

Local Government Audit Service Value for Money Unit

**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 2010 and/or 2011**

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



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



December 2012

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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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 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. The consultants also implemented a training programme for Department staff in spot-checks and review procedures to develop in-house capacity.

Compliance spot-checks of capital projects funded by the Department and undertaken by local authorities in 2008, 2009 and 2010/11 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.

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Scope of the compliance spot-checks report

This is the third report produced dealing with the spot-check and review 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 2010 and/or 2011. 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 that a minimum coverage of 5% of approved capital expenditure. 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 2010/11 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 2009 spot-checks were selected.

Basis of selection of sample

Capital Programme	Sample selection process
Housing SHIP	The three largest capital projects were selected (all greater than €15m), and random interval selection of twelve capital projects less than €15m
Housing CAS	Random interval selection of nine capital projects
Housing CLSS	Random selection of three capital projects
Remedial Works Scheme	Random selection of two capital projects
Water	One capital project greater than €60m was selected and random interval selection of ten capital projects less than €60m
Waste	Random interval selection of seven projects
Fire and Emergency Services	Random selection of two capital projects
Local Services	Random selection of two capital projects
Traveller Accommodation	Random selection of three capital projects

Key work undertaken

In early 2012 staff of the LGAS visited 33 local authorities and carried out compliance spot-checks on 54 capital projects for 2010/11 with a total estimated cost of €343,473,342 across 7 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 a project summary report for sign-off by the Director of Service in the local authority, as to the factual accuracy of the report. All agreed project summary reports are sent to the relevant City/County Manager and 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 2010/2011 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 ¹	1,069,571,119	306	3,459,330	8.3%	88,771,573	15	5,918,105	4.9%
Housing CAS ²	502,975,076	184	2,733,560	4.9%	24,535,763	9	2,726,196	4.9%
Housing CLSS ³	289,236,487	49	5,902,785	6.4%	18,379,684	3	6,126,561	6.1%
Remedial Works Scheme (RWS)	101,783,613	22	4,626,528	10.2%	10,354,324	2	5,177,162	9.1%
Water	1,870,973,804	218	8,582,449	9.1%	170,944,329	11	15,540,394	5%
Waste	197,058,395	141	1,397,577	9.3%	18,263,912	7	2,609,130	5%
Fire and Emergency Services	13,855,000	10	1,385,500	15.2%	2,100,000	2	1,050,000	20%
Local Services	59,540,211	20	2,977,011	11.8%	7,039,930	2	3,519,965	10%
Traveller Accommodation	12,645,182	43	294,074	24.4%	3,083,827	3	1,027,942	7%
Total	4,117,638,887	993	4,146,666	8.3%	343,473,342	54	6,360,617	5.4%

- 1 SHIP (Social Housing Investment Programme)
 2 CAS (Capital Assistance Scheme)
 3 CLSS (Capital Loan and Subsidy 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 2010/11	Total 2009
Housing:						
SHIP	1	8	6	0	15	11
CAS	2	6	1	0	9	5
CLSS	0	2	1	0	3	3
Remedial Works Scheme	1	0	1	0	2	0
Water	0	3	7	1	11	14
Waste	1	5	1	0	7	5
Fire and Emergency Services	0	2	0	0	2	2
Local Services	0	2	0	0	2	4
Traveller Accommodation	1	2	0	0	3	2
Total	6	30	17	1	54	46

Overview of key exceptions for all projects

- Incomplete appraisals in 17 projects
- Procurement issues in 23 projects
- No post project review in 19 projects
- Projects not delivered within budget timeframe in 14 projects
- Project not delivered within budget cost in 9 projects
- Project timelines/VFM considerations not identified at appraisal stage for 9 projects
- Lack of local authority oversight in 6 projects
- Project planning issues in 6 projects
- No project brief or incomplete brief for 3 projects
- Final account not agreed in a timely manner for 2 projects
- No evidence of formal Department approval for 2 projects

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 capital projects: SHIP	€88,771,573	15	<ol style="list-style-type: none"> 1. Project timelines/VFM considerations not identified at appraisal stage (9) 2. Project exceeded completion date (8) 3. No post project review performed (6) 4. Procurement issues (6) 5. Project over budget (5) 6. Incomplete/no formal appraisal (4)
Housing capital projects: CAS	€24,535,763	9	<ol style="list-style-type: none"> 1. Incomplete appraisal (3) 2. No formal project progress reports (2) 3. No formal information flows defined (2) 4. No formal project management structures (2) 5. No post project review (2) 6. Lack of local authority oversight (3)
Housing capital projects: CLSS	€18,379,684	3	<ol style="list-style-type: none"> 1. Incomplete appraisal (3) 2. No project brief (3) 3. Lack of local authority oversight (3) 4. Procurement issues-main building (3) 5. Procurement issues-consultants (3) 6. No post project review (2)
Remedial Works Scheme	€10,354,324	2	<ol style="list-style-type: none"> 1. Incomplete appraisal (1) 2. Projects not delivered within time (2) 3. No post project review (1) 4. Procurement Issues (1)
Water capital projects	€170,944,329	11	<ol style="list-style-type: none"> 1. Miscellaneous appraisal issues (6) 2. Miscellaneous planning issues (6) 3. Project not delivered within budget/ time (4) 4. No final account agreed (2) 5. No post project review (3) 6. Procurement issues (5) 7. Insufficient audit trail (2)
Waste capital projects	€18,263,912	7	<ol style="list-style-type: none"> 1. No post project review performed (4) 2. Procurement issues (4) 3. No evidence of formal Department approval(2) 4. No Department pre-tender approval (2) 5. No formal progress reports (1) 6. No audit trail (1)
Fire and emergency capital projects	€2,100,000	2	No exceptions arising
Local services capital projects	€7,039,930	2	<ol style="list-style-type: none"> 1. No post project review performed (1) 2. Procurement Issues (1)
Traveller Accommodation capital projects	€3,083,827	3	No exceptions arising

Principal Findings by Expenditure Range

Projects > €30 million range
Number of projects examined 1

Water Programme

- This major project covers the entire Dublin region and is part of the Water Services Investment Programme (WSIP) 2005-2007 whereby €118m has been allocated by the Department for water mains rehabilitation. Tranche 1 comprises 5 contracts and this capital spot-check is on contract 2. Planning commenced in 2006 with rehab works estimated to take 5 years to complete. The appraisal, planning and implementation phases have complied with the guidelines. This contract was originally awarded in the amount of €3,275,015. The final account report sent to the Department totalled €5,665,533. The increase was due to additional works, price variation and some claims.

Projects within the €5 million to €30 million range
Number of projects examined 17

Housing Programme

Under the SHIP there were six projects within this expenditure range category.

- The first project was for the provision of 17 apartments incorporating technologies which enhanced the quality of life for senior citizens, along with a communal facility. The approved Department budget towards the scheme was €5.1m. The project was compliant for the appraisal and implementation guidelines and partially compliant with the planning and tendering guidelines. The costs plans presented for review dealt only with the construction element, therefore to establish a total budget to completion was not possible. Procurement for the construction contract was compliant, however the final expenditure on the procured consultants exceeded €678k and advertising on OJEU (Official Journal of the European Union) would have been appropriate. A review of the project expenditure highlighted a number of suppliers/contractors for which there was no evidence of procurement. The project was considered partially compliant with tax clearance (no evidence on file) and audit trail requirements. A post project evaluation was performed but it did not include a complete financial evaluation of the project inclusive of all costs compared with the budget.
- The second project related to a turnkey development of 16 units in response to social housing need in the area. The project originated in 2004 with newspaper advertisements for submissions. Department approval and planning permission was applied for in 2006. A tender was accepted in July 2007 and budget approval obtained for €2.7m. Capital appraisal, planning and implementation guidelines were complied with. This was a standard turnkey project completed following Department guidance and therefore there was no post project review performed.

