



Department of Communications, Energy and Natural Resources
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**Annual Spot-Check Report
(on Compliance with the General Conditions of Department
of Finance Sanction for Multi-Annual Capital Envelopes)**

**Internal Audit Unit
Department of Communications, Energy and Natural Resources**

January 2008

Section 1

Introduction and Summary

1.1 Introduction

This report presents the results of a series of spot checks carried out by the Internal Audit Unit (IAU) of the Department of Communications, Energy and Natural Resources (DCENR) on behalf of the Finance Division of the Department, in respect of the appraisal and management systems in place and being applied by the Department in relation to capital expenditure in 2007.

This is the second such report, and the first time it has been produced by the IAU. External consultants were procured to complete the first spot-check report which covered 2006. In line with the preference set out in the May 2007 Department of Finance (DoF) spot check guidance for the checks to be carried out internally, the IAU was considered to have the necessary independence and to be sufficiently competent to carry out the checks in the current year. It is envisaged that the IAU will continue to carry out this function in the future, facilitating the build up of the necessary skills within the Department and its Agencies.

1.2 Background

Appendix 3 of the DoF February 2005 *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector* (CAGs) sets out the conditions of sanction for multi-annual capital envelopes.

One of the requirements is that Departments must carry out annual spot checks to ensure compliance with the capital appraisal guidelines and report the findings of these spot-checks to DoF. The Central Expenditure Evaluation Unit (CEEU) of DoF will review Departments' annual spot-check reports and convey its views on the conclusions and findings of such reports to the Vote Section. The CEEU in reviewing the conclusions and findings of annual spot check reports may carry out direct checks of its own on a sample number of cases at Departmental and Agency level. The Vote Sections in the DoF will engage with Departments in respect of any remedial action which may be required on foot of recommendations from the CEEU in respect of spot-checks.

Corporate Finance and Planning Division of DCENR requested that the Internal Audit Unit carry out the spot-checks in respect of year 2007 and report their findings to the Department.

1.3 Spot-Check Objectives

The basic purpose of carrying out annual spot-checks of projects is to ensure compliance with the requirements set out in the CAGs, Public Private Partnership Guidelines, National and EU Public Procurement Procedures and Tax Clearance requirements.

In addition, the feedback from such checks should lead to the development of enhanced co-operative relationships within DCENR, and between it and DoF, allowing for the ongoing building upon existing strengths in project appraisal and management.

1.4 Scope of Spot Checks

The spot checks themselves were based on a reasonably representative sample of projects funded in terms of project size, levels of expenditure, project maturity and risk assessment. Full details of the project selections and their percentage of programme expenditure are shown at Appendix III (a) and (b) of this report.

At least 5% of expenditure was examined on all capital programmes.

Summary details of the overall value, duration and current phase of the selected projects are shown in the table below.

Subhead	Project Title	Programme	Type of Expenditure	Anticipated Duration of Project	Anticipated Full cost of the project	Current Project Phase
A05	Knowledge Management IT Asset	Office Machinery and other office supplies	IT Asset	2 Years	€1,218,342	Implementation
A05	SUDS IT Asset	Office Machinery and other office supplies	IT Asset	1 Year	€100,000	Post Project Review
G03	RAPID Programme	RAPID Programme (capital)	Cost Neutral Grant	Annual	850,000	Cyclic
H04	Grant for TG4	RTE grant TnaG - Capital	Grant in Aid	Annual	€917,000	Cyclic
H06	Digital Terrestrial Television Pilot	Grants for Digital Terrestrial Television (Capital)	Capital Project	3 years	€10,000,000	Implementation
I02	Silvermines Rehabilitation Programme	Mining Works (Capital)	Capital Project	4 Year	€10,600,000	Planning
I04	Griffith Award	Geoscience Initiatives Research Awards	Award Scheme	7 Years	€10,000,000	Implementation
F01	SEI NDP Built Envir Public Sector	Energy Conservation (Grant-in-Aid)	Award	Annual	€2,500,000	Implementation
F03	Charles Parsons 2006	Energy RTDI Programmes - Capital	Award	7 Years	€19,000,000	Implementation
G01	Donegal Phase II MAN	Information & Communications Technology Programme E-Commerce & Comms Grants	Capital project		€2,500,000	Implementation
G02	Funding for NDRC	Multimedia Developments	Grant	5 Years	€25,000,000	Implementation
E01	Foyle Fishery Commission - Capital Grant	Inland Fisheries	Grant	Annual	€884,000	Cyclic
C02	INFOMAR GSI - Equipment (Asset)	National Seabed Surveys	Capital project	3 Years	€12,000,000	Implementation

It should be noted that spot checks were not carried out in relation to capital projects being undertaken by the agencies under the aegis of the DCENR in 2007. However, it is envisaged that such checks will be carried out in 2008.

1.5 Key Work Undertaken

Key work included the following:

- Analysis of the DCENR's capital expenditure envelope
- Selection of a reasonably representative sample of projects ensuring coverage of at least 5% of all programmes in 2007
- Discussions with key personnel involved with the programmes and projects
- Analysis of the project files held by the DCENR
- Review of relevant accounting records

1.6 Spot Check Resources

The spot-check selection, visits and analysis were carried out by Mr. Eddie Barry and Ms Gemma Lynch, Internal Audit Unit, during the period August 2007 to January 2008.

1.7 Spot Check Coverage and Opinion

The DoF CAGs set out 4 main stages in the life-cycle of a capital project:

1. Appraisal
2. Planning
3. Implementation
4. Post Project Review

IAUs opinion on the level of compliance/awareness of best practice is set out below and is categorised under each stage.

1.8 Summary of Spot-Check Findings

It is the opinion of the IAU of DCENR that the compliance and awareness of the requisite guidelines within the Department is **generally adequate**.

In relation to the specific project stages:

1. IAU is generally satisfied that an adequate system of project appraisal is being engaged in across the Department. This represents a medium risk.
2. IAU is satisfied that in general an adequate level of planning is adhered to across the Department. This represents a low risk.
3. IAU is generally satisfied that the implementation stage of projects is being managed adequately and that some form of monitoring and control of projects is demonstrated. This represents a medium risk.
4. IAU is not satisfied that an adequate systematic post project review system is in operation across the Department. This represents a high risk.

1.9 General Recommendations

While the individual findings of the spot checks are dealt with in the body of this report by project stage, IAU are of the opinion that a number of key general recommendations apply to capital expenditure proposals and their project appraisal and management in general in the Department, regardless of the stage of development. This are summarised below, with a detailed explanation provided at Section 4 of this report.

