

# **Value for Money Unit Local Government Audit Service**

**Report on Spot-Checks of Capital Projects  
funded by the Department of the  
Environment, Heritage and Local  
Government (new legal title the  
Department of the Environment,  
Community and Local Government) and  
undertaken by Local Authorities either in  
progress or completed during 2009**

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



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



**June 2011**

## **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. The draft report was sent to the local authorities that participated in the study. Where appropriate the comments received were incorporated in the final version of the report.

The website of the Department of the Environment, Community and Local Government is the primary means of publishing reports of the Value for Money Unit of the Local Government Audit Service. Should any errata arise they will be corrected and noted in the report published at <http://www.environ.ie/en/Publications/LocalGovernment/AuditService/>

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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 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, Heritage and Local Government (new legal title 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-check and review procedures to develop in-house capacity. Spot-checks and reviews of capital projects funded by the Department and undertaken by local authorities in 2008 and 2009 have been performed by the Department’s Local Government Audit Service (LGAS). The LGAS fulfils the requirement that the 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 also complies with the capital appraisal guidelines that they should be independent of those involved in the delivery of the projects.

This report deals with the spot-check and review of capital projects that were funded by the Department and undertaken by local authorities and were either in progress or completed during 2009. During the period November 2010 to February 2011 staff of the LGAS visited 31 local authorities and examined 46 capital projects that were in existence during 2009 with a total value of €406,939,502 across 6 programme areas. The sample set of projects was carefully selected in accordance with a number of set criteria including value, geographical location, stage of project and programme (see Appendix A).

The Internal Audit section within the Department also performed spot-checks on capital projects funded and directly undertaken by the Department.

## Overview

A summary of the total number and value of projects and sample selected is shown in Table 1. The approach taken for the 2009 report was in line with the previous years report 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 review 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.



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

Programme	Capital Projects				Sample Selected				
	Total Value €	No. of projects	Average Value €		Total Value €	%	No. of projects	%	Average Value €
Housing SHIP <sup>1</sup>	834,476,219	198	4,214,526		86,699,172	10.4%	11	5.6%	7,881,743
Housing CAS <sup>2</sup>	222,633,579	101	2,204,293		29,589,135	13.3%	5	5.0%	5,917,827
Housing CLSS <sup>3</sup>	277,350,568	40	6,933,764		21,298,108	7.7%	3	7.5%	7,099,369
Water	2,286,199,250	344	6,645,928		235,912,154	10.3%	14	4.1%	16,850,868
Waste	155,676,135	80	1,945,952		14,195,796	9.1%	5	6.3%	2,839,159
Fire	16,615,000	12	1,384,583		4,500,000	27.1%	2	16.7%	2,250,000
Local Services	35,056,811	57	615,032		8,912,625	25.4%	4	7.0%	2,228,156
Traveller Accommodation	35,258,071	32	1,101,815		5,832,512	16.5%	2	6.3%	2,916,256
<b>Total</b>	<b>3,863,265,633</b>	<b>864</b>	<b>4,471,372</b>		<b>406,939,502</b>	<b>10.5%</b>	<b>46</b>	<b>5.3%</b>	<b>8,846,511</b>

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

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

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

**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 2009	Total 2008
Housing:						
SHIP	0	5	6	0	11	17
CAS	1	2	2	0	5	8
CLSS	1	1	1	0	3	4
Water	1	4	4	5	14	11
Waste	0	4	1	0	5	5
Fire and Emergency Services	0	2	0	0	2	3
Local Services	1	3	0	0	4	7
Traveller Accommodation	1	0	1	0	2	5
<b>Total 2009</b>	<b>5</b>	<b>21</b>	<b>15</b>	<b>5</b>	<b>46</b>	
<b>Total 2008</b>	<b>9</b>	<b>26</b>	<b>20</b>	<b>5</b>		<b>60</b>

**Overview of key exceptions for all projects**

- Incomplete appraisals in 27 projects
- Project not delivered within budget cost in 23 projects
- Procurement issues in 24 projects
- Projects not delivered within budget timeframe in 16 projects
- Project planning issues in 12 projects
- Lack of post project review in 17 projects
- Final account not prepared in a timely manner for 7 projects
- No project brief or incomplete brief for 2 projects
- No sensitivity/ multi-criteria analysis in 8 projects
- No evidence of formal Departmental approval in 3 projects

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

Summary of completed spot-checks			
Programme	Total value of projects reviewed	No of projects	Most frequently occurring exceptions (No. of projects)
Housing capital projects: SHIP	€86,699,172	11	<ol style="list-style-type: none"> <li>1. Incomplete appraisal (4)</li> <li>2. No evidence of formal Departmental approval (3)</li> <li>3. No sensitivity / multi-criteria analysis (6)</li> <li>4. Projects not delivered within budget time (5)</li> <li>5. No post project review (4)</li> <li>6. Project over budget (4)</li> <li>7. Procurement issues (2)</li> </ol>
Housing capital projects: CAS	€29,589,135	5	<ol style="list-style-type: none"> <li>1. Incomplete Appraisal (4)</li> <li>2. No project brief (2)</li> <li>3. Lack of local authority oversight (2)</li> <li>4. Procurement issues (5)</li> <li>5. No post project review (1)</li> </ol>
Housing capital projects: CLSS	€21,298,108	3	<ol style="list-style-type: none"> <li>1. No post project review (1)</li> <li>2. No sensitivity analysis (1)</li> <li>3. No multi-criteria analysis (1)</li> <li>4. No alternative ways of achieving objective listed (1)</li> <li>5. No cost benefit analysis (1)</li> </ol>
Water capital projects	€235,912,154	14	<ol style="list-style-type: none"> <li>1. Incomplete appraisal (10)</li> <li>2. Project planning issues (7)</li> <li>3. Project over budget time (5)</li> <li>4. Delays in agreeing final account (5)</li> <li>5. Project over budget (10)</li> <li>6. No post project review (2)</li> <li>7. Procurement issues (11)</li> <li>8. No audit trail (5)</li> </ol>
Waste capital projects	€14,195,796	5	<ol style="list-style-type: none"> <li>1. Incomplete or no appraisal (5)</li> <li>2. Project planning issues (5)</li> <li>3. Project over budget (4)</li> <li>4. Project over budget time (4)</li> <li>5. No post project review (3)</li> <li>6. Procurement issues (4)</li> <li>7. No tax clearance certificate (1)</li> </ol>
Fire and emergency capital projects	€4,500,000	2	<ol style="list-style-type: none"> <li>1. No formal information flows (2)</li> <li>2. Ongoing operational costs not noted (1)</li> <li>3. No scoring sheets for MEAT assessed tenders (1)</li> <li>4. No post project review (1)</li> <li>5. No audit trail (1)</li> </ol>
Local services capital projects	€8,912,625	4	<ol style="list-style-type: none"> <li>1. Incomplete appraisal (2)</li> <li>2. Project over budget time (2)</li> <li>3. Project over budget (3)</li> <li>4. No post project review (3)</li> <li>5. Procurement issues (1)</li> </ol>
Traveller Accommodation capital projects	€5,832,512	2	<ol style="list-style-type: none"> <li>1. Incomplete Appraisal (2)</li> <li>2. Final account not prepared in timely manner (2)</li> <li>3. Project over budget (2)</li> <li>4. No post project review (2)</li> <li>5. Procurement issues (1)</li> </ol>

# Principal Findings by Expenditure Range

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

### Water Programme

All five projects within this expenditure range were under the WSIP<sup>4</sup>. Two projects examined related to upgrading and augmentation of water supply network schemes and three related to the provision and upgrading of water treatment plants.

- All of the projects were initiated in the 1990's or early 2000's, it is unclear why there were such time delays but three projects were completed, the other two are at implementation stage.
- All five projects are over budget, although one of these is awaiting arbitration. Final accounts have been received on the three completed projects but only finalised in one case.
- While there was general compliance with the guidelines in that all projects had an appraisal, four did not conform to all the prescribed procedures set down in the guidelines. Two projects had no cost benefit analysis performed as they were related to statutory compliance with an EU Waste Water Treatment Directive.
- One project is a Public Private Partnership and complied with the requirement of appointing a Process Auditor to ensure regulatory and procurement procedures are followed.
- In three projects some minor procurement issues relating to the appointment of consultants were noted.
- In a fourth project, 5 out of 6 final accounts for advance works contracts exceeded the tender prices (one by 88% and another by 192%).

## Projects within the €5 million to €30 million range Number of projects examined 15

### Housing Programme

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

- One project was completed, and the final account produced showed that it was over budget by 11% and over time by 10 months. There was no post project review performed.

<sup>4</sup> WSIP (Water Services Investment Programme)

- Two projects were ongoing in turnkey developments. In one case the builder had to finalise works before final account could be agreed, and this project has overrun the budget timeframe of 18 months. The second turnkey development is due for completion in 2011, however, in this case procurement guidelines were not followed for the professional and management services consultants for one of the turnkey developments where payments were made in excess of €400k.
- Two projects were ongoing at construction phase. One of these projects was 14 months overtime and had revised budgetary approval 10.5% in excess of the original tender sum. The appointment of a consultant architect was not based on a tender process but on their previous experience and they received payments exceeding €1m.
- One project is ongoing, contractors have been appointed through competitive tendering, but the construction phase has yet to commence.
- None of the projects within this expenditure range carried out the required multi-criteria cost analysis and sensitivity evaluation over a range of assumptions such as prices, costs, interest and growth rates etc.

