               | 138             | 141,822,000               | 14.5% | 8               | 5.8% | 17,727,750         |

The range of estimated expenditure on Water Capital contracts reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 3                  | €5,944,000           |
| €5 million to €30 million  | 0                  | €0                   |
| €30 + million              | 5*                 | €135,878,000         |
| <b>Total</b>               | <b>8</b>           | <b>€141,822,000</b>  |

\* Two projects were connected and therefore reviewed under one capital spot-check.

The chart below outlines the most frequently occurring instances of non-compliance, with capital spot-check guidelines. It should be noted all reviewed projects were found to have at least one exception.



## Summary of Findings

One project was found to comply in general with procurement and administrative guidelines. However, this project is estimated to exceed its original budget by c. €26.046m, or in percentage terms by 59.62%. The original budget for the project was c. €43.685m; the estimated outturn is expected to be €69.731m. Examples of significant factors contributing to the additional expenditure are work variations; having to enter into a conciliation process and additional archaeological works. The underlying causes giving rise to the above factors were unforeseeable issues not envisaged at the planning and tendering stages. The form of contract for this project was the old form of contract, in which the sponsoring authority incurred additional expenditure, rather than the construction works Contractor.

A second project reviewed was noted to be over-budget by approximately 25% from the original tender; the final cost of this contract was c. €3.9m. The highest number of exceptions recorded, was from the first project, which recorded six exceptions. The spot-check reviews of the remaining projects found there to be general compliance with the capital appraisal guidelines. Overall instances of exceptions for the projects are considered to be low; the lowest number of exceptions per project was one.

### Appraisal Stage

Issues of non-compliance with the appraisal stage guidelines occurred in four of the capital projects. Examples of non-compliance were as follows:

- The appraisal stage guidelines for one project were considered to be non-applicable, as proposed construction works had to be carried out on the basis of audit findings determined by the EPA.
- Two projects did not identify timeline value for money considerations.
- There was no sensitivity analysis carried out for one project.
- The remaining projects did not record any issues of non-compliance with the appraisal stage.

### Planning Stage

A number of issues of non-compliance with the planning stage guidelines were recorded. Examples of non-compliant issues at the planning stage are as follows:

- Two projects were found to have no formal information flows defined.
- One project had no reporting templates documented.
- Senior decision makers were not identified during the review of one project.

### Implementation Stage

A total of five exceptions were recorded with the implementation stage guidelines. Three projects exceeded their planned completion dates and two were over-budget.

- For one project, expected expenditure is estimated to be over-budget by c. €26.046m. The projects' original completion date was exceeded by two years. Please see the above paragraph heading 'Summary of Findings' for further details.
- Another projects final outturn was also found to be over-budget. The final cost was estimated at €3.9m, when the current approved budget was €3.1m, at the time of the spot-check.

### **Procurement**

Three projects were found to have issues of non-compliance with the procurement guidelines. The issues of non-compliance are as follows:

- For the first project there was insufficient evidence to determine the procurement process for the initial appointment of the Consultant Engineer.
- In the case of the second project, the remit of the Consultant Engineer was extended to include the project, on the basis of having been previously appointed to a related but separate contract, and not procured by formal tendering procedures.
- In the third project, the local authority terminated the original tender process, under procurement rules, as all tenders received were considered non-compliant. It was agreed with the Department to retender and not to pre-qualify selected candidates again. This led to a consortium challenging the decision as to their non-compliance and a settlement of €1.75m was reached on the basis of legal advice and a risk assessment of the legal costs likely to be incurred and the delay that would be incurred on this vital project to increase water production capacity for the Dublin area were legal proceedings likely to ensue.

### **Evaluation Stage**

Of the eight projects reviewed, the evaluation guidelines were not applicable to six of them, as they were at implementation stage. One project had not yet agreed the final account. In the case of a project, which was completed, the local authority did not carry out a post-evaluation review, and therefore was not compliant with the evaluation stage guidelines.

### **Audit Trail**

Four projects were noted to have lacked detailed documented audit trails.