- The third project related to Phase 4 providing for 29 social housing units. Appraisal work began in 2002, approval in principle was given from the Department in 2004, and pre-tender approval in 2005. Consulting engineers, architects and quantity surveyors were appointed from panels in 2005 and they prepared tender documents. In January 2006 the tendered contract was awarded for €5.9m with Department approval and for completion in 18 months. In January 2007 Department approval was given to combine phases 4 and 5 (7 infill houses). In March 2011 final account was produced for construction cost of €8.3m and project cost of €9.3m and in December 2011 Department revised budgetary approval was obtained. The project complied with the appraisal, planning, implementation and procurement guidelines. A post project review was also performed.
- The fourth project related to the demolition of 24 units and the construction of 52 housing units. The project commenced construction in November 2006 over three phases, and was completed in December 2009. The original approved budget was for €13.7m, and the most recent approved budget (June 2009) was for €15.9m. The original budget and timeframe were exceeded due to the utility company requesting relocation of services, upgrading and cost associated with extended construction period. The project was in overall compliance with the guidelines for appraisal, planning and implementation. Payments made to three consultancy firms, each in excess of €200k (who were selected from pre-existing panels) exceeded EU procurement thresholds. A post project review was ongoing at the time of this spot-check.
- The fifth project related to the construction of 139 housing units per the project brief. In June 1999 an action plan was produced for the area by consultants. This was revised in 2005 and an initial budget submission to the Department in 2007 for €19.5m, led to approval of funding of €16.6m. During the course of the project the number of units was reduced by 28 due to issues with ESB pylon and power lines. The original main contractor was paid €450k for loss of profit on these units. In addition a shared road to be provided by an adjoining developer was never built and the Council had to provide another means of access. The project commenced in August 2006 and was due to complete in August 2011. In April 2010 the contractor notified the local authority that he was unable to complete the development. The local authority called on the Bondsman who retendered to complete the development for €1.3m. A final account of €1.6m was agreed in May 2011, the main reasons for the increase were defects under the previous contractor of approx. €205k which were covered under the bond. The appraisal guidelines were not complied with for a number of reasons including not obtaining Department approval prior to proceeding to tender, not including site costs in initial funding application and no advice sought from the National Development Finance Agency (NDFA), issues around road access and ESB lines etc. The project did not comply with planning guidelines for several reasons including changes made to the project plan after tendering and not at the planning stage e.g. removal of district heating system element of the project. There were procurement administrative issues around the main contract. Consultant engineers were appointed on the basis of a fixed fee relating to the original quantity of 139 units. The fixed price contract was increased due to

additional work for construction of access road and completion cost bond, supervision of site works took four years instead of original duration of two years and exceeded the budget. A post project review had not been completed for this project. The local authority was in the process of agreeing a final funding figure with the Department at the time of this review.

- The sixth project involved the demolition of former social housing complex and the construction of two phases of 63 housing units and a concierge/community unit. Department approval following the tender process was for €17.9m in 2005. This approval was increased in October 2010 to €18.8m, but the final account was for €19.2m. The project commenced in June 2006 and was completed beyond the budget timeframe in June 2010. The main contract tender process complied with the guidelines. Fees paid to consultant architects were twice the estimated fee from date of appointment in 2001. Consulting QS were also paid twice the estimated fees which exceeded the EU threshold and should have required an open tender process. A post project review has recently been initiated.

Under the CAS there was one capital project within this expenditure range category.

- This project involved the acquisition of 59 social housing units being provided as part of a Part V agreement. Building work commenced in 2008 and was substantially completed in 2010, but final payment and final account were only being completed in January 2012. The project was managed, implemented and monitored by Respond and therefore the capital appraisal guidelines are not applicable as it is a Part V agreement. However, a simple assessment was carried out as part of the Part V negotiations and approval given by the Department. The Council's Part V team liaised with Respond and received certificates for payment, backed by architect's certificates during construction of the project. An evaluation of the proposal to ensure value for money was carried out by the Senior Executive Quantity Surveyor during the Part V negotiation process.

Under the CLSS there was one capital project within this expenditure range category.

- This was a social rented housing project consisting of 49 duplex apartments and was funded by a loan under the CLSS advanced to NABCo (an approved housing body). The project was designed in-house by the Council and approved as a Part 8 development in 2004. Approval for funding was given in July 2007 and work commenced in January 2008. Final account received in February 2010 show variations to the contract sum of €1m. The project did not fully comply with the appraisal, planning, implementation and evaluation guidelines. The main building contract was tendered and awarded for the lowest price. No evidence was presented to show that consultants (architects, quantity surveyors, engineers, mechanical and electrical services etc.) were hired through a tendering process.

Under the Remedial Works Scheme (RWS) there was one capital project within this expenditure range category.

- This project was the refurbishment of 36 social housing units in an estate of 78 houses. The work also included exterior and environmental enhancement works such as footpaths, boundaries, gardens and work to the estate as a whole. A project team was assembled by the Council in 2002 and work was subject to Part 8 planning process. Tenders were advertised in April 2006 and awarded to the lowest bidder. The building works contract was signed in 2007 and works completed in December 2009. There was no evidence of a tendering process for consultants, although architects were invited to submit a fee proposal. The project was completed under budget, a post project review has not yet been performed as the final account was only recently agreed.

Water Programme

There were seven projects within this expenditure range category.

- The first project was for the construction of a waste water treatment plant, upgrading pumping station and pipe network construction. The origins of the project pre-date the 1970's. In 1992 the Department approved a preliminary report, contract documents were prepared and amended several times between 1994-2006. Appraisal, planning and implementation appear to have been well managed and in compliance with the guidelines. Consulting Engineers were appointed by invitation in 1989. Following open tendering and contract award, the main civil works contractor ran into severe financial difficulties and was unable to complete the project, which was assigned to an alternate under conditions of the contract. The County Council obtained legal advice in relation to this assignment. A commercial settlement was agreed with the alternative civil works contractor and this increased the cost of the contract by 74% from the tender amount. The assigned contract related to the same scope of works as was tendered initially, other than the work that had been completed by the original contractor. A post project review is planned for Q4 2013.
- The second project related to building a pumping station and laying sewer pipeline to connect to the City Council's treatment plant. The project origins pre-dated 2000 and therefore there was no evidence of the initial appraisal. Consultant engineers were reappointed after a lapse of 21 years following legal advice from the local authority's law agent. The main contract works were tendered, and an additional 35% had been agreed and paid to the main contractor. A final account had been received but not yet agreed as there was approx. €4m extra claimed. The contract was referred to conciliation and a conciliator assisted commercial settlement has been agreed. The advance contract exceeded the tender price by 35%. No post project review has been prepared.
- The third project was a DBO (design, build and operate) of a wastewater treatment and pumping station for 11 towns and villages in the county. The project was near completion of the build phase and commencing the operation phase at the time of the spot-check. The design report (prepared in 2005) estimated the cost at €7.06m, final

payment certificates indicate that the final costs, including a price variation clause, will be approximately €11.5m. A Public Sector Benchmarking report was prepared by consultants and submitted to the Department for approval in April 2007. Appraisal, planning, implementation and tendering guidelines were followed. Post project review has not yet been prepared as the final account has not yet been received.

- The fourth project related to building a new pumping station and pipeline network and was originally planned in the late 1980's. A preliminary report was prepared in 1994 with a brief for the consultants prepared in 2001. A revised preliminary report was produced in May 2004. It was approved by the Department in June 2005, and contract documents approved in May 2007. Construction commenced in June 2008, due completion date was March 2012.
- The fifth project relates to two contracts, a pipeline network and a wastewater treatment plant for the County Council. The network was advanced by traditional procurement while the wastewater treatment was procured by a DBO contract. The approved Department costs were €19.538m, cost increases of some €243k have occurred for which Departmental approval was not received as at the end of January 2012. Further expenditure of approx. €3.4m was expected giving an overall estimated outturn of over €23m. The build project was substantially completed in 2010 but final account had not yet been received, and one of the parties to the joint venture has since gone out of business. There was no evidence of a project brief or timeline for completion of works. The project originated with the Town Council in 1979, and therefore there was inadequate evidence detailing the procurement procedures for the consultants.
- The sixth project is a surface water drainage and flood relief scheme along with water mains rehabilitation project, with an approved budget of €20.78m. This project is at implementation stage. Its origins were with the Town Council in 1994 and the County Council took over the project in 2004. The main civil engineering project began in May 2010 and was due for completion in 2012. The project did not fully comply with planning guidelines e.g. there was no programme for completion of works, and there was no timeline at appraisal or planning stage. There were changes to the specification at implementation stage in order to curtail costs. There were issues regarding the tendering assessment process, where a disqualified tenderer appeal was allowed (following legal advice) because the selection criteria and minimum experience requirements were not more precise. Consultants were appointed following a tender process held in 2001, no documentation was provided on the short-listing process or basis of award of the contract.
- The seventh project relates to rehabilitation and replacement of water supply networks and is only at the simple assessment stage. The project has not yet proceeded to the preliminary or detailed appraisal stages, but significant documentation has been prepared at national and local level to provide rationale and justification for the proposed capital works included in the WSIP 2010-2012 for the overall County-wide rehabilitation project.