Under the CAS there were two projects within this expenditure range which are both under construction.

The first of these projects (which is due for completion later in 2011) received funding under both the CAS and the CLSS. This project was for mixed housing (204 units) and a community care development including a vocational training centre and therapeutic health care facility in association with the Health Service Executive.

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- There was an incomplete appraisal as sensitivity analysis of the project, alternative ways of achieving objectives and a full cost benefit analysis were considered but not documented.
- There was general compliance for the planning, implementation and other guidelines of the project.

The second CAS project related to the provision of 53 sheltered housing units for the elderly, the project commenced in 2003 and is due to complete in 2011.

- There was an incomplete appraisal as there was an incomplete simple assessment and no timeline for the project.
- There were issues re planning of the project and a lack of oversight by the local authority of the project
- There was a revised budget in August 2010 for additional costs.
- Tendering procedures were not complied with for the main contractor and the consultants appear to have been appointed by invitation.

## Water Programme

There were four projects within this expenditure range.

- Two projects (which had their origins in the 1990's) were part of the WSIP and are both at implementation phase. They are both progressing well and expected to be completed within budget and contract timeframe.
- There were aspects of the appraisal and planning stages which were incomplete for three of the projects.
- Two other projects (which had their origins in 1993 and 2003) are also part of the WSIP and are at implementation phase. One project has significant cost overruns (130%), the local authority has undertaken, following direction from the Department, to establish and report upon the specific reasons for these cost overruns. The second project has had overruns of approximately €700k or 6% and required additional approvals. This project is at final account stage.
- Three projects had no documented audit trail. However, it should be noted that all allocated costs are inputted directly into the relevant capital code assigned to the relevant capital project in the financial management system. There were delays in agreeing the final account for one of these projects.
- Four projects had procurement issues, two related to the appointment of consultant engineers to prepare preliminary reports for two projects in 1993, but there was a lack of documentary evidence showing how they were appointed. In another project the appointment of consultant engineers was not subject to a tender process as it was an extension of existing work, and finally the unsuccessful bidders in the fourth project had not been notified and debriefed.

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## Waste Programme

There was one project within this expenditure range.

- This is a landfill remediation project required to comply with EU<sup>5</sup> Directive/landfill licence application, and is currently at implementation phase expected to complete in late 2011. The original expected completion date was 2006. Procurement of main contractor was not inline with guidelines and payments have increased to 41% above the original awarded contract. The main consultant and a plant hire firm were also appointed without proper procurement procedures, and between them have received payments exceeding €1m.

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<sup>5</sup> EU (European Union)

## Traveller Accommodation Programme

There was one project within this expenditure range.

- This project was for the refurbishment of a halting site, which had been the subject of investigation since mid 1990's. The National Building Agency was appointed (no evidence of procurement procedures) to put in place a plan and oversee the works. Work on site was completed on time in October 2008, but was 8% over the contract sum. The final account and consultant fees have yet to be agreed.

**Projects within the €0.5 million to €5 million range**  
**Number of projects examined 21**

## Housing Programme

Under the SHIP there were five projects within this expenditure range.

- The first project was for construction of 4 houses on an infill site, which were completed and handed over to the local authority in March 2010. This project was pre-2005 guidelines and therefore no preliminary or detailed appraisal was undertaken. A pre-tender review was not submitted to the Department for approval. At the time of spot-check the local authority was awaiting approval for revised (final) budget approval, therefore no evaluation has yet been carried out.
- The second project was for the construction of six social houses, which are now occupied. No formal appraisal was performed as the need was based on the housing list for that area. The project was completed within budget cost but over budget time. The builder is now in liquidation and a retention amount of some €21k has been withheld but is due to be paid during 2011.
- The third project was for the construction of 8 apartments, 15 houses and 2 bungalows. There was a simple assessment but no preliminary appraisal, or project or design brief or Departmental approval for contract preparations. However, Departmental approval was given for the appointment of the selected contractor. The final account was some 10% over the original approved budget and 13 months over the budget timescale. No post project evaluation was performed.
- The fourth project was for the construction of 7 dwellings in an infill site. No simple assessment or preliminary appraisal was submitted to the Department for approval. It was completed within budget cost and timeframe, but there was no post project review.
- The final project was for the construction of 22 apartment dwellings and site works. A preliminary appraisal was performed in 2003. In March 2008 the tender evaluation report recommended the highest scoring contractor with an estimated timescale of 70 weeks. Departmental approval was given in September 2008. In January 2011 the

project was not yet complete and no final account was prepared as there was ongoing monitoring of defects. There will be no post project evaluation until time has elapsed to allow project benefits and drawbacks be properly evaluated.

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

- The first project was a funding application (provided by way of mortgage) to purchase two houses for people with special needs. The project was inspected by the local authority but the project was managed by the voluntary body. This project was completed on time and within budget.
- The second project was the renovation and extension of an existing building owned by the local authority, to provide 7 units for homeless men leaving prison, through a lease arrangement with a housing association. Many aspects of the appraisal, planning and implementation were not complied with. The housing association were responsible for the management, implementation and monitoring of the project including the procurement of contractor and consultants and therefore no documentary evidence was supplied within the local authority to show compliance with the guidelines.

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

- This was a completed turnkey project where the local authority borrowed money from the HFA and advanced this to the Dublin Docklands Housing Trust (DDHT) to purchase 16 units for social and affordable housing units, which were offered to people on the housing list. This is to fulfil the obligations of the Dublin Dockland Development Authority under Section 25 of the Dublin Docklands Development Act. The local authority was not involved in the detailed planning and design of the project, and therefore did not comply with aspects of the Appraisal and Planning stages of the project. There was compliance with the capital guidelines in relation to the implementation of this project. The loan was borrowed over thirty years and a mortgage has been set up between the local authority and the Trust covering the same period.

## Water Programme

There were four projects within this expenditure range category.

- The first is a water conservation project, which is at implementation phase and due for completion in 2011, and is expected to be within budget. No simple assessment was prepared as Department circulars L9/03, L6/05 and L6/07 which sets out detailed appraisal requirements were the justification and rationale for the project. Procurement guidelines were not followed for the appointment of a subcontractor for leakage control. There was no notice in OJEU<sup>6</sup> for the appointment of consulting engineers even though the contract exceeded the EU Thresholds.
- A second project is at planning stage, and is part of the WSIP 2010-2012, with grant assistance from the Department of 80%. The project has complied with the guidelines for planning of this project. There was no audit trail description on file.

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<sup>6</sup> OJEU (The Official Journal of the European Union)



- The third completed project was for a water supply scheme. No detailed project plan was produced. Unavoidable cost increases of 10% were incurred but these were not notified to the Department for increase in budget. No final account has been received even though construction is completed 18 months. No details were held on file for the appointment of consulting engineers who were appointed following competitive interview. No post project evaluation has been performed and there was no audit trail description on file.
- The fourth completed project was an upgrade of a sewerage scheme. There was general compliance with the planning and implementation of the capital guidelines. The final account figures have not yet been agreed with the Department. There is expected to be a small overrun due to unavoidable problems encountered during the construction phase. There was no audit description on file and staff payroll costs have yet to be apportioned to the project. The consulting engineers exceeded budget by 20% due to delays experienced on site.

## Waste Programme

There were four projects within this expenditure range.

- One project for a Civic Amenity Centre is at implementation phase. It commenced in 2002 but was delayed pending Department approval for grant assistance in 2008. The main contract price was negotiated downwards by approx. €400k but no evidence of this reduction was forwarded to the Department post budget approval. The project appears to be under budget and final accounts have not yet been agreed.
- A landfill remediation project was performed under the EPA<sup>7</sup> licensing requirements, which meant that there was no formal appraisal or sanction to proceed to planning stage. Restoration works commenced in 2002 and were completed in 2010, this included periods of work suspended due to delays in opening new landfill and weather conditions etc. Final account has been agreed (110% increase due to EPA licence requirements and cost increases over the duration). Consultants were appointed without a tender process and received payments exceeding €400k. Grant claim made in December 2009 was still outstanding at time of spot-check due to queries raised by the Department. No post project review was performed but Construction Quality Assurance forms (CQA) were completed and submitted to the EPA. The audit trail was difficult to follow, as all capital costs relating to the landfill were included in a single job code.
- A landfill remediation project was completed following a complaint leading to an ECJ<sup>8</sup> court case, and therefore had no simple assessment, preliminary or detailed appraisals. This project was grant funded by the Department both pre and post 2006. There was no approved budget for the project and the overall completed work cost 17% more than the tender. The main contractor was appointed in compliance with procurement procedures, but there was no evidence of tenders for the appointment of consultants

<sup>7</sup> EPA (Environment Protection Agency)

<sup>8</sup> ECJ (European Court of Justice)

(estimated total cost €225k) and the appointment of a second contractor who received payments of approx. €155k. No post project review was performed but Construction Quality Assurance forms were completed and submitted to the EPA. A copy of the tax clearance certificate was not provided during the spot-check.