1. **Creation of a dedicated project appraisal and management resource in the Department in order to champion good project management practices and methodologies and monitor and report on all project activities**
2. **Heightened awareness of the obligations through on-going training and use of the recently deployed knowledge asset on the Department's Intranet.**
3. **Mandatory completion of the DCENR capital appraisal and management checklist by project managers, and on-going updating and reporting of progress through the use of these checklists to a central function on a quarterly or half yearly basis.**
4. **Consistent defined approach by Divisions in relation to the spending by Agencies and adequate reasonable oversight of the programmes and projects within their remit.**

Section 2

Steps Taken to Disseminate the Capital Appraisal Guidelines and Other Requirements

The Department has revised its approach to capital expenditure and introduced a series of Department specific control measures in relation to same. IAU noted that the requisite DoF guidelines and other relevant information are disseminated as required to the Line Divisions of the Department and the agencies under its aegis. This is normally achieved through written or electronic communications and is also made available on the Department's intranet. In addition, a series of workshops has been held to inform capital spending Divisions and Agencies of the new measures and to ensure that they are fully briefed on the CAGs, as amended.

A training programme has now been rolled out in the Department and at least 70 staff involved in the monitoring/carrying out of expenditure under the Multi-Annual Capital Framework have been trained under either the DCENR training initiative or the related DoF, CSTDC course. The attendees included senior representatives from all capital spending divisions. During the course of the spot checks it was noted that most interviewees had participated in the training. Additionally, the training programme included 8 representatives from agencies who receive funds from the Department's Vote. These representatives are, in turn, charged with rolling the procedures out in their relevant agencies. Further support was provided by the Finance Unit to Divisions and Agencies on the implementation of the procedures over the course of the year and the level of implementation in each area will be monitored. In order to build on progress made during 2007, a further series of workshops on capital appraisal and VFM requirements are planned for 2008.

In addition, further guidance material and a 'knowledge management asset' on the Department's intranet, which will serve as an easy up-to-date reference material for staff involved in capital projects has been developed. The focus of this knowledge asset is to support the implementation of CAGs, as amended. As can be appreciated, from the resources required for us to carry out the above, the improvement of the system for appraisal and management of capital projects is one that has been given priority by the Management Advisory Committee.

In addition, capital spending divisions are now being requested for a completed checklist which indicates that they have complied with the requirements of the capital appraisal and VFM guidelines prior to opening a new 'project code' in the Department's financial system. Two versions of the checklist have been compiled, one to deal with the Department's role as Sponsoring Agency and Sanctioning Authority, the other to deal with its role as Sanctioning Authority only.

Progress reports to the Management Advisory Committee on projects costing more than €30m are submitted on a quarterly basis, in line with the VFM Circular (January 2006). Reports on four projects over €30m were submitted in 2007. The reports which are submitted to the Management Advisory Committee include a certification from the relevant project manager that the project is managed in accordance with all the relevant DoF guidelines and National Procurement Policy. Further improvements in the reporting of capital expenditure are planned for 2008 and work has commenced on the implementation of a system of monthly progress reports on capital spend. It is expected that this system will be implemented in full by the end of Quarter 1 2008.

Specific recommendations in relation to the above points are contained in the findings of this report.

Section 3

Current Systems in Place for Appraisal and Management

As noted in Section 1 above, the Department has introduced a series of specific controls in relation to capital expenditure:

- A checklist has been developed by the Department which details the key steps which must be carried out under the CAGs, as amended
- IAU understands that the completion of this checklist is mandatory for all **new projects**
- It is intended that capital expenditure should be tracked on a project basis using a new specific 'project code' in the Department's financial system
- A 'project code' must be opened prior to incurring expenditure
- Prior to opening a 'project code' capital spending divisions are now being requested for an appropriately completed checklist
- In certain circumstances, it is possible to allocate several 'project codes' for one project in order to track expenditure in sufficient detail
- Progress reports to the Management Advisory Committee on projects costing more than €30m are submitted on a quarterly basis, in line with the VFM Circular (January 2006)
- Work has commenced on the implementation of a system of monthly progress reports on capital spend
- In line with Appendix 3 of the CAGs, the Department has put in place a system to carry out annual spot checks of projects
- The spot checks are carried out by IAU which is independent of those directly involved in the appraisal and management of projects
- IAU is considered to be sufficiently competent to carry out the spot checks
- The creation of a dedicated 'knowledge management asset' on the Department's intranet supports the effective application of the Department's capital appraisal and management systems

Section 4

Coverage of the Spot Checks and Findings

4.1 Specific Spot Check Coverage/Sampling and Actions Carried Out.

The following actions were carried out in order to create the reasonably representative sample of the 2007 Capital expenditures.

1. A snapshot of Departmental capital expenditure was extracted by IAU in September 2007. This snapshot represented all capital expenditure to the 31st July 2007 and was extracted from the Department's financial system, Agresso. The expenditure extract contained only 2007 expenditure.
2. The data extract was cross referenced to the capital monthly report to DoF on expenditure to ensure the validity of the dataset being used.
3. Using this data, IAU created a MS Access database for analysis purposes, from which a fully documented reasonably representative selection across Divisions was made. An analysis was also carried out to ensure that the records selected met or exceeded the 5% minimum required at a programme level.
4. In most cases a single qualified by expenditure project was selected from within a programme, where expenditure was not sufficient, multiple projects were selected.
5. The intention to perform the proposed spot checks was flagged at a Management Advisory Committee meeting on the 25th September.

6. Following this meeting, IAU made individual contact with the Divisional Heads of Function in the relevant business areas (e-mails on the 01/10/2007) of the projects selected and requesting contact personnel in each area.
7. As specific contacts persons were identified, IAU began scheduling interviews with these key people. The first of these interviews commenced on the 16th October 2007.
8. Interviews were conducted using a formatted questionnaire created by IAU, which was based on the relevant DoF guidelines.
9. All interviews/questionnaires had been completed by IAU by 31st December 2007, with follow-up queries continuing into January 2008.
10. Communication with the appropriate persons in DoF revealed that no set format for the required report was available; therefore, the format of this report is based largely on that currently in use within the Unit for single item audits.
11. Due to time constraints and logistical issues, it was not possible to schedule spot-check interviews on those projects originally selected from the maritime sector and for which responsibility now rests with the Department of Agriculture, Fisheries and Food. Details of these projects are shown at Appendix IV.
12. Contact has been made with that Department and it has now been possible to clearly identify the business area in that Department with responsibility for carrying out said spot checks.
13. Feedback reports containing IAU findings and recommendations are being prepared at present.