### **Tax Clearance**

No issues of non-compliance were noted in relation to tax clearance matters for the reviewed projects.

## Waste Capital Projects

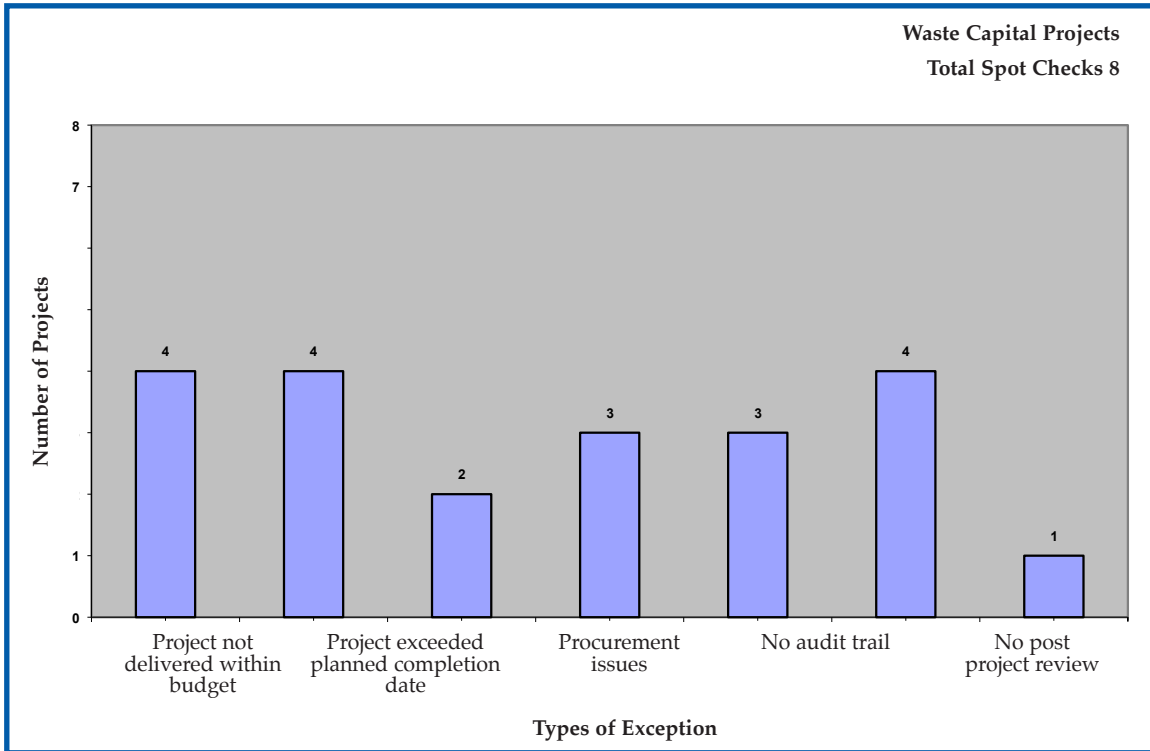
For Waste capital projects two areas were examined – Waste Infrastructure Capital Grants and Landfill Remediation. For the purpose of this review, eight projects with a total spend of €23,459,699 were spot-checked. Four of the projects related to landfill remediation schemes and only expenditure incurred after the 1 March 2006 was applicable for Grant funding, under Circular WIR 2/06. The Environmental Protection Agency (EPA) are the regulating authority for environmental issues and in so doing, the agency license the operation of all landfills. The requirements of the Environmental Protection Agency licences specify requirements regarding Capping, Remediation and Landfill. The table below shows the values and numbers of projects examined. Six projects were completed and two were at implementation phase.

| Waste Capital Projects    |                 | Sample Selected           |        |                 |      |                    |
|---------------------------|-----------------|---------------------------|--------|-----------------|------|--------------------|
| Total Estimated Cost<br>€ | No. of Projects | Total Estimated Cost<br>€ | %      | No. of Projects | %    | Average Value<br>€ |
| 208,784,793               | 146             | 23,459,699                | 11.2 % | 8               | 5.5% | 2,932,462          |

The range of expenditure on Waste projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 2                  | €784,059             |
| €0.5 million to €5 million | 3                  | €3,680,957           |
| €5 million to €30 million  | 3                  | €18,994,683          |
| <b>Total</b>               | <b>8</b>           | <b>€23,459,699</b>   |

The chart below outlines the most frequently occurring exceptions identified during the spot-checks on the waste projects.