- Another completed landfill remediation works was required for the EPA licence (2003). No formal approval or project appraisal or sanction took place. The project was partially grant funded by the Department. Remediation works were completed in 2006, delays were due to bad weather conditions. The final grant claim was not submitted to the Department until 2009. The final account showed a 40% increase on the awarded contract. The appointment of consultants in 2005 was not in compliance with EU procurement guidelines. No post project review was performed but Construction Quality Assurance forms were completed and submitted to the EPA.

## Fire Services

There were two capital projects within this expenditure range category. One project is ongoing at implementation phase and one is completed.

- The ongoing project was within the revised approved budget and not yet possible to determine if it would be completed within the time budget.
- The second project was completed but at the time of the review financial aspects concerning valuation of the old fire station site had not been finalised. There was no post project review performed.

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## Local Services Programme

There were three completed library projects, within this expenditure range category.

- The first project was completed on time and under budget, a post project review was performed by the local authority.
- The second project was completed, although it was 4% over budget due to accommodation works to a neighbouring property. A claim for loss and expenses for delay and disruption were the main points of variation. No post project review has yet taken place.
- The third project was completed but exceeded the budget by 6.22% mainly due to additional works agreed with the local authority. A post project review is envisaged now that the building is occupied. The building was placed on final shortlist for Best Public Building awards in 2008.

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

### Housing Programme

Under the CAS one housing project related to the provision of 2 units for independent sheltered living for senior citizens via the Sue Ryder Foundation (Ireland) Ltd., an approved housing body. There were non-compliance issues with aspects of the appraisal and planning stages of this project, in addition to a lack of local authority oversight and involvement with the project. Capital guidelines for procurement were not complied with. The contractor and the consultant quantity surveyor were hired by invitation and the contracts were not advertised or tendered. The project is due for completion during 2011.

Under the CLSS one housing project related to the redevelopment of an existing site of a communal welfare facility by National Association of Building Co-operatives (NABCO) a recognised Voluntary Housing Body. This project has complied with the appraisal and planning stages to date. It is shortly about to commence construction, which is scheduled for completion within 12 months.

### Water Programme

This is a completed project, which related to a study to collate all existing information within DCC<sup>9</sup> and present a current status report for the sewerage scheme. It became part of the WSIP (2004-2006) after completion of work and the Department approved the historic consultancy costs for this scheme in March 2007. The appointment of consultants did not comply with EU public procurement guidelines. A tender competition was not held for the selection of the consultants, and the scope of the initial contract was extended by over 80% on the final agreed contract cost. No post project review has been performed.

### Local Services Programme

Under the Social and Community Facilities Capital Scheme 2006, this was a riverside rejuvenation project on the banks of the river Shannon, which subsequently won the Entente Floral Award in 2009. Evidence of procurement of the landscape architects services were not available on file, the project was completed on time but 5% over budget. There was no post project review performed, though it would be useful to review the original costing process as tenders submitted were greater than estimates.

<sup>9</sup> DCC (Dublin City Council)

## **Traveller Programme**

This project related to the refurbishment of two existing houses and the construction of a new house along with associated site works. The tender was only advertised in local papers. The project was completed on time but over budget by 9%. The final account was not agreed in a timely manner.

# Summary of Findings and Recommendations

The summary of findings and recommendations for the spot-check of projects either in progress or completed during 2009 are very much inline with those in the previous spot-check report for 2008.

## Procurement exceptions

It was found that procurement guidelines were not correctly followed in a number of projects relating to the appointment of consultants such as engineers, architects, designers, plant hire etc. Contracts were awarded without formal tendering (usually awarded by invitation) without either requesting three written quotes from suppliers, advertising on eTenders or advertising in a national newspaper, whichever is appropriate for the contract amounts under EU and national thresholds.

There was a lack of documentary evidence to establish the process employed for procurement regarding appointments made in some projects. There should be adequate evaluation criteria in place to evaluate all tenders and evidence of this evaluation should be maintained by the local authorities to demonstrate that the most suitable supplier was selected based on the evaluation criteria.

In some contracts, consultant architects and quantity surveyors were engaged to run the tender competition and the evaluation process reporting on the recommended tender. Evidence of this tender and evaluation process should be maintained by the local authority to demonstrate that the most suitable supplier was selected. This is especially applicable where contracts were awarded for projects via voluntary bodies.

Other tendering exceptions noted were failure to use tender scoring sheets with the selection criteria for MEAT<sup>10</sup> based evaluations. Also unsuccessful bidders were not always notified and debriefed of their failure in their bid.

### Recommendation 1

Local authorities should ensure that procurement guidelines are fully complied with for all contracts, in particular for the appointment of consultants. All procedural matters should be completed and evidence maintained to demonstrate that value for money has been achieved through the procurement process. Procurement guideline training should be provided, especially where contracts are awarded via voluntary bodies.

<sup>10</sup> MEAT (Most Economically Advantageous Tender)

## Non-compliance with guidelines

Table 3 (page 11) shows the most frequently occurring exceptions noted during the spot-checks performed. Although there were exceptions across each project stage from appraisal, planning and implementation it is considered that the following are of the most importance.

The type of appraisal required varied depending on which band of expenditure the project related, from a simple assessment, preliminary appraisal to a detailed appraisal including a cost benefit analysis in the upper bands. However, it was found that across all the bands there were projects with incomplete appraisals.

In the case of the Housing Programme, 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 there was a formal grant application made or work was required under the requirements of an EU Directive, such as waste/water treatment facilities and where work was required 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.

Incomplete appraisals mostly lacked the inclusion of project timelines, risk and contingency costs not quantified, possibility of future price increases or variations on the project and sensitivity analysis evaluating the project over a range of assumptions.

### Recommendation 2

Local authorities need to be reminded of the importance of following the Department of Finance and the Department guidelines (procedures manuals and circulars) for capital projects. All aspects of the appraisal should be completed, especially where projects may potentially move into the higher expenditure band where a more detailed appraisal is required including preparation of cost benefit analysis and seeking the advice of the National Development Finance Agency as required under the guidelines.

## Projects not delivered within agreed budget

A significant number of projects were not completed within the agreed budget. Based on the spot-checks performed the cost overruns were usually attributable to changes in the scope of the work or extra costs incurred due to unforeseen circumstances such as poor ground conditions. It is therefore important that the work performed at the appraisal and planning stages is more thorough and robust to identify potential variations which may occur and reduce the amount of post tender contract amendments to the project which incur extra costs.

### **Recommendation 3**

Formal regular costing reports (weekly / monthly) should be prepared which analyse the budget versus the actual costs incurred by project cost centre. Detailed explanations should be prepared for budget overruns.

### **Projects not delivered within budget timescale**

A considerable number of projects were not completed within the planned timescale. In a number of projects which had their origins from the 1990's it was unclear what the planned timescales were.

At the outset the elements of the appraisal stage which require timescale indicators must be realistically provided. The simple assessment should indicate a timeline for the project. The appraisal should give a detailed time profile, and the project brief requires a programme for completion of works and indicates costs targets and timing and delivery of the project.

### **Recommendation 4**

Realistic timescales should be provided for key milestones for the project and these should be monitored during the implementation phase of the project through regular project team meetings, progress reports and explanations where slippage occurs in an effort to ensure that projects are completed within budget timescale.

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### **Delays in agreeing final accounts**

It was found that a number of projects had delays in receiving and agreeing final accounts. The spot-check process has shown that the time taken between the completion of the implementation stage to the completion of the entire project i.e. submission of final account, certifying of final account etc. can be significant.

### **Recommendation 5**

Local Authorities should ensure that final accounts are submitted within six months of the completion of a contract, or (where shorter) within the timeframe provided for in the Department guidelines for a particular scheme. They should then submit their reports to the Department as soon as possible in order to claim any retention monies due under the scheme.

### **Lack of post project evaluation**

It was found that the majority of the completed projects did not have a post project review performed. Some local authorities indicated that they intended to perform the post project review after the first twelve months of operation.

The purpose of a post project evaluation is to determine whether the basis on which the project was undertaken proved to be correct. It should establish whether the benefits and outcomes materialised, and whether the planned outcomes were appropriate to the actual public need. The project appraisal should review the management procedures adopted to determine if they were satisfactory and if there were any conclusions drawn which may be applicable to other projects. It is therefore essential that a post project review is carried out to ensure that any lessons learnt can be used for future projects.

### **Recommendation 6**

The Department should monitor and follow-up on completed projects to ensure that post project evaluations are performed and submitted to them for review. Circular SHIP 2010/12 states that a review be undertaken within 6 months of substantial completion and submitted to the sanctioning authority within 8 months of substantial completion of the project.

### **Lack of involvement by local authorities with voluntary bodies**

Within the Housing capital programme two schemes are in operation, where assistance is given to voluntary bodies to provide accommodation for the elderly, people with disability and the homeless. Rental accommodation is provided to low-income families. A number of exceptions were noted in relation to some of the projects which included a lack of available documentation at local authority level, a lack of involvement by local authorities in the planning and implementation of the projects and a lack of post project evaluation.