These reports will be disseminated at an individual Divisional level seeking the responses and documenting the actions arising.

4.2 Spot Check - Main Findings

4.2.1 Appraisal Stages

The appraisal stage comprises a single appraisal for projects less than €5 million, and a preliminary and detailed appraisal for projects costing €5 million and above. Under the DoF CAGs, a preliminary appraisal should be undertaken for projects costing €5m and above to assess whether a detailed appraisal is warranted.

During the IAU spot checks, evidence was found of some form of appraisal process in each of the projects sampled. Consistency in the format and level of quality of these appraisals varied between Units within the Department and it was noted that both formal and informal appraisals were being undertaken.

Items of particular note in the appraisal processes examined were:

1. Lack of a standardised appraisal process across the projects sampled and limited use of the created checklists.
2. Lack of a Communications Plan and evidence of dissemination of relevant data.
3. Where funding was allocated by Central Government or included in the annual estimates, a detailed Business Case or Project Initiation Document was not created to explore the available solutions. In addition, the "do nothing" option was rarely considered
4. Formal sign-off documentation was not always available.

Recommendations:

4.2.1.1 It is the view of IAU, following the spot checks and discussions with Divisions, that formal appraisals for larger scale projects are currently documented. However, appraisals for smaller projects tend to be less well documented and informal.

IAU notes the creation of a dedicated comprehensive checklist for use in the Department which summarises the requirements of the guidelines. The understanding is that this checklist should be completed by Line Divisions prior to expenditure being incurred on a new project. Two versions of the checklist have been compiled to deal with the DCENR's role as Sponsoring Agency and Sanctioning Authority; and its role as Sanctioning Authority only.

Access to these checklists is provided through an electronic Knowledge Asset that is available on the Departments intranet site.

It is recommended that completion of the relevant checklist should be mandatory and evidenced by inclusion in the actual project file. The requirement to complete checklists and skeleton copies of same should be included in Divisional Procedures Manuals. A system of monitoring and control of the checklists' implementation should be put in place to give assurance of quality and compliance.

IAU welcomes the publication of the specified checklists as part of a Knowledge Asset created on the DCENR's Intranet site and would recommend a campaign to raise awareness of this valuable asset throughout the Department.

4.2.1.2 Throughout the spot checks there was very little evidence of formal Information Flow/Communications Plans being documented and executed in the projects examined. In addition, it was noted that while the DoF CAGs as amended and other relevant information is disseminated to line Divisions via emails and made available on the Departments intranet site, no formal mechanism of ensuring final delivery of these guidelines to Divisions, or Agencies under the aegis of the Department, is documented and available.

In line with section 2.3 of the DoF CAGs, it is recommended that within projects or governance of grant-in-aid, formal Information Flow/Communications Plans are created that

- (a) Detail the requisite contact points, both internally and externally
- (b) Identify the data for dissemination.
- (c) Record the frequency of communications
- (d) Agree the format of all communications

Clearly documenting a formal Communications Plan, with appropriate approval, as part of the project methodology, should bring the following benefits:

- (a) Accurate dissemination of information to appropriate personnel at the appropriate times at the required level
- (b) Regular contact
- (c) Defined means of communicating data
- (d) Forms part of the audit trail of the project
- (e) Contributes to stakeholder engagement
- (f) Facilitates feedback
- (g) Agreed methods of assessing information
- (h) Provision of discipline and awareness

In addition, a system of formal acknowledgement of the requisite dissemination of relevant guidelines, with particular reference to the Agencies under the aegis of the Department should be created and recorded.

4.2.1.3 All projects should be subjected to a formal appraisal mechanism, regardless of whether or not they are part of a larger programme, and this should be evidenced and readily available on the project file. Where an appraisal of a project has been undertaken as part of the estimates process, this should also be documented and available on the project files in a standardised format. The experience in examining the spot-check sample was that, although some form of appraisal had been created, the level, quality and format varied greatly. In addition, it was noted that the inclusion of expenditure in the annual estimates was seen as an adequate form of appraisal.

It is recommended that, in line with best practice, sufficient documentation relating to the assessment of projects is created and maintained on the project file. This assessment should adequately deal with the options available, including the "do nothing" option, to ensure that the preferred solution is justified and the option selected represents the best value for money.

Engaging in this process, regardless of the source of the funding, should provide a natural gateway for sign-off and approval to move to the planning stage of the project. Again, expeditious use of the formal documentation already created and available in DCENR, should be a key priority.

A formal key stage sign-off was not evidenced on all files examined and while IAU welcome the recent publication of a matrix of approval levels for capital expenditure as part of a Knowledge Asset on the Departments Intranet site, some form of on-going monitoring of the formal compliance with this requirement should be initiated.

4.2.1.4 As noted in the section of this report dealing with the steps being taken by the Department to disseminate the Capital Appraisal Guidelines, the Department has hosted a series of workshops in order to inform capital spending Divisions of their obligations. During the course of the spot checks it was noted that most interviewees had participated in the workshops.

However given the high turn over of staff in the Department generally, particularly with decentralisation, it was felt that further workshops should be considered to ensure adequate knowledge saturation across the Department.

In addition, some formal review of the workshops should be completed to assess the value and content of the workshops and to assess whether any further support is required. It is the view of IAU that the previous experience level of workshop participants differed greatly and consequently this may have impacted on the value of the training.

Further workshops should also be rolled out to bodies under the aegis of the Department who receive funds through the Department's vote.

4.2.2. Planning Stage

The CAGs set out 7 main steps in the project planning stage:

1. Establish the project management structure

2. Prepare a project brief
3. Prepare a detailed plan and design
4. Review the proposal using information provided by the planning process
5. Obtain approval of the sanctioning authority
6. Obtain tenders
7. Review the proposal using tender prices

Of the projects sampled, IAU found that the majority of the projects had a documented project plan or, in the case of grant-in-aid expenditure, drawdown profiles on file.

Analysis of the planning stage identified the following common issues:

1. The management structure of the project team was usually based on the Divisional Line of Command Structure. However, the specific project responsibilities were not always well documented.
2. A Change Request Mechanism, while usually mentioned at a contract level, was not always documented.
3. The project was not reviewed after the detailed plan and design had been prepared or, if this was done, it was not adequately documented on the project files.
4. Final approval and sanction to proceed to the next stage was not always documented.
5. IAU understood that final approval was most likely recorded in management meeting minutes. However, the file notes did not always immediately reference this.