The element of the County Council's Water Conservation project relating to a rehabilitation element is completed. The Contract commenced on 26 November 2010 and it was completed in late March 2011. The overall Water Conservation Stage 3 project has not yet been approved to advance as an adequate Water Main Rehabilitation Plan has not been submitted. The Water Conservation Work Proposal for a Phase 1 rehabilitation project was submitted but it was not approved. However, the Department did approve the advance of the rehabilitation element (it was approved as rehabilitation works for a Regional Water Supply Scheme).

Waste Programme

There was one capital project within this expenditure range category.

- This project related to landfill remedial works under EPA licensing requirements. There was no tender competition for consultant engineers appointed to the project.

Projects within the €0.5 million to €5 million range
Number of projects examined 30

Housing Programme

Under the SHIP there were eight capital projects within this expenditure range category.

- The first project was the provision of 6 social housing units under a Part V agreement in an area where there was demand as the local authority had no land and had not provided any social housing for some years. The Council got Department approval in February 2008 and the project was completed in 2010 within the approved budget cost. Due to the downturn in the economy the contractor experienced some difficulties. As a result, the local authority worked closely with the contractor and therefore there would have been no benefit in evaluating the project according to the local authority.
- The second project was for the construction of 4 dwellings on an infill site with associated site works. Department approval was granted in May 2006, contractors were on site in December 2008 but due to water, drainage and other technical problems and difficulties with the contractor, work was suspended. Discussions were ongoing between the Council and the Department as how to advance the project. To date €300,000 has been spent of the overall approved budget cost of €834,678. There was an incomplete appraisal and no project brief. The Council states that such tasks would have been undertaken in the design process but may not have been formally documented. The main contract was tendered for but it appears that the consulting engineers were only appointed by invitation.
- The third project for the construction of 10 social houses commenced in December 2007. The main contractor went into liquidation with works approx. 90% completed. The Council retendered and the project was completed in December 2010 within budget.

Appraisal, planning, implementation and procurement guidelines were followed and a post project and final account report has been received for this project.

- The fourth project involved the construction of 9 housing units on a Council owned site. Project planning commenced in February 2003, went to tender in 2007 and was completed in October 2009 (4 weeks over the deadline). The final account was 10% over budget due to unforeseen utility requirements and there was no post project review performed. The project was completed satisfactorily and all units are occupied.
- The fifth project was for the provision of 12 turnkey social housing units. The contract was completed within time and budget. All guidelines for appraisal, planning, implementation and procurement were followed. No post project review was performed but the final account was agreed and approved by the Department and all units are occupied. The Council made the observation that it has difficulty in obtaining housing units under turnkey arrangements due to procurement procedures and the new Government Form of Contract.
- The sixth project relates to the construction of 8 housing units for older persons/ person with disabilities. Significant time delays were due to ground conditions, boundary issues and suspension of works to facilitate the sale of part of the site. There was an incomplete appraisal and procurement issues regarding the extension of the consulting engineer's scope of work and contract, without testing the market. The project cost to date is €1.6m with budget cost approval of €1.94m. It is anticipated that despite time delays it will be completed within budget.
- The seventh project was for the provision of 26 social housing units. Construction commenced in December 2004 and was completed in March 2007. As there were issues with consultants, cost overruns as well as conciliation and arbitration for the earlier phases, the local authority decided to use direct labour and outside contractors for Phase 4. The appraisal was incomplete and there was no project brief. There were a number of procurement issues – no evidence of quotes, no open tendering, no evidence of contracts advertised and details in the tendering book incomplete. The project was not completed within budget or timeframe. Evidence of tax clearance certificates or C2 certificates was not maintained at the time. Although there was a post project review prepared in September 2009, it was incomplete.
- The eighth project was for the construction of 28 social and 26 affordable houses on a green-field site. The project was completed in 2005, the final account submitted in 2006 but not finalised until 2010 and exceeded the budget. The National Building Agency (NBA) was engaged to design the houses and manage the project. All files relating to the project were requested by the local authority from NBA (now disbanded) but were not received, therefore there was no evidence of appraisal, project brief, project management and tendering documentation available for the spot-check. All social houses were let and affordable units were sold.

Under the CAS there were six capital projects within this expenditure range category.

- The first project related to the purchase of a property to provide 7 units for accommodating people with intellectual disabilities and one caretaker. Six adults moved into the property in March 2011. There was an incomplete appraisal and no independent valuation of the property. There has been no post project review.
- The second project was for the purchase of 9 apartments to provide accommodation for young people leaving State Residential Care between the ages of 18 and 23, and for one staff unit. The appraisal, planning and implementation stages were broadly well managed. The project was completed in January 2011 although it did not commence operation by Focus Ireland until late 2011. A post project review was requested by the Department in July 2011, but was only carried out after the issue of the questionnaire relating to this capital spot-check.
- The third project involved the construction of 12 apartments and 3 bungalows as part of a larger development of 55 units incorporating affordable and community development. The project commenced in 2000 and the final account was received in December 2011, within the planned timeline. There was compliance with the capital guidelines in relation to the appraisal, planning and implementation of the project. The Department's all-in revised budget cost was €2m (December 2006). The final account was received in December 2011 for €1.8m (increase of 7% over the contract price) but has not yet been agreed and therefore there has not yet been a post project review.
- The fourth project was for the provision of 45 dwellings and communal facility and was co-ordinated by Respond. The site was purchased and revised planning permission sought for units and communal facilities. The project was cancelled in May 2011, as it was decided that it did not represent value for money, due to the availability on the open market of good value properties in the area. At the time of this review the site was in the process of being transferred to the County Council.
- The fifth project related to the provision of 15 housing units for the elderly. The project originated in 2003, in 2006 the housing association was approved by the Council as a voluntary housing body. Funding was approved by the Department in July 2010 and permission to proceed to tender given in December 2011.
- The sixth project was to provide 13 extra accommodation units and the refurbishment of 65 existing units to assist the homeless. The voluntary body approached the City Council with the proposal in 2002 and Department approval was received in 2004 to proceed to tender. Full approval was received in 2007 and the project was completed with tenants in place in late 2009. The appraisal was incomplete and as the planning was managed by the voluntary body, there was no project brief or formal information flows defined. No post project review was performed.

Under the CLSS there were two capital projects within this expenditure range category.

- The first project was proposed by Cluid and Emerald Housing associations and supported by Ballymun Regeneration Ltd and SEI. Cluid are the project managers for the mixed project of 24 social (CLSS) units along with affordable units and communal

facilities and outdoor areas. The initial tender in 2004 was found to have substantial discrepancies and was retendered in April 2009, construction commenced in September 2009 but the builder went into receivership in May 2011. Cluid terminated the builder's contract and work on-site was halted due to an ongoing conciliation process. New tender documents have been prepared and Cluid issued a report to the Department in December 2011. To date the Council has paid €2.6m to Cluid. There was an incomplete appraisal, no project brief, procurement guidelines not fully adhered to, and lack of monitoring on an ongoing basis to ensure the project was completed to cost, quality and time profiles.

- The second project related to the development of a 30 acre site owned by a local authority for a mixture of social, affordable, traveller and community based housing and facilities. Project planning commenced in 2001, planning permission was granted in 2006 along with funding approval. An agency agreement was signed by the local authority, the Town Council and Respond to facilitate commencement of construction in 2007. The project was completed in September 2009 (delayed from January 2009 due to an unofficial industrial dispute and surface water drainage issues). A final account had not yet been received at the time of this review. There was an incomplete appraisal, a project brief was not prepared, and there has been no post project review. Engineering and surveying consultant contracts were advertised on eTenders and those successful placed on a three year panel and selected on a rotational basis in 2002. This panel had expired before the commencement of the project.

Water Programme

Under the Water Programme there were 3 projects within this expenditure range category.

- The first project relates to the laying of 5.7 km of water mains pipes as part of urgent works, relating to Phase 1 of a regional water supply scheme. The initial budget estimate of €800,000 was approved by the Department in November 2010 but the project commenced prior to formal approval as it was deemed emergency works. The appraisal, planning and implementation stages were broadly well managed. At the time of this review there was no post project review and report on the final account was outstanding from the consultants. The main contractor was appointed by open tender process on a MEAT basis. The works were extended by an additional 1.85km pipeline which increased the contract value by 33%. The consultancy service was advertised and the winning contractors had their contracts extended to cover the emergency nature of the works.
- The second project relates to the Mechanical and Electrical contract only element of an upgrade to sewerage works. The initial contract was for some €2.27m but revised budget was €3.46m due to health and safety, capital replacement, environmental improvements, and ESB requirements etc. There was appraisal, planning and implementation compliance with guidelines. A post project evaluation was performed and the final account was prepared.