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### **Recommendation 7**

There should be significantly greater amounts of documentation maintained on files in the local authorities in order to verify that the projects are appraised, planned and implemented in accordance with the capital appraisal guidelines and the Department guidelines for these projects. Further, staff should be fully aware of the procurement requirements. Management structures and information flows should be documented.



# Housing Capital Projects

The housing capital expenditure projects 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).

Nineteen housing capital projects were examined with a total estimate cost of €137,586,415. The capital projects (which were completed or in progress during 2009) were selected from each housing scheme as follows:

SHIP - 11 projects with a value of €86,699,172

CAS - 5 projects with a value of €29,589,135

CLSS - 3 projects with a value of €21,298,108

## 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.

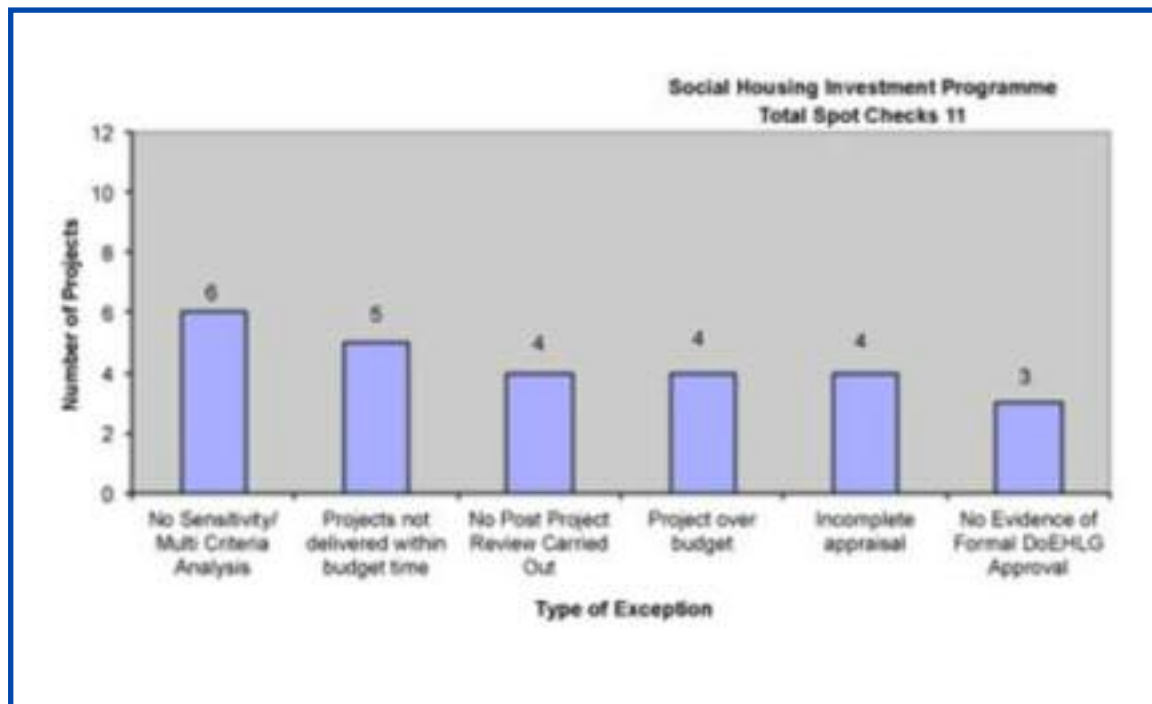
The table below shows the values and numbers of projects examined.

Social Housing Investment Programme Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
834,476,219	198	86,699,172	10.4%	11	5.6%	7,881,743

The range of expenditure on SHIP programmes reviewed was:

Expenditure Range	Number of projects	Total Value
€0.5 million to €5 million	5	€9,796,995
€5 million to €30 million	6	€76,902,177
<b>Total</b>	<b>11</b>	<b>€86,699,172</b>

The chart below outlines the most frequently occurring exceptions identified during the spot-checks on the SHIP programmes. Five of the projects reviewed were completed and six projects were at the implementation phase.



## Summary of Findings

### No sensitivity/multi-criteria analysis

The performance of a sensitivity and multi-criteria analysis was applicable to six of the eleven projects reviewed. Of these six projects it was found that none had performed these 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.

### Projects not within budget time

Five of the capital projects that were reviewed were not delivered within the original timescale. It is necessary that proper project management systems are in operation to ensure the effective and efficient delivery of capital programmes.

### No post project review performed

Four of the five projects which were completed at the time of the spot-check, had no 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 of the project should be reviewed to identify if any stage of the project could have been performed better.

### Project over budget

Four of the 11 projects reviewed, had exceeded the approved budgeted cost at the time of the spot-check. Such cost overruns were attributable to substantial increases in the scope of work to be performed and also from the upgrading of the specification of many materials.

### Incomplete appraisal

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

### No evidence of formal Department approval

There were three 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 and approval 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.

## **Final Account not prepared**

In the course of the spot-checks it was found that of the projects which have completed construction, only one project has not received a final account from the construction contractor. A submission of the final account and a final budget application specifying the final all-in cost of the project should be made to the Department.

## **Procurement**

In the course of the performance of the spot-checks it was found that in two projects the selection and subsequent appointment of consultants was not subjected to the performance of a tender evaluation process. For contracts in excess of €50,000 it is recommended that the appointment of the consultant should be subjected 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.

## Capital Assistance Scheme (CAS)

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

Five housing capital projects with a total spend of €29,589,135 were reviewed. Two of the projects were completed, and the remaining three projects at implementation stage with expected completion dates in the first half of 2011.

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

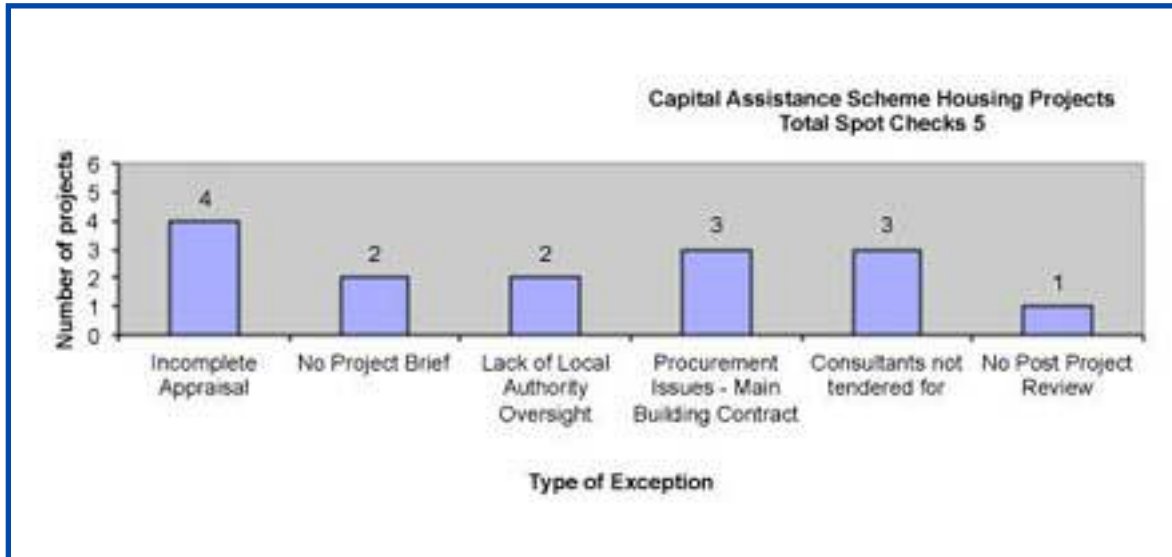
CAS Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
222,633,579	101	29,589,135	13.3%	5	5%	5,917,827

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The range of expenditure on CAS projects reviewed was:

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	1	€321,075
€0.5 million to €5 million	2	€2,030,724
€5 million to €30 million	2	€27,237,336
€30 + million	0	€0
<b>Total</b>	<b>5</b>	<b>€29,589,135</b>

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



## Summary of Findings

### Incomplete Appraisal

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Four of the projects reviewed had incomplete appraisals performed i.e. they did not conform to the prescribed procedures set down in the guidelines. For example, incomplete simple assessment performed, no timeline indicated for project delivery, no examination at a high level VFM of the project, and no sensitivity analysis performed. 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

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

## **Lack of local authority Oversight**

For two of the projects reviewed, there was a lack of involvement by the local authority at the implementation phase of the projects. Management structures and information flows were not documented. Documentation was maintained by the voluntary bodies but not by the local authority. The voluntary bodies were responsible for project management, project implementation and project monitoring.

## **Procurement Issues – Main Building Contract**

For three of the projects reviewed there were issues with how the main building contract was procured. For example, for some contracts no evidence was presented to show that the contract was advertised on OJEU, a tendering process was not gone through for the appointment of a building contractor, a contract was not advertised on eTenders or a national newspaper, no documentation was supplied to verify 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.