Recommendations:

4.2.2.1 Adequate resourcing of a project, particularly where the Business Unit is also engaged in operational matters, is dependant on the management and reporting structure of each project being agreed and documented at the outset. The role and responsibilities of each person in the project management team should be agreed and documented to ensure clarity. In addition, a project manager at a sufficiently high level, appropriate to the level of funding or complexity of the project, should be appointed as early as possible in the project cycle.

IAU noted that in a small number of projects, the overall project management function had been outsourced to a third party contractor. While there is nothing wrong with this in principal, it is essential that the Department liaison officers are sufficiently versed in project management methodologies to allow adequate informed oversight of the consultants' work output.

A clearly defined management structure is particularly important in project discipline, and while each member of the team is probably aware of their role, responsibilities and to whom they report, it is useful to document this to ensure buy-in and clarity.

A dedicated project management structure document, containing role and responsibilities should be created as a core part of the project file. It may be possible to create a template document for this purpose that can be completed and signed-off by the line division.

In addition, the appointed project manager should have sufficient project management experience and/or training appropriate to the size of the project.

4.2.2.2 Section 2.7 of the CAGs deals with the issue of changes to the project. IAU, cognisant that changes may happen at any time during the lifecycle of the project, recommend that once the design of the project has commenced on the basis of the project brief, all changes to the scope or objectives should be handled through a dedicated and documented Change Request Mechanism.

This mechanism should reflect fully the requirements of the CAGs and allow for each Change Request issue to be documented (including initiator, reasons and a description of the change required) and evaluated appropriately in terms of its impact on the project. The appropriate actions required to resolve the requested change can then be escalated through the mechanism to the appropriate level to determine the correct course of action.

This mechanism should allow for adequate monitoring and control of the project, reduce scope creep and should also provide for regular reporting of the issues as they arise.

IAU noted few instances of a dedicated Change Control Mechanism being documented and would recommend that as part of the project process that a standardised template is made available and included in all project files as a separate document or as a specific section in the project brief by the Project Manager.

4.2.2.3 Following the creation of a project plan, it was not always evidenced on the project file that a specific instruction had been issued at an appropriate level to proceed with the plan as detailed.

There should be a formal sign-off template document provided, to be used at key defined stages of the project process. In line with the VFM guidance on the allocation of single responsibility for capital projects, IAU recommend that specific reference be made to the appropriate level of seniority to be used in this sign off process. IAU notes that a Matrix of Approval Levels for DCENR expenditure has been created within the knowledge asset and recommends that this is used in the creation of the template document. Use of this document should be mandatory and form a part of the project file. Use of such a form should provide a natural gateway for a Go/No-Go decision and assist in making timely, correct decisions of importance to the project, while also assuring consistency in how progress in projects is being delivered.

4.2.3 Implementation Stage

The CAGs recommend that formal structured arrangements be put in place by the Sanctioning Authority to ensure there is co-ordinated monitoring and management of programmes and projects. The monitoring and control mechanisms should be used to formally assess that the programme/project objectives continue to be relevant in the operational environment.

In addition, there should be regular reporting in relation to:

1. The project development,
2. Cost
3. Scheduling
4. Quality
5. Project review gateways

Not all of the projects sampled had reached their Implementation Stage, but of those that had, it was found that these in the main were being managed adequately.

IAU found that most of the projects examined had some form of documented monitoring and control procedure in place, which was benchmarked against defined objectives and milestones. However, consistency in the format and level of quality of these monitoring and control processes varied between Line Divisions within the Department.

IAU notes that from May 2007, Line Divisions were requested to report on project expenditure and explain any variances on project spend and progress on a monthly basis to Finance Division. In addition, financial information is reported at a Vote subhead level on a monthly basis

Individual summarised project reports are to be presented to the Management Committee and the Minister for projects over €30m, also on a quarterly basis.

Items of particular note in the Implementation Stage were:

1. Lack of consistency in the format and level of quality of the monitoring and control mechanisms and reporting streams across Business Units.
2. Although the financial data in respect of capital projects is being reported on a monthly basis, no mechanism of reporting actual on-going project progress (phase development, project deliverables etc.) at a Department level is available.

Recommendations:

4.2.3.1 The Project Monitoring and Controlling Process should be used by project managers and project teams to ensure that the project is making satisfactory progress in relation to the project goals. The purpose is to track all major project variables – cost, time, scope, and quality of deliverables. The overall objective of this process is to:

- Track and review actual project accomplishments and results to project plans
- Revise the project plan to reflect accomplishments thus far, and to revise the plan for remaining work, if needed
- Provide visibility into progress as the project proceeds, so that the team and management can take corrective action early when project performance varies significantly from original plans
- Ensure on-going assessment of the relevance of the project objectives
- Provide a natural “review gate” and an on-going assessment of the viability of the project, also allowing for a continual “Go/No Go” decision in respect of the project

Deliverables from the monitoring and controlling process could include

- Written status reports
- Updates to lists of action items, risks, problems, and issues
- Updates to the plan and schedule, to reflect actual progress
- Comparisons of actual costs to budgeted costs, as well as the cost-benefit analysis used when starting the project
- Audit and review reports of the activities and work products under development

A clearly defined monitoring and control mechanism, based on the project plan and risk register, to be a mandatory requirement on all projects. This process should be documented and signed off by an appropriate person in the Line Division concerned and a copy should be maintained and updated as appropriate as part of the project file.

The output of this process should be the scheduled generation of a status report on the progress of each project, which could then be escalated and summarised in a programme report. The format of the status report should be standardised across the Department and should include a simple standardised coding system* that clearly identifies Programme/Project progress, benchmarked against their respective Programme/Project plan.

These reports should be submitted to a central function for collation and to ensure compliance.

Programmes and projects that are managed by agencies under the aegis of the Department should also be subject to these mandatory reporting requirements.

(*Note: The Department's IS Division currently has a Programme Support Office in operation which has made available on the Departments Intranet, a number of template project reports and other project management guidance tools for IT projects. IAU is of the opinion that the weekly status report template available here, could be adapted efficiently to suit the requirements outlined above.)

In addition to the recommendation outlined above, IAU are of the opinion that to assist the process of developing a standardised structured reporting mechanism across projects, within the Department, a simple Project Management Planning tool from which generic reports could be compiled quickly on a regular basis could be developed.

This may take the form of an "off the shelf" package or an "in-house" developed system. The viability of this system should be examined by a working group which includes participation from the ISD Programme Support Office.