- The third project relates to a canal lock upgrade, the works were due to take place between November 2012 and March 2013 by Waterways Ireland on behalf of the local authority. The initial proposed tender was to exceed €1.4m compared to the approved cost of €810,043. The project has met the appraisal, planning and implementation guidelines.

Waste Programme

Under the Waste Programme there were five capital projects within this expenditure range category.

- The first project related to the development of a civic amenity site for goods and materials. In 2003 an initial site was purchased for €155k, and planning permission obtained. A tender competition was held and evaluated by consultants giving a cost of some €1.7m. In 2005 the project manager decided that this did not represent value for money as the site had adverse ground conditions. An alternate site and planning permission was obtained from the Town Council in 2007. There was no tender competition held, instead contracts were extended to the contractors working on the landfill to develop the site. In April 2008 the total cost per the final account was €979,356 (from an approved budget of €1.09m). There was no Department pre-tender approval. There has been no post project review to date.
- The second project also related to the development of a civic amenity site for household waste disposal and recycling facility. The project was completed with an approved value of €2.2m and the final cost overrun of 2%, mainly due to the contractor getting into financial difficulties and being unable to complete the project. The appraisal was largely in compliance with the guidelines. Planning, implementation and procurement procedures were in compliance with the guidelines, although there was no evidence of formal Department approval on file of the appraisal. There was no post project review performed but it was scheduled for sometime in 2012. There was no documented audit trail.
- The third project is at implementation stage, and related to remediation works on a landfill site in order to comply with EPA (Environmental Protection Agency) licensing requirements. The appraisal, implementation and procurement of the main contractor all complied with the guidelines. Consulting engineers for the design services had previously won a tender for work on the landfill site in 2006. It was decided, due to their expertise and experience on similar projects, to retain their services costing over €200k. Following completion, a post project review is due to take place in late 2013.
- The fourth project resulted from site audits by the EPA on a landfill facility in 2005. The works related to two contracts for gas extraction and landfill capping and were completed in 2008. Although the remedial works were properly tendered, consultants who were already working on a civic amenity facility on the same site were invited to quote for this project also, receiving payments in the region of €283k, and therefore did not comply with procurement guidelines. A post project review has not yet been performed on this project.

- The fifth project relates to restoration of a landfill site in order to comply with EPA licensing requirements and is now completed. The work comprised four separate contracts, final accounts have been received for two contracts which were in excess of the contracted amounts and timeframes, but overall the projects final cost is below the original projected budget.

Local Services

Under the Local Services Programme there were two capital projects within this expenditure range category both related to library projects.

- The first project was for the acquisition of a building following Department approval in September 2011. Renovation of the building is due to commence in January 2013. Capital guidelines have been followed to date. This project is still at a very early stage.
- The second project was for the renovation of an old courthouse into a modern library and art gallery. The project complied with the appraisal, planning and implementation guidelines. Tendering guidelines for the main building contract were complied with but the consulting architects were appointed by invitation, because they had done earlier conversion work on the courthouse. A formal post project review was not performed but the project was reviewed in terms of increased footfall and membership, since opening.

Traveller Accommodation

Under the Traveller Accommodation Programme there were two capital projects within this expenditure range category.

- The first project involved changing a six-bay halting site into a group housing scheme comprising three houses (one with disabled access). The project was completed in late 2011, as part of the Traveller Accommodation Programme 2009-2013. Appraisal, planning and implementation guidelines were followed. Following the receipt of tenders, the revised budget costs were revised downwards by over 33%, tender guidelines were followed. A post project review will be completed following a twelve months monitoring period.
- This project provided a ten-unit group housing scheme for an extended family, and was approved under the Traveller Accommodation Programme 2009-2013. The appraisal, planning and implementation of the project complied with the capital guidelines. Tender guidelines were followed, the tender was awarded to the third lowest bid after the withdrawal of the two lowest tenders. A post project evaluation has not yet been completed as the monitoring period of 12 months post-completion coincided with this spot-check.

Fire and Emergency Services

Under the Fire and Emergency Services Programme there were two capital projects within this expenditure range category.

- Both projects were completed on time and under budget.
- In the case of one project, at the time of the review the final account had not been received and the retention period had not expired. A post project review is scheduled to be carried out once the retention period has expired.

Projects within the €0 million to €0.5 million range
Number of projects examined 6

Housing Programme

Under the SHIP programme there was one rural house project within this expenditure range category which was not yet been completed.

- The project was tendered for and will be completed under budget.

Under the CAS programme there were two projects within this expenditure range.

- The first project was for the purchase of a property for housing for the homeless. However, the Council could not proceed with the acquisition of the property due to mapping issues relating to the property.
- The second project related to the renovation and refurbishment of an existing building which accommodates homeless people with drug addictions. The project was managed and developed by a housing association. A panel of four contractors were approached by the housing association to tender for the work and the lowest suitable tender was chosen. The contract was not advertised on eTenders.

Under the Remedial Works Scheme there was one project within this expenditure range which has not yet been completed.

- A tender competition was held which was awarded to the second lowest tender, based on specific criteria. The contractor has been paid 76% of the contract price to date and project management arrangements are in place.

Traveller Accommodation

Under the Traveller Accommodation Programme there was one project within this expenditure range category which is completed and the final account has been received.

- The project complied with the capital guidelines relating to appraisal, planning, implementation, evaluation and public procurement.

Waste Programme

Under the Waste Programme there was one waste project within this expenditure range category.

- This project related to the provision of a civic amenity site. Budgetary approval was obtained but there was no pre-tender Department approval for the project. Budget approval was obtained in January 2003, when the final account and construction was completed in October 2002. There was no post project evaluation performed on this project.

Summary of Findings and Recommendations

The summary of findings and recommendations (categorised by project stage) for the spot-check of projects either in progress or completed during 2010 and/or 2011 are outlined below.

Appraisal Stage

There were incomplete appraisals for over 40% of the projects examined. The type of appraisal required under the guidelines depends on the value range of the project and varies 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 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
- Lack of documentation supporting Department approval to proceed to the planning stage.
- No draft budget prepared for the project at appraisal stage.

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In line with 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 no appraisals were usually found where work was required under an EU Directive, such as upgrading of waste/water treatment facilities and to satisfy licensing arrangements 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 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 25% 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.
- 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.
- No evidence of Department pre-tender approval in relation to two Waste projects
- There was no evidence of taking future price increases into account in respect of some of the projects examined.
- Ongoing operational costs were not included.

Recommendation

Clearly defined project management structures with roles, responsibilities and reporting arrangements 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.

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Implementation Stage

A number of issues arose relating to lack of compliance with capital appraisal guidelines for the implementation stage in approximately 40% of the projects selected for review. The most serious issues arising were:

- SHIP and Water projects not delivered within budget costs (16%)
Projects under the SHIP programme which had exceeded their budgets were often due to difficulties with utility requirements and with physical confines of the site. Other cost overruns occurred where consultants were in charge of the projects which were not under the control of the local authorities, such as voluntary housing. Cost overruns on the water programme were due to additional works, price variations and some claims and commercial settlement with the contractor.

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.

- SHIP and Water programmes projects exceeded the planned completion date (26%). 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.

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.

- 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 authority are responsible for the management and monitoring of these projects. In the projects examined 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 received the various certificates for payment, backed up by architects' certificates, during implementation of the project. A member of staff would have verified the architects' reports and sometimes carried out inspections.
Procurement processes for these projects were carried out by the voluntary bodies, the local authority having no involvement apart from being kept informed of the outcome of the tender process.

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 54 projects examined, six projects referred to the contractors running into financial/trading difficulties, with some not being able to complete the works. Three projects were re-tendered. The fourth project was substantially completed and in the fifth project the local authority liaised closely with the contractor to complete the works. In the sixth case the builder went into receivership and work stopped on the project.

Recommendation

The local authority should ensure that a Bond be put 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 complete the project.

Evaluation Stage

There was no post project review performed in over 35% of the projects examined. 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.

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Procurement procedures

There were procurement exceptions in over 30% 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 OJEU.