## **Consultants not tendered for**

For three of the projects reviewed a tendering process was not gone through to hire consultants used on the projects. For example, no documentation was provided to show how the consultant was appointed, and consultants were hired by invitation of the voluntary body concerned. Public procurement procedures should be followed for the appointment of consultants.

## **No Post Project Review**

Of the five projects reviewed, two projects were completed at the time of the spot-check. A post project review was not completed for one of the projects. 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. The review should examine the project appraisal and management procedures adopted to determine if they were satisfactory, and whether or not there were any conclusions drawn that may be applicable to other projects, to the ongoing use of the asset, or to associated policies. The post project review should identify whether any stage of the project could have been done better and whether lessons can be applied elsewhere.

## Capital Loan and Subsidy Scheme (CLSS)

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

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

Three capital loan and subsidy scheme projects with a total spend of €21,298,108 were reviewed. One project was completed, a second project is at implementation stage and the third project is about to commence construction.

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

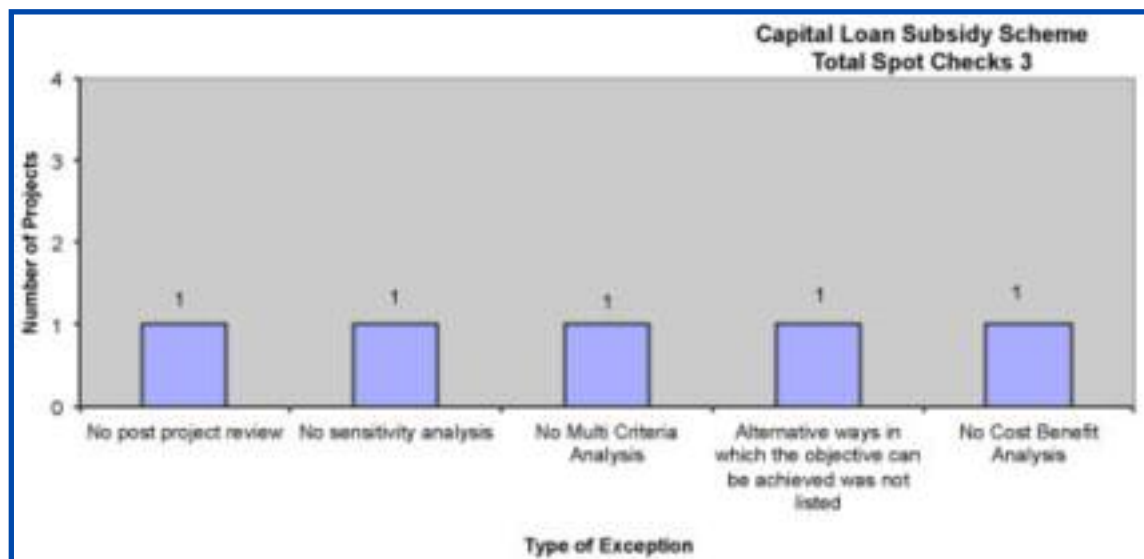
Capital Loan and Subsidy Scheme Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
277,350,568	40	21,298,108	7.7%	3	7.5%	7,099,369

The range of expenditure on CLSS projects reviewed was:

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	1	€356,075
€0.5 million to €5 million	1	€4,663,625
€5 million to €30 million	1	€16,278,408
€30 + million	0	€0
<b>Total</b>	<b>3</b>	<b>€21,298,108</b>



The chart below outlines the most frequent occurring exceptions identified during the spot-checks on the CLSS programmes.



## Summary of Findings

### No Post Project Review carried out

Only one of the three projects reviewed was completed at the time of the spot-check but no post project review was carried out on it. One project is just about to commence while the other is due to finish in 2011 and a post project review will take place upon the production of a final account which is not expected until Autumn 2011 at the earliest. 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.

### No Sensitivity Analysis carried out

Sensitivity analysis was only required to be carried out on one of the three projects selected. The other two were under a certain value that does not warrant such a requirement to be carried out. Sensitivity Analysis includes the evaluation of the project over a range of assumptions including prices, costs, interest rates, growth rates or demographic changes. Sensitivity analysis was not undertaken by the local authority in this project. According to the local authority staff the project had no commercially sensitive elements. The project is located in an identified zoned area for both housing and support areas and suitable for both. The project is located at a point identified for urban upgrade. They further argue that the documentation and development of

the project support the existence of a thorough analysis of value, risk, benefit and options when the project was initiated, carried through all stages of the project.

### **A Multi Criteria Analysis was considered but not documented**

A Multi Criteria Analysis was only required on one of the three projects selected, as it exceeded the value threshold which requires the analysis to be carried out. A Multi Criteria Analysis looks at the cost of the project and the potential size of the public contribution to it. A Multi Criteria Analysis was considered by the council but not documented. The project was initiated and scoped at a high management level including the county manager and county architect. It was felt that the project was not possible without the partnership with the other sponsoring agency.

### **Alternative ways in which the objective can be achieved was not listed**

Alternative ways in which the objective can be achieved was only required to be carried out on one of the three projects selected. This was not applicable on one and the other project was under a certain value that does not warrant such a requirement to be carried out. Alternative ways in which the objective can be achieved considers whether the objective can be met by ways other than capital spending including the option of doing nothing. Alternative ways in which the objective can be achieved were considered but not documented. It was felt that the project was already a joint venture with other sponsoring agencies and that a Public Private Partnership could not be considered as there was no commercial asset or income stream.

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### **No Cost Benefit Analysis was carried out**

A Cost Benefit Analysis (CBA) was only required to be carried out on one of the three projects selected. The other two were under a certain value that does not warrant such a requirement to be carried out. A full and detailed CBA appraises a project across a number of criteria including Timing, Financial Viability, Project Rationale, Measures of net benefit, Externalities, Shadow Prices etc. A full CBA was considered but not documented.

The objectives of the project, that were agreed at a high level, included:

- Provision of the supported housing, social housing, sheltered accommodation and medical/communal facilities
- Combining low value compromised land resources owned by the local authority and the other sponsoring agency into a total site with an asset value and use far exceeding the compromised site
- Utilising the resources of all the partners to effect the project
- Urban regeneration of low value land, Development plan objectives of infill and boundary/landmark building to define the Town Centre edge.

# Water Capital Projects

The Water Services Programme is divided into two main elements:

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

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

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

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

Fourteen water capital projects (which were completed or in progress during 2009) were examined with a total estimated cost of €235,912,154. The table below shows the values and numbers of projects examined.

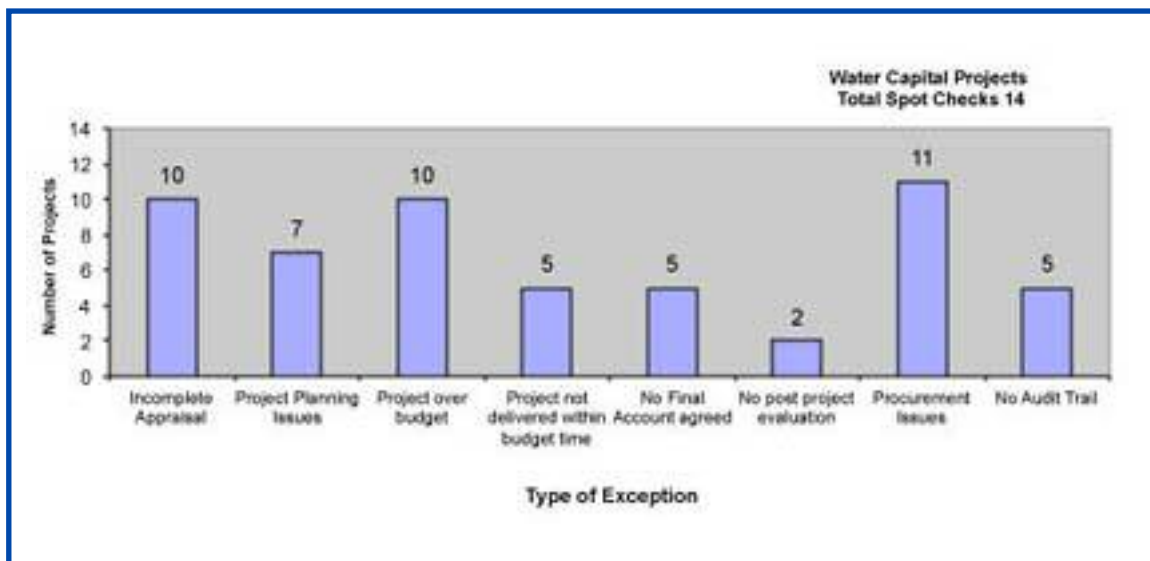
All fourteen of the projects examined are included in the WSIP. The projects were checked for compliance with the 2005 capital appraisal guidelines. However, in a number of instances, elements of individual projects pre-dated the 2005 guidelines and therefore were checked for compliance with the Guidelines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

Water Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
2,286,199,250	344	235,912,154	10.3%	14	4.1%	16,850,868

The range of expenditure on WSIP projects reviewed was:

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	1	€237,158
€0.5 million to €5 million	4	€11,402,922
€5 million to €30 million	4	€48,961,811
€30 + million	5	€175,310,263
<b>Total</b>	<b>14</b>	<b>€235,912,154</b>

The chart below outlines the most frequently occurring instances of non-compliance with the guidelines identified during the spot-checks of the water capital projects.