4.2.4. Post Project Review

The CAGs require the Sponsoring Agency to do a post project review of all projects costing in excess of €30m.

Post Project Reviews should also be carried out on a representative sample of all projects, covering at least 5% of completed projects.

The purpose of the post project reviews is to:

1. Appraise the project outcome
2. Appraise the management procedures
3. Draw lessons for the future

Of the projects sampled, only one had reached post project review stage. No review had been carried out, but the value of this project did not exceed the minimum level which makes the review obligatory.

IAU also noted that one of the projects examined represented the historical evolution of a legacy project, which had been the subject of a review conducted on behalf of the Department by external consultants.

Recommendations:

4.2.4.1 In general best practice indicates that every project should be subject to a review following its completion. The level of expenditure should dictate the level of review required. Where project timelines run longer than a year, it may be appropriate to conduct Post Phase Reviews at the end of each significant phase, so that lessons learned are captured while they are still easily recalled.

IAU is of the opinion that a standardised template* for use across the Department could assist Divisions in performing the post project review and would provide for the following:

1. Measuring the benefits and objectives achieved against needs

2. Deciding whether the project was within scope
3. Reviewing the project against schedule
4. Comparing the expenditure against budget
5. Stating the final outcome of the project
6. Identifying the key project achievements and milestones
7. Documenting any lessons learnt for future projects
8. Communicating project success to relevant stakeholders

Post Project Reviews should be considered for all projects following a lapsed period of time, post project completion.

(*Note: Again the Department's ISD Programme Support Office has a Post Project Review document available on the Departments Intranet site, which could readily form the basis of the standardised template recommended above.)

In order to benefit from the knowledge gained from this activity, it is recommended that the outputted reviews are collated by a central unit in the Department and made easily available to assist Divisions in the planning and managing of future projects.

When the Department is not the Sponsoring Agency for a project, it should require the Sponsoring Agency to do the review based on the standardised template. The Sponsoring Agency should furnish the results of the review to the Department within a specified timeline.

4.2.5 Other Items: Project File Formats

In conducting the spot checks on the sample, IAU found that the standard of filing was adequate across Line Divisions. However, we found that the quality of content in the files varied between programmes, and between projects within those programmes.

While most documents were readily available at the interview stage, some had to be requested and were delivered at a later date. In a small number of cases, there was a tendency to store documents relating to the Appraisal or Planning Stages separately from the Project Implementation File.

Recommendations:

4.2.5.1

It is recommended that a standard format for project files should be developed and made mandatory across the Department. This process should be modelled on the order of the CAGs.

As noted earlier in this report, IAU acknowledges the recent publication of a project checklist and a list of standard documentation to be kept on files as part of a Knowledge Asset on the Departments Intranet site. This document should assist in the process of defining a standard format for project file keeping. The adoption of a standard format will ensure that all required information is readily available on the project file and assist Divisions in compliance with the CAGs.

In addition, IAU is aware that given the large scale nature of certain projects, standardising the format for file keeping may be difficult. In such cases, consideration should be given to the creation of a single Compliance File, on which should be kept copies of key approvals and key project documents.

4.2.6 Payment of Funding to Other Bodies

The Department provides funding for capital projects by way of grant-in-aid to other bodies such as Local Government and State Agencies. As such, the Department assumes the role of Sanctioning Authority and the other body becomes the Sponsoring Agency.

As Sanctioning Authority, the Department must assess the appraisal process and give approval in principal if appropriate.

The Sponsoring Agency is directly responsible for the appraisal, planning and management of the capital project.

The Department makes payments to these bodies in line with a drawdown schedule provided by the Sponsoring Agency in accordance with the planned progress of the programme/project.

In the three cases examined as part of the sample, consistency in the format and level of quality of these monitoring and control processes varied between the Line Divisions concerned within the Department

Recommendations:

4.2.6.1 Where the Department's role is that of Sanctioning Authority it has certain obligations and responsibilities. These include:

1. Assessing the project appraisal prior giving approval in principal to move to the planning phase.
2. Assessing the detailed project plans prior to giving approval to the Sponsoring Agency to move to the implementation phase.
3. Maintaining reasonable oversight of the projects by reference to agreed milestones.

It is important that the Department is satisfied that the project has been properly appraised, is progressing as planned and continues to remain relevant in respect of the objectives set.

The Department should keep evidence of the on-going progress of the projects on file.

It is recommended, therefore, that a specific grant-in -aid checklist be prepared for use in such situations. The checklist should deal with providing evidence of Sanctioning Authority sign-off at the Appraisal and Planning Stages, and the delivery of a system of scheduled status reports during the Implementation Stage. These reports should be benchmarked against the agreed project plan and provide for the identification of key agreed deliverables.

Where possible, the drawdown of funds by the Sponsoring Agency should be verified both against the drawdown schedule and the reaching/delivery of the key deliverables. Where a key deliverable has not been met, the reason should be provided and documented as part of the file before Sanctioning Authority approval is granted for the release of funds.

4.3 Overall Conclusions and General Recommendations

1. **Creation of a dedicated project appraisal and management resource or Project Management Office (PMO) in the Department in order to champion good project management practices and methodologies, and monitor and report on project activities.**

While the existence of a Programme Support Office in the Department is recognised, IAU is of the opinion that its function is to support the operations of ISD and Business Units actively engaged in cross cutting IT developments. Its role is not the general support of Projects or Project Management Methodologies in the Department. IAU is of the opinion that a dedicated resource should be allocated at a corporate level for the creation of what is generally termed in industry, a project appraisal and management resource or a PMO.

The PMO in a business or professional enterprise is the department or group that defines and maintains the standards of process, generally related to good project management within the organization. The PMO strives to standardise and introduce economies of repetition in the execution of projects. The PMO is the source of documentation, guidance and metric on the practice of project management and execution. A monitoring and control oversight is also usually maintained on all projects in the organisation. A good PMO will base project management principles on accepted, industry standard methodologies such as PMBOK¹ or PRINCE II². Within the DCENR context, the PMO could develop a standardised project management methodology that ensures compliance with the relevant national and EU requirements and guidelines. IAU would see the role of the PMO as an agent for senior management, providing advice, coordination, and oversight of programmes and projects at a central level. Its role should not be seen as replacing management or the project sponsors with respect to the prioritisation of projects and their ultimate disposition. However, by being mandated to provide a centralised tracking/reporting role on all projects in the Department it could ensure compliance with the relevant guidelines by:

1. Developing and publishing a standardised methodology
2. Tracking projects and ensuring compliance
3. Regular reporting streams
4. PM training
5. PM mentoring and coaching
6. Document management
7. Administrative support
8. Archival of lessons learned and continuous improvement
9. One hundred percentage coverage of projects.