The most serious area of exceptions 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. In some cases consultants had already worked on a related/connected project (such as a landfill site and they were then appointed to work on the related civic amenity site) or had been involved in the earlier preliminary appraisal and planning work for the project and had their contracts extended without testing the market via an advertising and tendering process in accordance with the procurement guidelines and to ensure that the services offered represented good value for money.

Where consultants have been selected from an earlier established panel, it is essential that this panel has not expired before commencement of the project.

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.

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 should have 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

The Housing capital expenditure compliance spot-checks were performed on three programme areas, the Social Housing Investment Programme (SHIP), the Capital Assistance Scheme (CAS) and the Capital Loan and Subsidy Scheme (CLSS).

Twenty seven housing capital projects were examined with a total estimate cost of €131,687,020. The capital projects (which were completed or in progress during 2010 and/or 2011) were selected from each housing scheme as follows:

SHIP - 15 projects with a value of €88,771,573

CAS - 9 projects with a value of €24,535,763

CLSS - 3 projects with a value of €18,379,684

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.

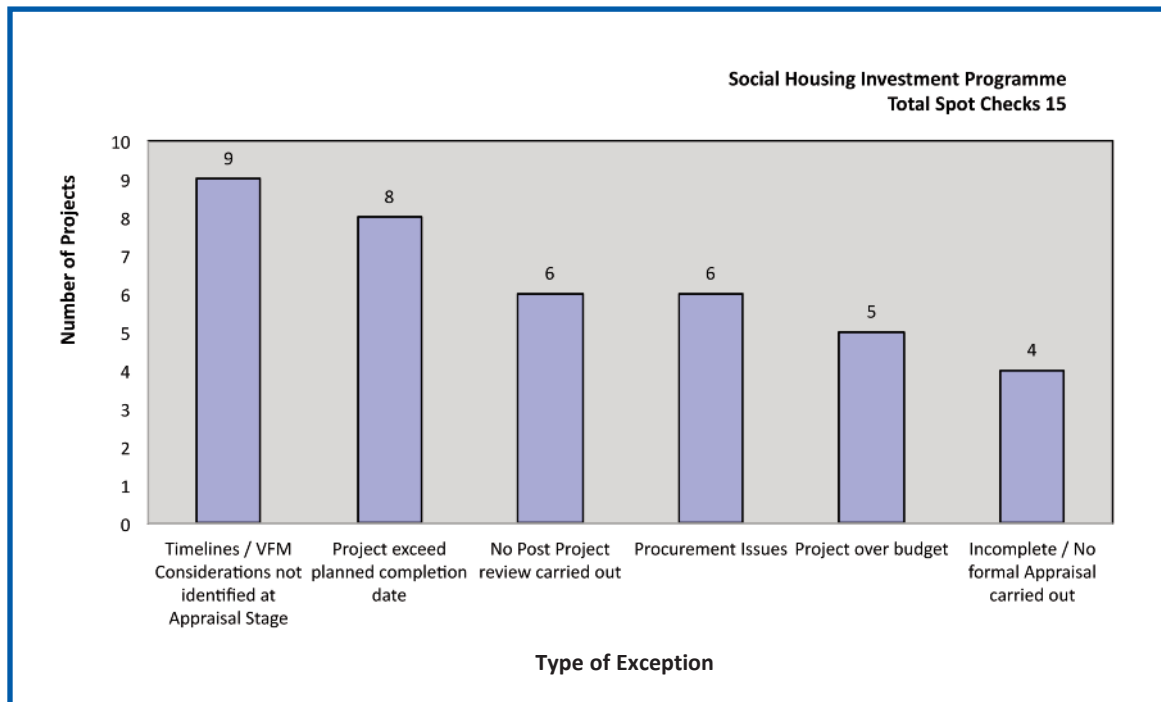
The table below shows the values and numbers of projects examined.

Social Housing Investment Programme Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
1,069,571,119	306	88,771,573	8.3%	15	4.9%	5,918,105

The range of expenditure on SHIP programme reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	1	€137,625
€0.5 million to €5 million	8	€15,113,380
€5 million to €30 million	6	€73,520,568
Total	15	€88,771,573

The chart below outlines the most frequently occurring exceptions identified during the spot-checks on the SHIP programme. Twelve of the fifteen projects reviewed were completed; two projects were at the implementation phase and one at planning stage.



Summary of Findings

Project timelines VFM consideration not identified

For nine of the fifteen 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.

Projects exceeded planned completion date

Eight of the capital projects that were reviewed were not delivered within the original timeframe. Unforeseen difficulties with utility services or ground conditions on the sites were identified as the main cause or a contributing factor in the delay in seven of the projects. In two of these projects difficulties also arose with the main contractor on site. In one case work is suspended pending a review of the project with the Department while in the second case a new contractor was appointed following a tender process. In the eighth case the process of transferring title to the site, a single rural dwelling, delayed commencement of the project.

Post project review not prepared

Six instances were found where post project reviews were not prepared. The final accounts for two of these projects had received Department approval at the time of the spot-check review and the housing schemes were completed and occupied.

The final account for a third project was with the Department awaiting approval. The housing units were completed and occupied. The local authority responsible for this scheme has recently initiated post project reviews on all projects in line with circular SHIP 2010/12.

A final account was agreed and paid to both main contractors involved in another scheme and the local authority is in the process of agreeing a final funding figure with the Department. A post project review has not been completed for this project.

The final account relating to a single rural dwelling was not received from the contractor. The unit was completed, however it was not occupied. A post project review was not carried out at the time of the spot-check review.

The sixth project where no post project review was carried out was a turnkey scheme of 12 social housing units. The budget was approved by the Department after the contract price was agreed and prior to the signing of the contract. All contract risk was transferred to the developer under the new conditions of contract. The contract was a fixed price contract using the new form of Government contract. The project was completed within the timeframe set and within the contracted price. At the evaluation stage a post project review was not prepared. However, the Council is satisfied with the project, all units were completed within time and on budget and are occupied.

Post project review should be carried out for all completed schemes in line with the requirements of Circular 2010/12.

Procurement

In the course of the performance of the spot-checks it was found that procurement guidelines were not adhered to in six projects. Failure to follow procurement guidelines on the tendering for consultancy services or minor contractors was noted in five of the six projects. In four of these five 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 OJEU and one instance where a consultant's employment on a project was extended without a new tender competition having taken place.

In a sixth project it was found that the main construction contract awarded varied significantly from the tender competition details advertised. Also during the course of the contract, further changes from the advertised tender details occurred. Where significant changes are identified and required for a project, EU Procurement Directives require that a new tender competition be carried out.

Project over budget

Five of the projects reviewed, had exceeded the approved budgeted costs. In three cases the approved costs were exceeded due to unforeseen difficulties with utilities, with delays on one of these three projects also due to physical confines of the site.

The two other projects that exceeded budget costs involved the National Building Agency acting in the role of consultants. Delays appear to have resulted from factors outside the control of the local authorities.

Incomplete appraisal

The compliance review of the SHIP capital projects indicated that four 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.

Sensitivity and multi-criteria analysis

The performance of a sensitivity and multi-criteria analysis was applicable to six of the fifteen projects reviewed, as the proposed project expenditure exceeded €5m. Of these six projects, four had not performed a multi-criteria analysis, also three of these four 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 Appraisal guidelines.

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.

Nine housing CAS capital projects with a total spend of €24,535,763 were reviewed. Six of the projects were completed, two projects did not proceed and the remaining project was at implementation stage.