## Summary of Findings

There is 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 capital appraisal guidelines i.e. appraisal, planning, implementation, evaluation, procurement and audit trail.

There are, however, numerous instances of non-compliance with the guidelines within each category for the majority of projects reviewed. While these instances, in most cases, have not

been deemed serious enough to warrant an overall finding of non-compliance within that category, they are nevertheless noteworthy (see graph above).

In a small number of cases the instances of non-compliance have been significant enough to warrant a general finding of non-compliance for specific categories of capital projects. This has been the case where there was apparently little or no attempt to comply with the relevant guidelines or where insufficient documentation was presented to substantiate the responses provided.

These general findings of non-compliance have arisen as follows:

- General finding of non-compliance re Planning – 2 projects
- General finding of non-compliance re Procurement – 2 projects
- General finding of non-compliance re Audit Trail – 5 projects

Set out below are the general findings relating to the level of compliance across the fourteen capital projects reviewed during the capital spot-checks under the main categories of the guidelines;

## Incomplete Appraisal

Compliance issues with the appraisal stage of projects arose in ten of the fourteen capital projects examined. These were as follows;

- Incomplete appraisals were carried out in relation to three projects.
- Lack of documentation supporting Department approval for project to move to the planning stage was apparent for one project.
- Project timelines and VFM not considered during the appraisal process in three projects.
- Future price increases were not accounted for in six projects.
- No risk analysis carried out in six of the nine projects for which this was a requirement due to the value of the project i.e. greater than €5m.
- No sensitivity analysis was carried out in seven of the nine relevant projects.
- No Multi-Criteria analysis was carried out in four of the nine relevant projects.

## Project Planning Issues

There were issues relating to a lack of compliance with the capital appraisal guidelines in seven of the fourteen projects selected for review. The most common issues arising were as follows;

- No formal project management structures were in place for four projects.
- Senior decision makers not clearly identified at the planning stage for four projects.
- No formal information flows defined for three projects.

Other planning issues which arose once only included;

- No project plan documented.
- No pre-tender review carried out before proceeding to tender.
- No project brief documented.

## Implementation Issues

There were issues relating to a lack of compliance with the capital appraisal guidelines at the implementation stage in eleven of the fourteen projects selected for review. The most common issues arising were as follows;

- The project cost has exceeded its budget in ten of the fourteen capital projects sampled. Of the remaining projects three are at implementation stage and one is at appraisal / planning stage and therefore final costs have yet to be determined.
- Projects have exceeded planned timeline for delivery to date in five of the fourteen sampled.
- Five of the projects selected for capital spot-check were stated as being completed. However, at the time of carrying out the spot-checks final accounts had not been certified and agreed in relation to four of those projects with no final account having been prepared for the other project.
- Delays in the preparation of a final account for the projects have arisen in a number of instances. The spot-check process has shown that the time taken between the completion of the implementation stage to the completion of the entire project i.e. submission of final account, certifying of final account etc. is significant.

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## Procurement

Compliance issues with the procurement guidelines arose in eleven of the fourteen projects reviewed during the spot-checks. The types of issues arising varied and included the following;

- Absence of any formal tender process being undertaken prior to appointment in two projects. In both cases this related to the appointment of consulting engineers.
- There was a lack of documentary evidence to establish the process (if any) employed re procurement regarding appointments made in five projects.

Four of these instances of non-compliance related to the appointment of consulting engineers and in three cases related specifically to the appointment of consulting engineers for the preliminary phase of a project.

- There was a lack of scorecards to show the basis of MEAT appointments for two projects.

- Unsuccessful tender applicants were not formally notified and / or debriefed following a formal tender process re five projects.

### **Post project evaluation**

For the vast majority of capital projects reviewed the post project evaluation was not applicable to the spot-check process as the project had not yet reached this stage.

### **Audit Trail / Tax Clearance**

Five of the projects reviewed did not have a clearly documented audit trail in place or an individual delegated with the responsibility for ensuring this aspect of the capital project was monitored. It should be noted that it was found during the spot-checks that all allocated costs are inputted directly into the relevant capital code assigned to each capital project in the Agresso and JD Edwards systems used by the local authorities.

No issue was found in relation to Tax Clearance as every local authority has in place a system where no payment can be issued in excess of €10k without a C2 or tax clearance certificate being produced by the supplier. Finance Departments, from where payments are authorised, generally ensured this control was in place.

# 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 €29.88 million, being the overall expenditure to date. However the approved Department budgets on these projects totalled only €14,195,796 due to the fact that 4 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. Grant aid was applied for under WPR 13/08 “exceptional circumstances” for two landfill remediation schemes. One of these remediation projects received some grant funding for expenditure incurred prior 1/1/06 and the other project received grant aid for a landfill which was still in operation after 31/12/05. A proportion of these projects related to works which are not covered by Departmental funding such as landfill extension works. The table below shows the values (using Departmental approved figures) and numbers of projects examined.

Waste Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
155,676,135	80	14,195,796	9.1%	5	6.3%	2,839,159

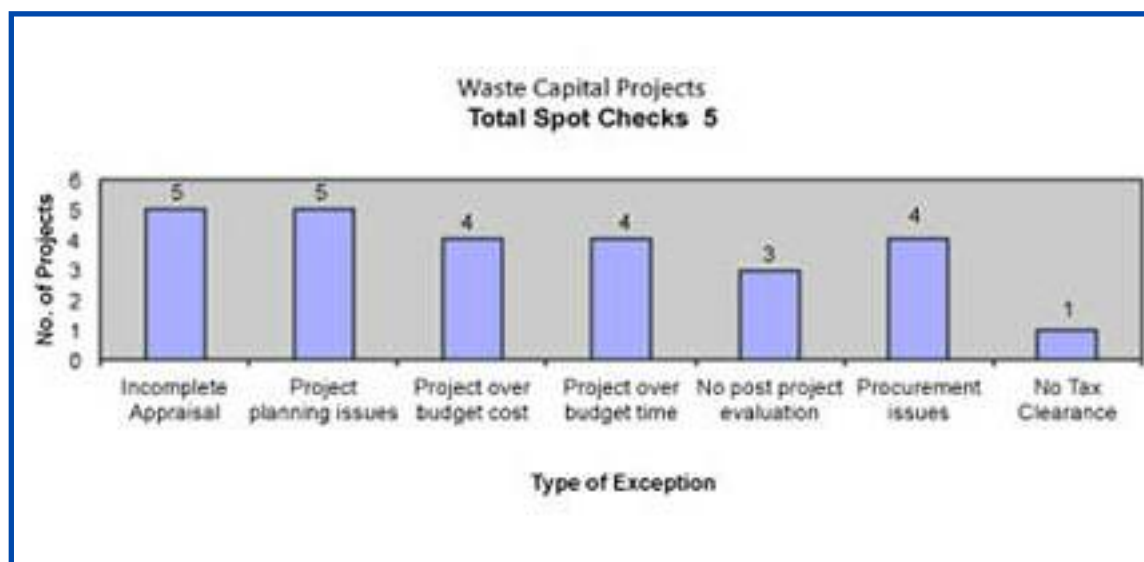
40

The range of expenditure on Waste capital projects reviewed was:

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	0	€0
€0.5 million to €5 million	4	€7,176,602
€5 million to €30 million	1	€7,019,194
€30 + million	0	€0
<b>Total</b>	<b>5</b>	<b>€14,195,796</b>



The chart below outlines the most frequently occurring exceptions identified during the spot-checks of the waste programme. Of the five projects examined, three were completed and two were at the implementation stage at the time of review.



## Summary of Findings

All five projects had commenced before the 2005 guidelines, however, they 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. Four of the five projects related to landfill remediation schemes and one project related to a Civic Amenity Centre.

Non-compliance was found under the relevant capital spot-check stage as highlighted above. However, in many cases it was found that local authorities endeavoured to comply with the guidelines and, as such, these exceptions were not deemed serious enough to warrant an overall non-compliance.

### Appraisal Stage

All five projects were found to contain exceptions in the Appraisal stage of the projects. These exceptions included the following:

- Five projects did not list realistic alternative ways in achieving the objectives for undertaking the project.
- No risk analysis performed for three projects.
- Value for Money considerations not documented in four projects.
- No project timelines identified for two projects.
- Five of the project proposals were not submitted to Department for approval at

appraisal stage. Four of these projects were required to be undertaken in order to comply with EPA licences. Specified Engineering Works (SEW) documents were prepared to indicate how the requirements of the EPA waste licence were to be achieved and these were submitted to the EPA, not the Department, for approval.

- In the case of the four landfill remediation schemes all of these projects had commenced prior to the introduction of Circular WIR2/06.
- Two projects had no sensitivity analysis performed.
- One landfill remediation scheme identified two other landfills in the region. Two of the landfill remediation schemes had been subject to an ECJ ruling of non-compliance.
- Two projects had no draft budget prepared for the project at appraisal stage.