Bullet 9 above would see an on-going review of all projects across the Department ensuring compliance with the CAGs.

Establishing a central repository for project management experience and lessons learned in the Department, should see a continuous improvement in project delivery in the Department by the development of a dedicated "in-house" resource. This "in-house" capability when developed may negate the need for external support, or in the case of projects where due to technical constraints, external support is required, provide a greater management and control of this external support. As a longer term aim, with the correct level of experience gained, the PMO could become a centre of excellence, with staff secondments or rotation through the area ensuring the experience is spread throughout the Department. In addition, it may be possible to offer support both to other Government Departments and bodies under the aegis of the Department. In addition, IAU is of the opinion that this initiative would support the guidelines set out in Chapter 12 of the NDP 2007 – 2013, dealing with "Achieving Value for Money", excerpt below:

Key elements of the Value for Money Framework include:

- Project appraisal to ensure NDP programme objectives and Value for Money are being achieved
- Full cost benefit analysis of all capital projects over €30 million
- Project manager appointed to monitor progress on all major projects
- Regular progress reports to the Management Committees of Departments and Agencies
- Annual project spot checks by Departments and Agencies to ensure Value for Money compliance, with reports submitted to the Department of Finance
- Annual Output Statements, detailing targets and outputs achieved, incorporated in Annual Department Estimates presentations to Oireachtas Committees

2. Heightened awareness of the obligations through on-going training and use of the recently deployed knowledge asset

A key component of meeting the obligations set in the CAGs is a thorough familiarity and understanding of the requirements by the staff involved in programme and project delivery in the Department.

IAU are of the opinion that although the capital appraisal and management workshops previously delivered were of a high quality, some form of review needs to be carried out to ensure that the target audience were sufficiently informed of their obligations post work shop. Training needs in this area should be reviewed on an on-going basis and if required further workshops should be planned, both for internal staff, with the assistance of the knowledge asset and externally with the bodies under the aegis of the Department. In respect of the bodies under the aegis of the Department, it may be worthwhile seeking official sign-off from these bodies confirming that they understand and intend to adhere to these obligations.

IAU also recommend that designated project managers or divisional liaison officers who are dealing with Project Management Consultants in the delivery of projects, should also be targeted for the provision of dedicated project management training to ensure they have an adequate skill set to perform their function. IAU is keen to point out that operational management experience is not always sufficient to understand the specific requirements of project delivery.

3. Mandatory completion of the DCENR capital appraisal and management checklist by project managers, and on-going updating and reporting of progress through the use of these checklists to a central function on a quarterly or half yearly basis.

Consideration should be given to the production of regular status reports (standardised format) on projects for use by senior management. This reporting should be viewed as an extension of the on-going monitoring already being undertaken at a business unit level and should not be considered a burden on those units. The collation and co-ordination of this reporting stream should be handled centrally e.g. by the PMO referenced above.

¹ The Project Management Institute (PMBOK) Guide – now in its third edition is an internationally recognized standard (IEEE Std 1490-2003) that provides the fundamentals of project management as they apply to a wide range of projects, including construction, software, engineering, automotive, etc. The Guide is process-based, meaning it describes work as being accomplished by processes. This approach is consistent with other management standards such as ISO 9000.

² Projects in Controlled Environments II (PRINCE II) is an internationally recognised project management methodology. It covers the management, control and organisation of a project and is most commonly but not exclusively associated with IT projects. It is a benchmark standard in the UK Public Service and is in common use across IT business units in the Public and Private sector in Ireland.

Summary of Individual Spot Check Recommendations

Report Ref	Recommendation	Priority	Management Response	Agreed Implementation Date
4.2.1.1	<ul style="list-style-type: none"> ➤ Mandatory Use of the Comprehensive Checklist. ➤ Inclusion of these Checklists on all project files ➤ System of Monitoring and Control relating to implementation. 			
4.2.1.1	<ul style="list-style-type: none"> ➤ Campaign of Awareness throughout the Department of the Knowledge Asset. 			
4.2.1.2	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to the documenting of Formal Communication Plans for projects. ➤ A standardised format for this should be considered. 			
4.2.1.3	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to the appraisal process on projects, dealing with the minimum file requirements and a specification for scheme selection and stage gateway sign-off. 			
4.2.1.4	<ul style="list-style-type: none"> ➤ Formal review of the workshops already completed should be undertaken to assess whether further internal training is required ➤ Consideration to be given to providing workshops to the relevant staff in the bodies under the aegis of the Department. 			
4.2.2.1	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to 			

	<p>the inclusion on all project files of a document dealing with the project management team structure, roles and responsibilities.</p> <ul style="list-style-type: none"> ➤ A standardised format for this should be considered. ➤ Guideline to issue in relation to the appropriate selection of project managers and an assessment of the skill sets required. In addition an assessment of whether support training is required for the individual. 			
4.2.2.2	<ul style="list-style-type: none"> ➤ Guideline to issue in respect of the inclusion on all projects of a documented Change Management document. ➤ Consideration to be given to the creation of a template document for this purpose. 			
4.2.2.3	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to the mandatory use of a formal stage gateway sign-off document. ➤ Consideration to be given to the creation of a template document for this purpose. 			
4.2.3.1	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to the documenting of monitoring and control mechanisms for projects, benchmarked against project files. ➤ Consideration to be given to the scheduled generation of standardised project status reports. ➤ Consideration to be given to the central collation of these scheduled reports for escalation and use by senior management. ➤ Consideration to be given to including bodies under the aegis 			

	<p>of the Department in these reporting requirements.</p> <ul style="list-style-type: none"> ➤ Consideration be given to developing/providing a standardised Project Management Planning tool from which generic reports could be compiled. 			
4.2.4.1	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to the performing of post project reviews in relation to all projects completed. ➤ Consideration to be given to the creation of a template document for this purpose. ➤ Guideline to issue to sponsoring agencies to carry out post project reviews in line with template indicated above. 			
4.2.4.1	<ul style="list-style-type: none"> ➤ Outputted reviews to be collated centrally and available to assist in the planning and managing of future projects. 			
4.2.5.1	<ul style="list-style-type: none"> ➤ Guideline to issue in relation to a standard format for project files, assisted by checklists and the recently created Knowledge Asset. 			
4.2.6.1	<ul style="list-style-type: none"> ➤ Guideline and checklist to issue in respect of Grant in Aid expenditure, dealing with the Appraisal and Planning phases and a system of scheduled reporting of deliverables benchmarked against agreed project plans. ➤ Guideline should also deal with the drawdown of funds being linked both to a payment schedule and documented deliverables. ➤ A procedure for dealing with exceptions from this process should also be considered. 			