## Summary of Findings

### Project over budget/ exceeded planned timeframe.

Four of the projects under the compliance spot-checks, exceeded the project cost budget, while three exceeded the planned completion date. Projects exceeded the planned completion primarily due to extreme weather conditions. Four projects exceeded the cost budget due to additional works, increased quantities, variations to works, cost of imported subsoil and extensions of time due to weather conditions.

### Procurement

In the course of the performance of the spot-checks, it was found that in three projects there was no evidence of a tender evaluation process for the selection and subsequent appointment of consultants. It was noted that these projects commenced ten or more years ago. For contracts in excess of €50,000 it is recommended that the appointment of contractors and consultants should be subject to the performance of a tender evaluation process. The evaluation of the tenders should be performed using adequate evaluation criteria and evidence of the tender evaluation process should be maintained.



### **No Audit Trail**

A description of the audit trail was not provided in the documentation presented for seven of the spot-checks. The audit trail should specify the location of accounting records (including technical specifications), financial plan, progress reports, tender documentation, a list of all entities involved and also the basis for the allocation of costs/expenditure where costs relate only partly to a project.

### **Post Project Review**

Six projects which had been completed at the time of the spot-checks and which had not been subject to the performance of a post project review. The review should examine that the basis upon which the project was undertaken was accurate and if the expected benefits were delivered by the project. The project appraisal and management procedures should be reviewed to identify if any stage of the project could have been performed better.

## Fire and Emergency Services Capital Projects

Under the Fire and Emergency Services Capital Programme one Fire Services capital project (which was completed or in planning/progress during 2012) was examined with a total estimated cost of €1,300,000. The table below shows the value and number of projects examined.

| Fire Capital Projects     |                 | Sample Selected           |        |                 |     |                    |
|---------------------------|-----------------|---------------------------|--------|-----------------|-----|--------------------|
| Total Estimated Cost<br>€ | No. of Projects | Total Estimated Cost<br>€ | %      | No. of Projects | %   | Average Value<br>€ |
| 11,602,500                | 10              | 1,300,000                 | 11.2 % | 1               | 10% | 1,300,000          |

The range of expenditure on Fire Services capital projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0.5 million to €5 million | 1                  | €1,300,000           |

58

The project examined was a completed project. Exceptions identified during the spot-check of the fire services capital project included no audit trail, information flows were not identified, and post project review not completed.

# Local Services Capital Projects

Local Services capital expenditure project spot-checks were performed in relation to the design and construction of a new library.

One local services capital project (which were completed or in progress during 2012) was examined with a total estimated cost of €3,000,000. The table below shows the values and number of projects examined.