Although the five projects sampled all had exceptions at the appraisal stage of the process, only two of the projects were deemed to be substantially non-compliant with the 2005 guidelines. These projects both related to landfill remediation. In one project there was no evidence provided of a simple assessment, preliminary appraisal or detailed appraisal.

The other project did not provide a brief estimation of costs, a timeline for the project, a quantification of costs, a sensitivity analysis, examination at a high level for VFM or a risk analysis or calculations for fluctuations in prices, costs etc. The European Court of Justice identified this landfill site to be in breach of the Waste Management Directive 91/156/EC.

## Planning Stage

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All five projects were found to contain exceptions in the Planning stage of the projects. These exceptions included the following:

- Four projects had no documented information flows available. However the actual information flows did follow established management structures within the local authority.
- No evidence of a formal management structure was in place for one project.
- No pre-tender review was undertaken on two projects.
- The proposal was not submitted to the Waste Infrastructure and Regulation Section at the planning stage for the 4 landfill remediation projects, which had all commenced prior to Department funding being made available.
- One project had no evidence of a project steering committee, and another project did not have a local authority representative on this committee (only relates to projects in excess of €5m).

Although the five projects sampled all had exceptions at the planning stage of the process only one project was deemed substantially non-compliant with the 2005 guidelines. This project related to a Civic Amenity Centre. There was no evidence provided of cost limits or targets for this project, no changes to the project specification to achieve cost reduction and the completion of works as specified in the detailed appraisal was reliant on when Departmental budget approval was obtained. The original Department budget approval “in principle” for this project

was €800,000. The main contract tender prices, of this project, exceeded this budget but no re-examination of the project was undertaken at this stage. The project exceeded its planned completion date.

## Implementation Stage

All five projects were found to contain exceptions in the Implementation stage of the projects. These exceptions included the following:

- Project cost over budget cost in respect of four projects.
- Four projects exceeded planned completion date. The other project did not have a documented planned completion date.
- There was no evidence of any formal project progress reports submitted to the Department aside from grant claims.

As with the appraisal and planning stages all five projects sampled had exceptions at the implementation stage of the process only one project was deemed to be substantially non-compliant with the 2005 guidelines. This was a landfill remediation project. The records of minutes and communications are poor. Consultants prepared much of the documentation available. No evidence of site meetings or project progress reports was presented on review. There was no project steering committee in place and therefore no local authority representative on such a committee. There was no planned completion date stipulated for this project.

The grant application for one other landfill remediation was submitted in December 2009. As at January 2011 there was still ongoing correspondence between the local authority and the Department in respect of this claim. This claim related to the full grant assistance sanctioned on this scheme.

A final grant claim in respect of another remediation scheme, which was substantially completed in early 2006, was not submitted to the Department until 2009.

## Procurement

Four of the five projects reviewed were found to have serious non-compliance issues with the procurement guidelines. All four projects were landfill remediation projects. The four projects were deemed to be non-compliant in respect to the appointment of the lead consultants on the job. Two projects were found to be non-compliant in respect of the appointment of the main contractor and one project was also found to be non-compliant in how it appointed a plant hire firm who received €739k to date, having being appointed from the local authority's Annual Contract Book over the life of the project.

## Post Project Review

Of the five projects reviewed two of these were not completed at the date of review. These were a landfill remediation and a Civic Amenity Centre. No post project review was carried out in respect of the other three projects. Construction Quality Assurance (CQA) forms have been completed for all three of these projects. CQA forms are a requirement of EPA licensing. Final accounts have been agreed in respect of all three projects completed at the date of review. However no evidence of a post project review was obtained in respect of the three completed projects.

## Audit Trail

Although none of the five projects reviewed had a documented audit trail this was not deemed serious enough to warrant non-compliance. However, one of the landfill remediation schemes was deemed to be non-compliant. The reason for the non-compliance is that the overall basis for allocation of the costs/expenditure where the costs only relate to part of a project is unclear. Only the costs that were subject of the application for grant funding for Landfill remediation and aftercare works are identified and these are on a time basis only.

## Tax Clearance

A copy of the main contractor's tax clearance certificate or C2 was not provided during review in respect of one landfill remediation schemes. All other projects were deemed compliant.

# Fire Services Capital Projects

Under the Fire Services Capital Programme two Fire Services capital projects (which were completed or in planning/progress during 2009) were examined with a total estimate cost of €4,500,000. The table below shows the values and numbers of projects examined.

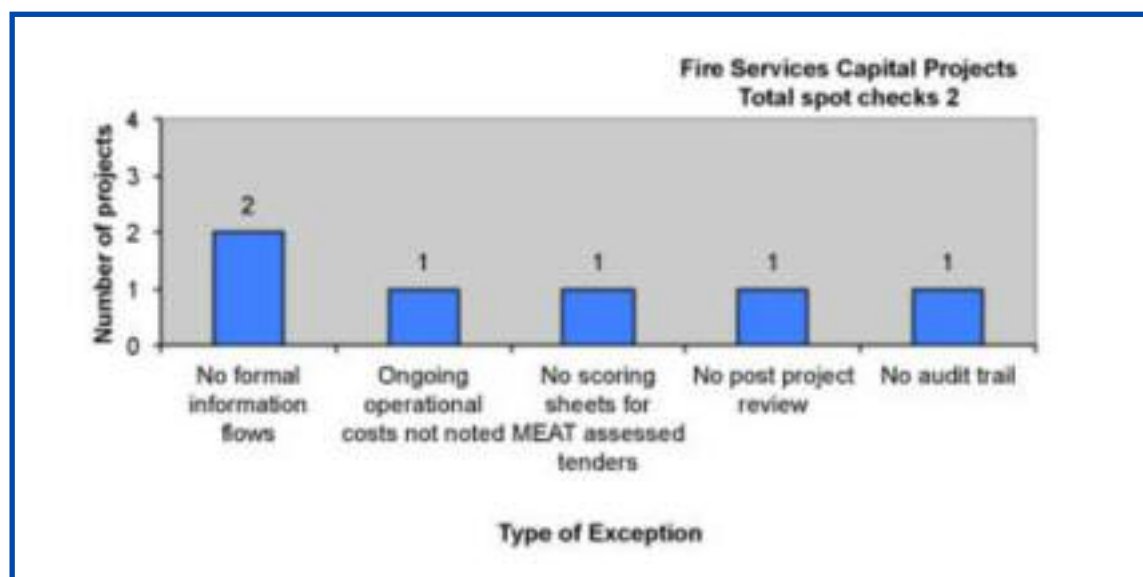
Fire Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
16,615,000	12	4,500,000	27.1%	2	16.7%	2,250,000

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

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	2	€4,500,000

The chart below outlines the most frequently occurring exceptions identified during the spot-checks of the fire services capital projects. Of the two projects examined, one project was completed. It is therefore not yet possible to determine if the on-going project will be completed within time and budget cost.

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## Summary of Findings

### No formal information flows

For each of the sampled projects, formally documented lines of communication between Council staff, Consultants' and Contractors' was not evident on files presented for review. However, in both cases minutes of meetings attended by all parties were noted on the files presented for review.

### On-going operational costs not noted

Only one of the sampled fire stations had been completely constructed during the review process. For the completed project, it was noted there was no evidence on file, concerning on going operational costs, which have to be incurred during the lifetime of the asset.

### No scoring sheets for MEAT assessed tenders

Documentation pertaining to the procurement of a Design Team for one of the sampled projects was not on file during the review process. This issue was discussed with the relevant staff, in reply it was stated that a Design Team had been appointed and was responsible for designing and managing the construction of a number of fire stations within the sampled County. The documents pertaining to the Design Team had been placed in files pertaining to the construction of other fire stations.

### No post project review

No evidence of a post project review was noted on the files of the completed project.

### No Audit Trail

This issue concerned the completed project. Although the sampled project's filing system was in line with best practice, one aspect of recording and documenting the project was the absence of an adequate audit trail in order to follow the financial aspects of the project with ease.

# Local Services Capital Projects

Local Services capital expenditure project spot-checks were performed in relation to the construction and refurbishment of a range of civic infrastructure including libraries, community and sports facilities.