Section 5

Measures in Place to Ensure Compliance with DoF Circular 16/97 and Government Initiative on VFM including the Peer Review Process

Direct reference to measuring compliance with DoF Circular 16/97 and the Government initiative on value for money, including the peer review process, was not included in this iteration of the on-going spot-check programme. However, it is IAU's intention to address this issue in the planning of the 2008 spot check campaign.

Section 6

Responses of the Departments and Agencies

Feedback reports containing the IAU findings and recommendations listed in this report are being prepared at present. These will be disseminated to the relevant line Divisions and IAU will actively seek the observations and proposed actions of these Divisions.

It is further envisaged that a composite report containing the findings/recommendation and observations/proposed actions will be presented to the Management Advisory Committee for their consideration. As is the policy within IAU regarding normal audit work, all actionable items arising from this spot-check activity will be documented and a review of these items will be carried out in the future.

As noted earlier in this report, none of the selected spot checks conducted in relation to the 2007 expenditure involved visits to any Agency of the Department. Addressing this issue is a key priority of the Department and planning is already advanced to deal with this issue in the 2008 spot-checks programme and the IAU's 2008 audit plan.

COMMUNICATIONS, MARINE AND NATURAL RESOURCES

- I. Estimate of the amount required in the year ending 31 December 2007 for the salaries and expenses of the Office of the Minister for Communications, Marine and Natural Resources, including certain services administered by that Office, and for payment of certain grants and sundry grants-in-aid.

(a) by way of current year provision

Three hundred and twenty-eight million, seven hundred and sixty-nine thousand euro

(€328,769,000)

(b) by way of the application for capital supply services of unspent appropriations, the surrender of which may be deferred under Section 91 of the Finance Act 2004.

Fifteen million, two hundred and fifty-seven thousand euro

(€15,257,000)

- II. Subheads under which this Vote will be accounted for by the Office of the Minister for Communications, Marine and Natural Resources.

	2006 Provisional Outturn			2007 Estimate			Change 2007 over 2006 %
	Current €000	Capital €000	Total €000	Current €000	Capital €000	Total €000	
ADMINISTRATION							
A.1 - SALARIES, WAGES AND ALLOWANCES ...	26,652	-	26,652	22,967	-	22,967	-14%
A.2 - TRAVEL AND SUBSISTENCE.....	2,034	-	2,034	2,000	-	2,000	-2%
A.3 - INCIDENTAL EXPENSES	2,120	-	2,120	2,369	-	2,369	12%
A.4 - POSTAL AND TELECOM SERVICES	1,419	-	1,419	1,529	-	1,529	8%
A.5 - OFFICE MACHINERY AND OTHER OFFICE SUPPLIES AND RELATED SERVICES ..	4,909	3,267	8,176	4,599	3,507	8,106	-1%
A.6 - OFFICE PREMISES EXPENSES	1,702	-	1,702	1,720	-	1,720	1%
A.7 - CONSULTANCY SERVICES	2,683	-	2,683	2,667	-	2,667	-1%
A.8 - EQUIPMENT, STORES AND MAINTENANCE	785	158	943	222	-	222	-76%
A.9 - VALUE FOR MONEY AND POLICY REVIEWS	-	-	-	202	-	202	-
<i>Subtotal :- (a)</i>	<i>42,304</i>	<i>3,425</i>	<i>45,729</i>	<i>38,273</i>	<i>3,507</i>	<i>41,781</i>	<i>-9%</i>
COASTAL ZONE MANAGEMENT							
B.1 - COAST PROTECTION AND MANAGEMENT ...	5	3,681	3,686	82	2,955	3,037	-18%
B.2 - FORESHORE DEVELOPMENT	162	-	162	1,300	-	1,300	-
B.3 - MARINE TOURISM	-	-	-	1	1	1	-
<i>Subtotal :-</i>	<i>167</i>	<i>3,681</i>	<i>3,848</i>	<i>1,382</i>	<i>2,956</i>	<i>4,338</i>	<i>13%</i>
MARINE RESEARCH AND DEVELOPMENT							
C.1 - MARINE INSTITUTE (GRANT-IN-AID) ...	18,960	7,000	25,960	18,822	10,270	29,092	12%
C.2 - NATIONAL SEABED SURVEY	-	6,153	6,153	-	3,000	3,000	31%
<i>Subtotal :-</i>	<i>18,960</i>	<i>13,153</i>	<i>32,113</i>	<i>18,822</i>	<i>13,270</i>	<i>32,092</i>	<i>-</i>
SEAFOOD AND FISHERY HARBOUR DEVELOPMENT							
D.1 - BORD IASCAIGH MHARA (GRANT-IN-AID) ..	19,424	19,562	38,986	19,389	26,517	45,906	18%
D.2 - FISHERIES CONSERVATION AND MANAGEMENT INCLUDING SHELLFISH MONITORING PROGRAMME	530	925	1,463	1,547	-	1,547	6%
D.3 - FISH PROCESSING	-	1,497	1,497	-	1,757	1,757	17%
D.4 - AQUACULTURE DEVELOPMENT	-	4,618	4,618	-	5,988	5,988	29%
D.5 - AQUACULTURE LICENCES APPEALS BOARD	574	-	574	462	-	462	-24%
D.6 - DEVELOPMENT AND UPGRADING OF HARBOURS FOR FISHERY PURPOSES	105	15,311	15,416	105	19,657	19,762	24%
D.7 - SEA FISHERIES PROTECTION AUTHORITY PEACE II: SEAFOOD PROGRAMME	-	900	900	9,827	845	10,672	-
<i>Subtotal :-</i>	<i>20,433</i>	<i>22,821</i>	<i>43,254</i>	<i>39,130</i>	<i>27,362</i>	<i>66,492</i>	<i>36%</i>
FISHERIES							
E.1 - INLAND FISHERIES	26,050	4,535	30,615	26,412	1,090	27,412	-10%
E.2 - SALMON CONSERVATION	-	-	-	10,000	-	10,000	-
<i>Subtotal :-</i>	<i>26,050</i>	<i>4,535</i>	<i>30,615</i>	<i>36,412</i>	<i>1,090</i>	<i>37,412</i>	<i>23%</i>

(a) The reduction in the 2007 estimate for the Administrative Budget subhead is due to the transfer of funds in respect of Sea Fisheries staff salaries and associated costs to the new programme Sea Fisheries Protection Authority - subhead D7.