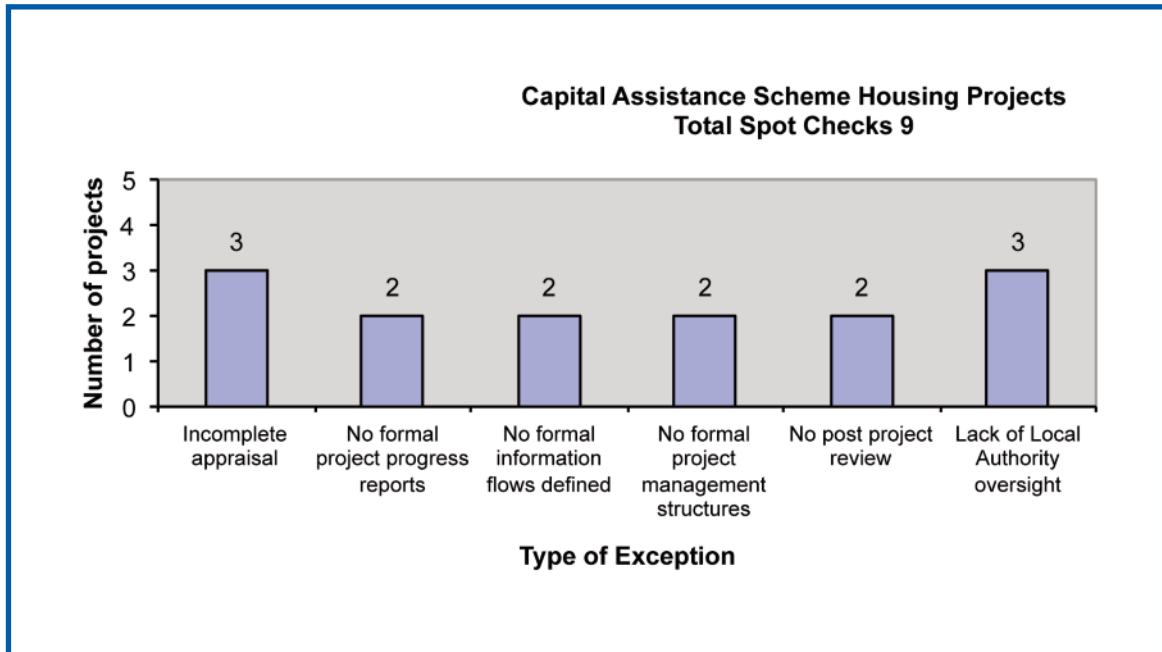
The table below shows the values and numbers of projects examined.

CAS Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
502,975,076	184	24,535,763	4.9%	9	4.9%	2,726,196

The range of expenditure on CAS projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	2	€365,112
€0.5 million to €5 million	6	€13,074,210
€5 million to €30 million	1	€11,096,441
€30 + million	0	€0
Total	9	€24,535,763

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



Summary of Findings

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Incomplete appraisal

Three 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 detailed appraisal carried out, no identification of risks, their impact and risk management strategies. 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.

No formal project progress reports

For two of the projects reviewed there were no formal project progress reports. For one of these projects, an Administrative Officer was responsible for liaising with the voluntary body on a regular basis. Regular updates of progress were forwarded to the Housing Senior Executive Officer who in turn discussed progress with the Director of Housing. The other project was managed by the voluntary body so, although there would have been informal updates on project progress with the local authority, there were no formal progress reports.

No formal information flows defined

For two of the projects reviewed there were no formal information flows defined. For one of these projects, the Council quantity surveyor would have made informal inspections/been aware of what stage the project was at but there were no formal information flows between the

Council and the voluntary body. Again, for the other project, it was managed by the voluntary body and there were no formal information flows between it and the Council.

No formal project management structures

There were no formal project management structures for two of the projects reviewed.

No post project review

Of the projects reviewed, six were completed at the time of the spot-check. For two of these, no post project review had been completed. 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.

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. The voluntary bodies were responsible for project management, implementation and monitoring. Documentation was maintained by the voluntary bodies and not by the local authority. For some of these projects, the Council would have liaised with the voluntary body and received the various certificates for payment, backed up by architects' certificates, during implementation of the project. A member of staff would have verified the architects' reports and sometimes carried out inspections. Any procurement processes for these projects were carried out by the voluntary bodies, the local authority having no involvement apart from being kept informed of the outcome of the tender process.

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.

Three capital loan and subsidy scheme projects with a total spend of €18,379,684 were reviewed. Two projects were completed, and one project was at implementation stage.

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

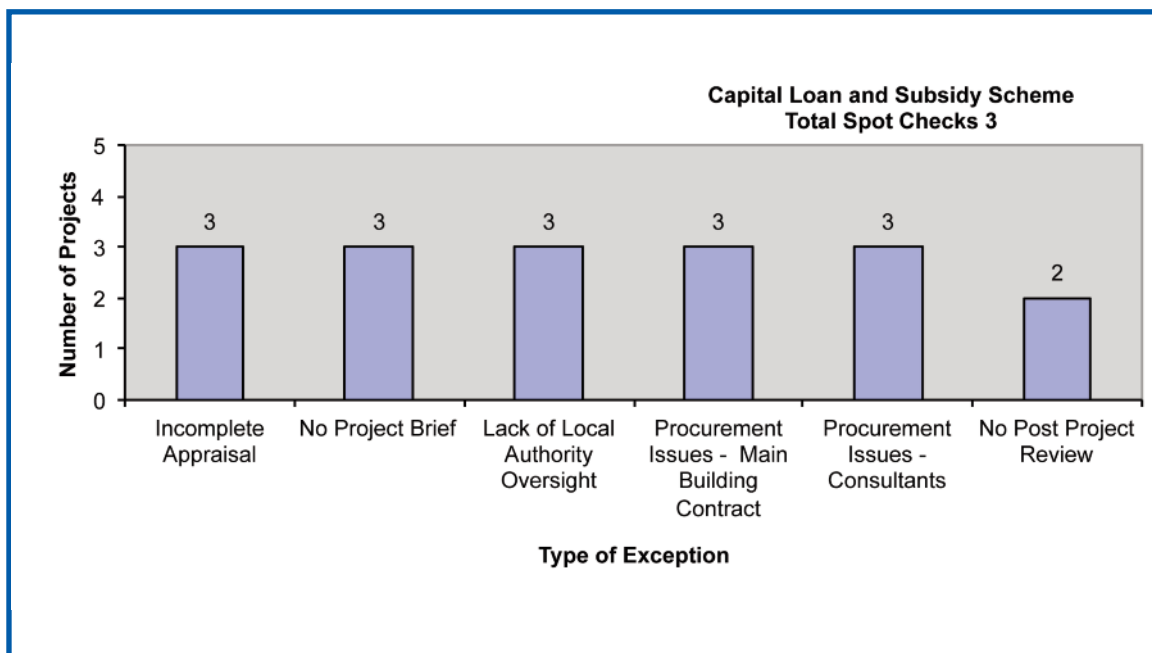
CLSS Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
289,236,487	49	18,379,684	6.4%	3	6.1%	6,126,561

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The range of expenditure on CLSS projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	0	€0
€0.5 million to €5 million	2	€5,466,306
€5 million to €30 million	1	€12,913,378
€30 + million	0	€0
Total	3	€18,379,684

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

All three of the projects reviewed had incomplete appraisals 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, and incomplete preliminary / detailed appraisal prepared. 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

All 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, 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 all 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 all three 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, not enough time was allowed for the submission of tenders, MEAT was set as the basis for reward however lowest price was used as the basis for reward, MEAT was set as the basis for reward however tenders have not been evaluated using weighted scoring sheets. No evidence was presented to show that the contract award notice was published in OJEU or other media, no evidence was presented to show that unsuccessful tenderers were notified and debriefed. 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 all three of the projects reviewed there were issues with how the consultants used on the projects were procured. For two of the projects reviewed a tendering process was not gone through to hire the consultants used on the projects. The consultants were hired by invitation. For one project, consultants were selected from a panel that had expired prior to the commencement of the project. In addition, the contract value for one consultant was in excess of EU procurement thresholds and therefore the tender should have been advertised in OJEU. Public procurement procedures should be followed for the appointment of consultants.

No post project review

Of the three projects reviewed, two projects were completed at the time of the spot-check. Post project reviews were not completed for these two 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.

Remedial Works Scheme

Under the Remedial Works Scheme, 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 2010 and/or 2011) were examined with a total estimate cost of €10,354,324. The table below shows the values and numbers of projects examined.