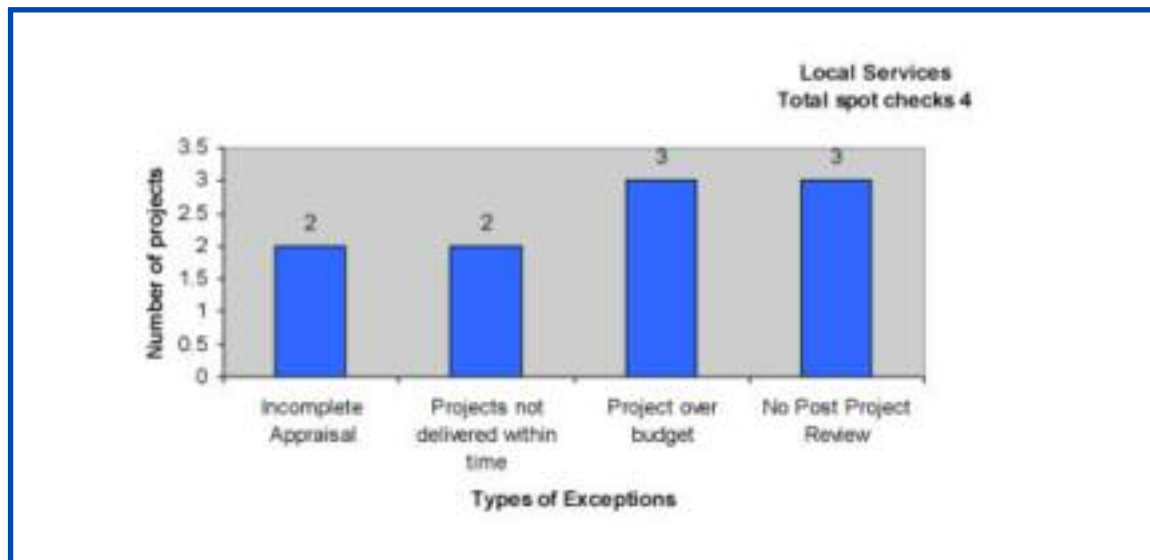
Four Local Services Capital Projects (which were completed or in progress during 2009) were examined with a total estimate cost of €8,912,625. The table below shows the values and numbers of projects examined.

Local Services Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
35,056,811	57	8,912,625	25.4%	4	7.0 %	2,228,156

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

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	1	€140,860
€0.5 million to €5 million	3	€8,771,765
€5 million to €30 million	0	€0
<b>Total</b>	<b>4</b>	<b>€8,912,625</b>

The chart below outlines the most frequently occurring exceptions identified during the spot-checks of the local services capital projects. Of the 4 projects examined, all were at the completed stage of the projects.



## Summary of Findings

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### Incomplete or no appraisal

One of the projects examined related to capital grants given by the Department under the Social and Community Facilities Capital Scheme 2006. For this project the grant application form was completed in place of a formal appraisal document. The application forms included details on budget costs and timelines for completion of projects, but did not include a number of other information requirements as outlined in Department of Finance guidelines such as high level VFM considerations. This project is completed.

Where an appraisal was performed for the other projects reviewed, in a number of cases the appraisal did not meet all the criteria as outlined in the Department of Finance guidelines. Incomplete appraisals did not include detailed information on budgeted costs (such as ongoing capital or life cycle costs, cost risk contingencies with price variations etc.) and timelines to complete the projects.

### Procurement

Evidence of compliance with the procurement guidelines, when engaging consultants such as architects and quantity surveyors, was not provided in one instance, while consultants were appointed from a panel in another. Two authorities ran competitions to appoint consultants specifically for the projects.



In three projects, external quantity surveyors and architects ran the tender competition and evaluation process reporting on the recommended tender. The quantity surveyor attended the spot-check in one instance and made all his files available. However it is important that evidence of the evaluation process should be maintained by the local authority to demonstrate that the most suitable supplier was selected.

## **Projects not delivered within budget and delays in submitting final accounts**

In one case the total expenditure on the project was €15.6m resulting in a cost overrun of €0.9m (6.2%), which were attributed to variations and additions to the original design specification requested by the local authority post agreement of the contract. The €15.6m is the cost of the total building, of which 38.61% refers to the library portion of the project. This portion only was funded by the Department.

A second library project had a cost variation of 4% or €67k over the contract sum on the project final account. This was mainly due to accommodation works to a neighbouring property and an expense claim for delay and disruption by the contractor. There was also a delay in submitting the final account.

The third library project was completed within budget and on time. The fourth project fell under the Social Community Facilities Capital Scheme 2006. The accepted tender was 72% greater than original cost projections and the final cost exceeded budget cost by €21,106 or 5%.

## **Lack of post project review**

A post project review was completed in only one of the four projects reviewed. One other stated that they intended to carry out a review in approximately 12 months time.

## Traveller Accommodation Capital Projects

The relevant housing authorities in consultation with Travellers and the public must prepare and adopt accommodation programmes to meet the existing and projected accommodation needs of Travellers in their areas. The objectives concerning Travellers accommodation should be included in their county and city development plans.

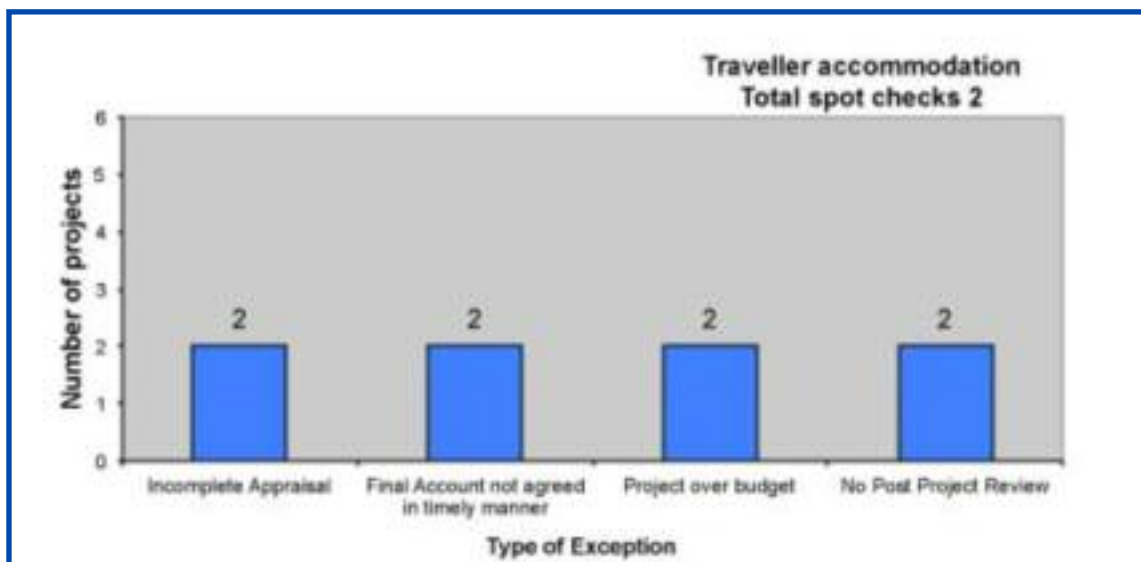
Two Traveller capital projects (which were completed or in progress during 2009) were examined with a total estimate cost of €5,832,512. The table below shows the values and numbers of projects examined.

Traveller Capital Projects		Sample Selected				
Total Value €	No. of Projects	Total Value €	%	No. of Projects	%	Average Value €
35,258,071	32	5,832,512	16.5%	2	6.3 %	2,916,256

The range of expenditure on Traveller projects reviewed was:

Expenditure Range	Number of projects	Total Value
€0 to €0.5 million	1	€215,200
€0.5 million to €5 million	0	€0
€5 million to €30 million	1	€5,617,312
<b>Total</b>	<b>2</b>	<b>€5,832,512</b>

The chart below outlines the most frequently occurring exceptions identified during the spot-checks of the traveller accommodation capital projects. There were two projects selected for examination and both were completed. One of the projects was the refurbishment of a halting site and the other was the refurbishment of two houses and the construction of a third.



## Summary of Findings

### Incomplete appraisal

An appraisal was not located in one of the projects, although Department approval was received. In the other project, a formal appraisal consistent with the Department of Finance guidelines was not located. Incomplete 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 over budget by 8%, and the other 32%. Both projects were completed on time once contractors moved onto site. The projected costs were based on quotes received and submitted to the Department for approval.

There were significant delays in both projects in the contractor submitting the final accounts. In one case the final account was submitted 30 months after work finished and the other was almost a year until the final account was submitted. This account is still not agreed. No explanation for the delay was on file.

## **Procurement**

It was found that procurement guidelines were not always completely followed. There was no evidence of procurement guidelines being applied to the engagement of architects and consultants in one case. In all cases reviewed, the tenders were awarded on the basis of lowest cost.

## **Post project review**

A post project review was not undertaken in either of the projects. Under the 2005 capital appraisal guidelines post project review should be carried out to review the project appraisal and management procedures so that lessons and experience gained can be carried forward to future projects.

# APPENDICES

# Appendix A

## Sample Selection

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 completed stages during 2009 to the Value for Money Unit.

## Sample Selection Criteria

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 capital expenditure 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 2008 spot-checks were selected.

## Basis of selection of Sample

Capital Programme	Sample selection process
Housing SHIP	All capital projects greater than €18m, and random selection of ten capital projects less than €18m
Housing CAS	All capital projects greater than €13m, and random selection of four capital projects less than €13m
Housing CLSS	All capital projects greater than €15m, and random selection of two capital projects less than €15m
Water	All capital projects greater than €31m, and random selection of nine capital projects less than €31m
Waste	All capital projects greater than €6m and random selection of four projects less than €6m
Fire and Emergency Services	All capital projects greater than €3m and random selection of one capital project less than €3m
Local Services	All capital projects greater than €3m and random selection of three capital projects less than €3m
Traveller Accommodation	All capital projects greater than €5m and random selection of one capital project less than €5m