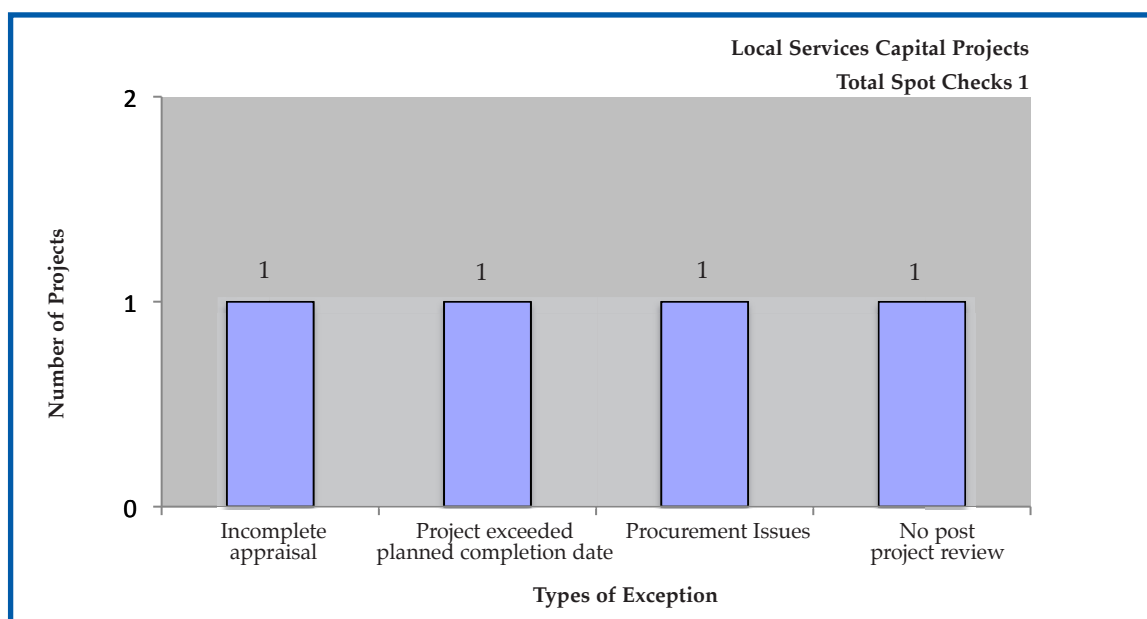
| Local Services Capital Projects |                 | Sample Selected           |        |                 |       |                    |
|---------------------------------|-----------------|---------------------------|--------|-----------------|-------|--------------------|
| Total Estimated Cost<br>€       | No. of Projects | Total Estimated Cost<br>€ | %      | No. of Projects | %     | Average Value<br>€ |
| 23,444,000                      | 13              | 3,000,000                 | 12.80% | 1               | 7.7 % | 3,000,000          |

The range of expenditure on Local Services Capital Projects reviewed was:

| Expenditure Range          | Number of projects | Total Estimated Cost |
|----------------------------|--------------------|----------------------|
| €0 to €0.5 million         | 0                  | €0                   |
| €0.5 million to €5 million | 1                  | €3,000,000           |
| €5 million to €30 million  | 0                  | €0                   |
| <b>Total</b>               | <b>1</b>           | <b>€3,000,000</b>    |

59

The chart below outlines the exceptions identified during the spot-check of the local services capital project. The project selected is completed and open to the public but a final account has yet to be prepared and a post project review will be carried out at that stage.



## Summary of Findings

### Incomplete appraisal

There was no timeline indicated in the simple assessment carried out for this project. However timelines were prepared to cover the work of the main contractor and also for their eventual replacement. The simple appraisal of the project did not identify project risks nor assess the impact of those risks. Consequently, a risk management strategy was not devised.

Sensitivity Analysis includes the evaluation of a project over a range of assumptions including prices, costs, interest rates, growth rates or demographic changes. No such analysis was carried out for this project but changes in the local demographics were taken into account in the simple assessment. A multi-criteria analysis which reflects the cost of the project and the potential size of the public contribution to it was not carried out.

### Project exceeded planned completion date

A number of delays were experienced on this project. The original contract had to be retendered as the incorrect format of contract was used, and the Department stated that it would not fund the project, unless the new fixed price contract was used. The second delay was caused by the main contractor going into receivership in the middle of the contract. This delay inevitably lead to increased costs but the overall cost achieved, despite these delays, was far lower than the initial cost estimated.

### Procurement issue

Evidence of compliance with the procurement guidelines, when engaging consultant architects was not provided. The consultant architects were appointed by invitation rather than by open competition. Compliance was observed with the guidelines in respect of the engagement of all other consultants and with the engagement of the main contractor(s).

### No post project review

The library was handed over in October 2012, a post project review is scheduled for 2013, as the final account had not been received at the time of the spot-check.