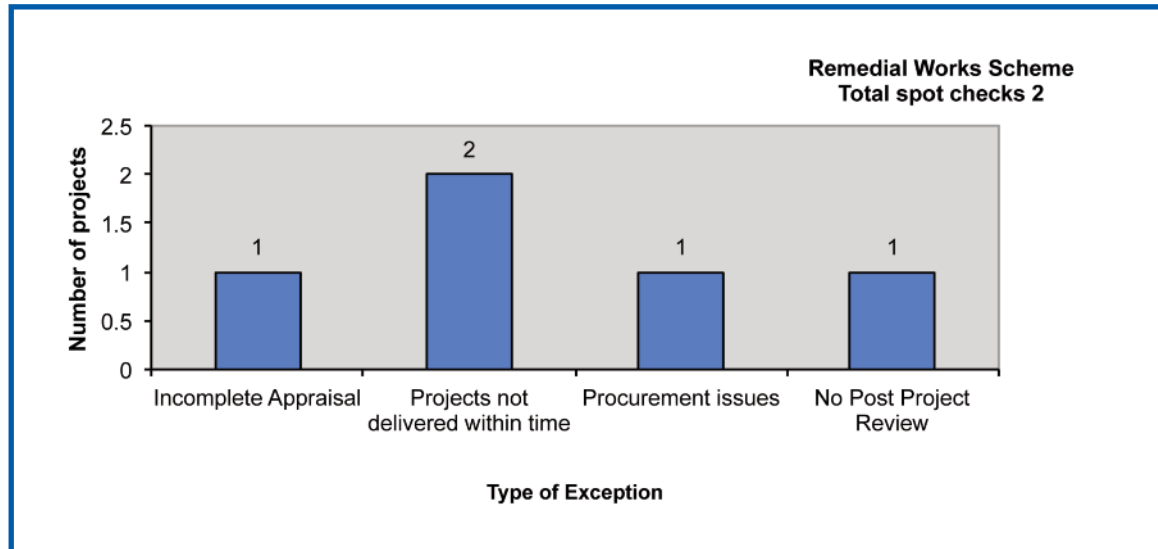
Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
101,783,613	22	10,354,324	10.2%	2	9.1%	5,177,162

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The range of expenditure on Remedial Works projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	1	€492,133
€0.5 million to €5 million	0	€0
€5 million to €30 million	1	€9,862,191
Total	2	€10,354,324

The chart below outlines the most frequently occurring exceptions identified during the 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

Incomplete appraisal

Appraisals were located for both projects, and Department approval was received. However, appraisals consistent with the Department of Finance guidelines were not located. Appraisals did not include details of brief estimates of costs and resources for the projects, estimates of high-level value for money for projects, estimates of future price increases, operational costs and variations in project outputs.

Projects not delivered within budget and delays in submitting final accounts

One of the projects examined was completed under budget, works were completed onsite in December 2009 and the final account was submitted in November 2010. The second project is ongoing and ran over on the first phase, due in part to severe weather conditions during the winter of 2010/2011.

Procurement

Procurement guidelines were not always completely followed. There was no evidence of procurement guidelines being applied to the engagement of the architects and consultants on one project. There were no consultants engaged for the second project. Tenders for construction work were awarded on the basis of lowest cost in one project and cost plus criteria in the other.

Post project review

A post project review has not yet been undertaken on the completed project. One project has recently been completed, while the other has commenced phase 2 of a 3 phase program.

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 (RWP) 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.

Eleven water capital projects (which were completed or in progress during 2010 and/or 2011) were examined with a total estimated cost of €170,944,329. The table below shows the values and numbers of projects examined. Costs on some projects have increased between the time of receiving the Department figures and the time of carrying out the capital spot-check reviews.

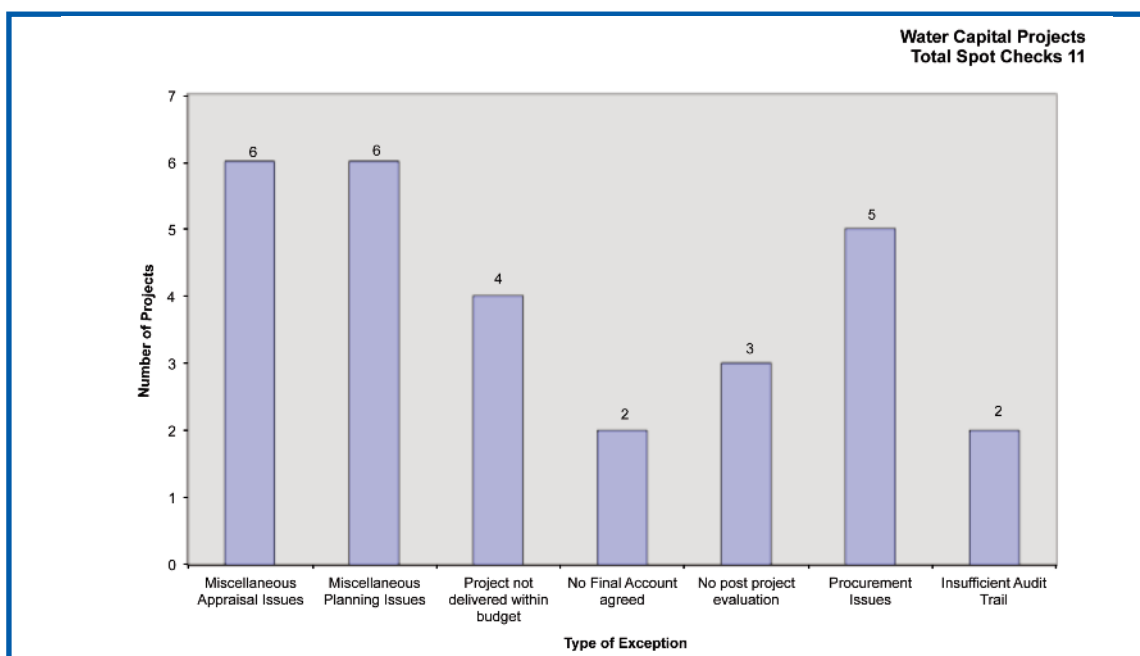
All eleven projects examined are included in the WSIP. The projects were checked for compliance with the 2005 capital appraisal guidelines. However, in some cases, elements of individual projects pre-dated the 2005 guidelines and therefore were reviewed for compliance with the Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector published in July 1994.

Water Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
1,870,973,804	218	170,944,329	9.1%	11	5.0%	15,540,394

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

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	0	€0
€0.5 million to €5 million	3	€7,103,000
€5 million to €30 million	7	€103,546,354
€30 + million	1	€60,294,975
Total	11	€170,944,329

The chart below outlines the most frequently occurring instances of non-compliance with the guidelines during the spot-checks of the water capital projects. It should be noted that two projects were found to have no exceptions. One project was only at the very early stages of appraisal, four projects were completed and six were at implementation phase.



Summary of Findings

All eleven projects were reviewed in the light of the 2005 guidelines which are now accepted as best practice for capital projects undertaken in the public sector, and are broadly in line with previous guidelines which were in place since 1994.

There was general compliance with the capital appraisal guidelines in relation to most of the capital projects reviewed. Normally a process was undertaken under each of the main stages of the projects which showed that the local authority endeavoured to achieve compliance with the guidelines and, as such, these exceptions were not deemed serious enough to warrant an overall non-compliance assessment.

In other cases it was found that there was overall non-compliance. This usually arose due to a lack of documentation or due to little or no attempt being made by the local authority to comply with the guidelines.

Appraisal Stage

Compliance issues with the appraisal stage of projects arose in six of the eleven capital projects examined. These were as follows:

- No risk analysis performed for two projects.
- Project Timeline Value for Money considerations not identified / documented in four projects.
- No sensitivity analysis carried out for three projects.
- Lack of documentation supporting Department approval to proceed to the planning stage in the case of two projects.
- No project timelines identified for four projects.
- Two projects had no draft budget prepared for the project at appraisal stage.

Although six of the projects sampled had exceptions at the appraisal stage of the process, none of the projects were deemed to be substantially non-compliant with the 2005 guidelines.

Planning Stage

There were issues relating to lack of compliance with the capital appraisal guidelines in six of the eleven projects selected for review. The most common issues arising were:

- Three projects had no evidence of formal management structures in place. However, the actual management structures did follow established structures within the local authorities.
- There was no evidence of taking future price increases into account in respect of three of the projects examined.
- Ongoing operational costs were not accounted for in two of the projects reviewed.
- Two projects did not have a documented project brief.

Other planning issues which arose on individual projects included:

- No project plan.
- No pre-tender review carried out.
- No reporting templates.
- No project steering committee.

Although six of the projects sampled had exceptions at the planning stage of the process only two projects are deemed substantially non-compliant with the 2005 guidelines. The reason these projects are deemed overall non-compliant with the guidelines is that numerous exceptions have been found under the planning stage of these projects.

Implementation Stage

Compliance issues with the implementation stage of the guidelines were found in six of the projects reviewed. These issues included the following:

- Project cost over budget cost in respect of four projects.
- Five projects exceeded planned completion dates. The other project did not have a documented planned completion date.

As with the appraisal and planning stages, six projects sampled had exceptions at the implementation stage of the process. None of the projects were deemed to be substantially non-compliant with the 2005 guidelines.

Procurement

Five of the eleven projects reviewed were found to have serious non-compliance issues with the procurement guidelines. The types of issues found varied and included the following:

- Lack of evidence for the appointment of consultants at the preliminary stage of the projects.
- Extension of contracts to consultants to move to planning and implementation stages without retendering.
- Lack of evidence of vetting contractors prior to award of tender.
- Lack of evidence of scorecards used to show the basis of MEAT appointments.

Evaluation Stage

Four of the eleven projects were at evaluation stage at the time of review. Of these projects compliance issues were found in respect of three projects. These issues included:

- Two substantially completed projects had no final accounts prepared. The spot-check process has shown that the time taken between the completion of the implementation stage and the completion of the entire project is significant.
- Three substantially completed projects lacked evidence of a post project review.

Two of the projects reviewed were deemed to be overall non-compliant with the evaluation stage of the guidelines. Both of these projects were substantially complete in 2010 and as of January 2012 final accounts and post project reviews have not been performed.

Audit Trail

Lack of a documented audit trail was found in the case of two projects. It should be noted that in the case of one of these projects the appraisal stage commenced approximately 30 years ago. The bulk of the expenditure on this project was incurred during 2005 – 2010 and the audit trail for this period was well documented and recorded. In all projects, the expenditure is input directly onto a capital code on the financial management system of the local authority.

Tax Clearance

A copy of the main contractor's tax clearance certificate or C2 was provided during review in respect of all capital water schemes where applicable.

Waste Capital Projects

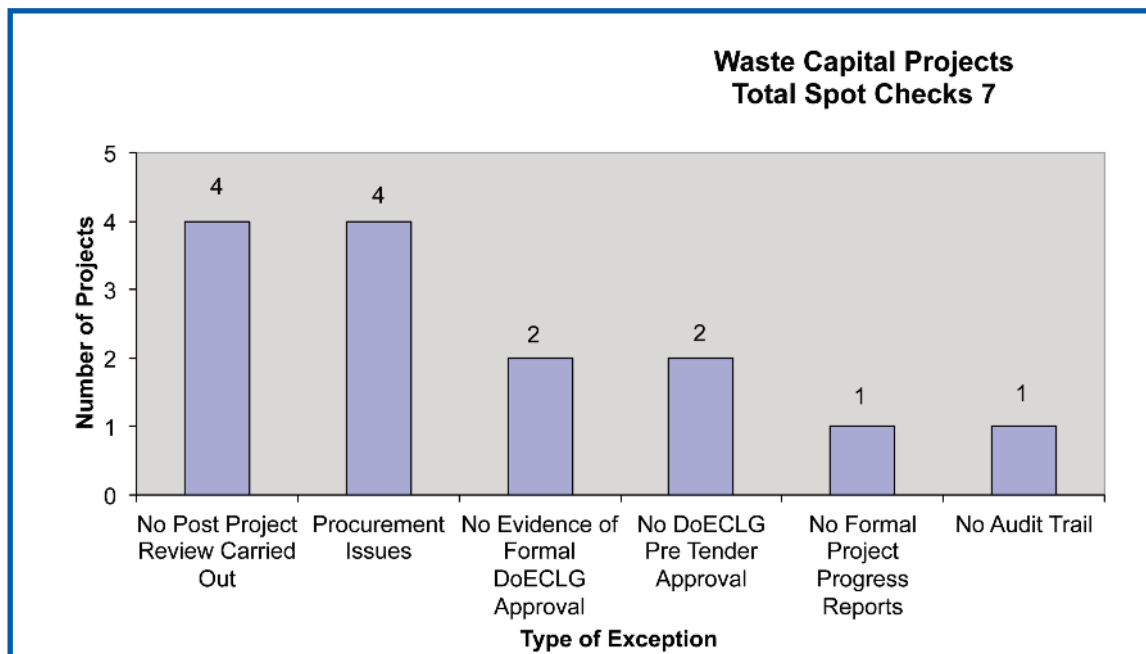
For Waste capital projects two areas were examined – Waste Infrastructure Capital Grants and Landfill Remediation. From the perspective of this review the projects have been looked at as projects with a total spend of approximately €18.26 million, being the overall expenditure to date. Four of the projects 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 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 (EPA) licences specify requirements in regard to capping, remediation and landfill. The table below shows the values and numbers of projects examined. Four projects were completed and one at implementation phase.

Waste Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
197,058,395	141	18,263,912	9.3%	7	5.0%	2,609,130

The range of expenditure on Waste projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	1	€380,349
€0.5 million to €5 million	5	€12,215,951
€5 million to €30 million	1	€5,667,612
Total	7	€18,263,912

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



Summary of Findings

Post project review

There were four projects which had been completed at the time of the spot-check 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.

Procurement

In the course of the performance of the spot-checks it was found that in four projects the selection and subsequent appointment of contractors or consultants was not subject to the performance of a tender evaluation process. 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 evidence of formal Department approval

There were two projects where it was found that the project proposal was not submitted for approval to the sanctioning authority. The capital appraisal guidelines specify that all project proposals should obtain approval in principal to proceed to the planning stage from the sanctioning authority. The submission should specify the preferred option, which the

sponsoring agency has recommended with reasons for its choice and an indication of its sensitivity to changes in the key assumptions.

No pre-tender review approval

There were two projects where it was identified that the pre-tender review information had not been submitted for approval to the sanctioning authority to decide whether or not to approve the project. It is only when the project has received approval from the sponsoring agency that it may move to obtain tenders from potential suppliers.

No formal project progress reports

In one project it was identified that no formalised project progress reports were employed in regard to the implementation, management and monitoring of the capital project.

No audit trail

In one project a description of the audit trail was not provided in the documentation presented at the 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.

Fire and Emergency Services Capital Projects

Under the Fire and Emergency Services Capital Programme two fire services capital projects (which were completed or in planning/progress during 2010 and/or 2011) were examined with a total estimate cost of €2,100,000. The table below shows the values and numbers of projects examined.

Fire Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
13,855,000	10	2,100,000	15.2%	2	20%	1,050,000

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	2	€2,100,000

Both projects examined were completed projects. No exceptions were identified during the spot-checks of the fire services capital projects.

Local Services Capital Projects

Local Services Capital Project spot-checks were performed in relation to the construction and refurbishment of two libraries.

Two local services capital projects (which were completed or in progress during 2010 and/or 2011) were examined with a total estimate cost of €7,039,930. The table below shows the values and numbers of projects examined, both projects were completed.

Local Services Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
59,540,211	20	7,039,930	11.82%	2	10%	3,519,965

The range of expenditure on local services capital projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	0	€0
€0.5 million to €5 million	2	€7,039,930
€5 million to €30 million	0	€0
Total	2	€7,039,930

Of the two projects examined, only one was at the completed stage of the project. The second project was at a very early stage, the consultants had been appointed but the main contractor had still to be appointed at the time of this review.

Summary of Findings

Procurement

Evidence of compliance with the procurement guidelines, when engaging consultant architects was not provided in one instance. This was an old building of significant heritage value to the local authority. The consultants appointed had worked previously on the same building and it was felt that this firm had an unrivalled knowledge of this particular building. Therefore they were appointed by invitation rather than by open competition.

In the second project reviewed, the external consultants were appointed by open competition.

Lack of post project review

A formal post project review, as envisaged by the guidelines, was not completed in one of the two projects reviewed. The second project was at a very early stage in the project life cycle. The main contractor had not been appointed at the time the review had taken place.

Traveller Accommodation Capital Projects

Housing authorities must prepare and adopt accommodation programmes to meet the existing and projected accommodation needs of travellers in their areas. The objectives concerning traveller accommodation should be included on their county and city development plans.

Three traveller accommodation capital projects (which were completed or in progress during 2010 and/or 2011) were examined with a total estimate cost of €3,083,827. The table below shows the values and numbers of projects examined. All three projects were completed.

Traveller Capital Projects		Sample Selected				
Total Estimated Cost €	No. of Projects	Total Estimated Cost €	%	No. of Projects	%	Average Value €
12,645,182	43	3,083,827	24.4%	3	7%	1,027,942

The range of expenditure on traveller capital projects reviewed was:

Expenditure Range	Number of projects	Total Estimated Cost
€0 million to €0.5 million	1	€284,666
€0.5 million to €5 million	2	€2,799,161
€5 million to €30 million	0	€0
Total	3	€3,083,827

No exceptions were identified during the spot-check of the traveller accommodation capital projects.