	2006 Provisional Outturn			2007 Estimate			Change 2007 over 2006 %
	Current €000	Capital €000	Total €000	Current €000	Capital €000	Total €000	
ENERGY							
F.1 - ENERGY CONSERVATION (GRANT-IN-AID)	6,338	16,000	22,338	9,457	31,000	40,457	81%
F.2 - GAS SERVICES	37	12,708	12,737	36	-	36	-
F.3 - ENERGY RTDI PROGRAMME	18	7,889	7,907	659	6,500	7,159	-24%
F.4 - ENERGY EFFICIENCY INITIATIVES	3,279	-	3,279	2,500	-	2,500	-
F.5 - STRATEGIC ENERGY INFRASTRUCTURE GRANT TO CER - ALL ISLAND ENERGY	2,500	-	2,500	-	1	1	-
<i>Subtotal :-</i>	12,172	36,589	48,761	12,652	37,501	50,153	3%
COMMUNICATIONS							
G.1 - INFORMATION AND COMMUNICATIONS TECHNOLOGY PROGRAMME	462	28,000	28,462	-	25,684	45,684	61%
G.2 - MULTIMEDIA DEVELOPMENTS	2,259	2,003	4,262	2,168	5,000	7,168	68%
G.3 - RAPID PROGRAMME (DORMANT ACCOUNTS ALLOCATION)	-	-	-	800	850	1,650	-
<i>Subtotal :-</i>	2,721	30,003	32,724	2,968	31,534	54,562	67%
BROADCASTING							
H.1 - GRANT TO RADIO TELEFIS ÉIREANN FOR BROADCASTING LICENCE FEES (GRANT-IN-AID)	183,049	-	183,049	195,013	-	195,013	7%
H.2 - PAYMENT TO AN POST FOR COLLECTION OF BROADCASTING LICENCE FEES (A)	12,923	-	12,923	12,036	-	12,036	-7%
H.3 - BROADCASTING COMMISSION OF IRELAND (GRANT-IN-AID)	5,233	-	5,233	6,376	-	6,376	22%
H.4 - DEONTAS I LEITH TG4 (DEONTAS-I-R/CABHAIR)	28,632	1,758	30,390	30,980	917	31,897	5%
H.5 - BROADCASTING FUND	9,634	-	9,634	10,264	-	10,264	7%
H.6 - GRANTS FOR DIGITAL TERRESTRIAL TELEVISION	-	4,200	4,200	-	2,000	2,000	-52%
<i>Subtotal :-</i>	239,471	5,958	245,429	254,669	2,917	257,586	5%
NATURAL RESOURCES							
I.1 - PETROLEUM SERVICES	362	-	362	287	-	287	-21%
I.2 - MINING SERVICES	98	-	98	1,763	4,000	5,763	-
I.3 - GSI SERVICES	-	394	394	1,008	-	1,008	156%
I.4 - GEOSCIENCE INITIATIVES	-	-	-	-	1,500	1,500	-
<i>Subtotal :-</i>	460	394	854	3,058	5,500	8,558	-
MISCELLANEOUS							
J.1 - SUBSCRIPTIONS TO INTERNATIONAL ORGANISATIONS	926	-	926	1,600	-	1,600	73%
J.2 - EU PROGRAMMES CLEARANCE OF ACCOUNTS	-	-	-	1	1	2	-
J.3 - CHANGE MANAGEMENT FUND FOR NON-COMMERCIAL BODIES FUNDED BY THE DEPARTMENT	483	-	483	750	-	750	55%
J.4 - OTHER SERVICES	-	-	-	157	411	568	-
<i>Subtotal :-</i>	1,409	-	1,409	2,508	412	2,920	107%
<i>Gross Total :-</i>	564,177	140,559	504,736	402,076	173,321	575,397	14%
<i>Deduct :-</i>							
K - APPROPRIATIONS-IN-AID	236,183	-	236,183	245,753	875	246,628	4%
<i>Net Total :-</i>	127,994	140,559	268,553	156,323	172,446	328,769	22%

Net Increase (€000) 60,216

Exchequer pay and pensions included in above net total

71,198

75,353 6%

Associated Public Service employees and pensioners

1,751

1,876 5%

(a) The 2006 provisional outturn includes an administration fee of €0.153m payable to the Department of Communications, Marine and Natural Resources

Appendix II

MONTHLY PROFILE OF EXPENDITURE (CAPITAL) 2007

Extract taken from expenditure profile presented to DOF.

			Profile	Profile	Profile	Profile	Profile	Profile	Profile		
	Subhead		JAN	FEB	MAR	APR	MAY	JUN	JUL	2007	2007
			€000s	€000s	€000s	€000s	€000s	€000s	€000s	Forecast €000s	Estimate €000s
A05	Office Machinery & Other Office Supplies	Capital	0	0	0	0	0	0	0	3,507	3,507
	Subtotal:-		0	0	0	0	0	0	0	3,507	3,507
			0	0	0	0	0	0	0	0	0
B01	Coast Protection & Management	Capital	0	0	0	0	0	0	0	2,955	2,955
B03	Marine Tourism	Capital	0	0	0	0	0	0	0	1	1
	Subtotal:-		0	0	0	0	0	0	0	2,956	2,956
			0	0	0	0	0	0	0	0	0
C01	Marine Institute (Grant-in-Aid)		0	0	0	0	0	0	0	10,230	10,230
			0	0	0	0	0	0	0		
C02	National Seabed Survey		0	0	0	0	0	0	0		
	Current Year Provision	Capital	0	0	542		151	0	0	3,000	3,000
	Deferred Surrender from 2006	Capital	0	0	14	574	412	0	0	1,000	1,000
			0	0	0	0	0	0	0		
	Subtotal:-		0	0	556	574	563	0	0	14,230	14,230
			0	0	0	0	0	0	0		
D01	Bord Iascaigh Mhara (Grant-in-Aid)		0	0	0	0	0	0	0		
	Current Year Provision	Capital	0	0		0		0	552	23,517	26,517
	Deferred Surrender from 2006	Capital	0	0	1,225	0	1,785	0	875	3,885	3,885
			0	0	0	0	0	0	0		
D03	Fish Processing	Capital	0	0	0	0	0	0	0	1,757	1,757
D04	Aquaculture Development	Capital	0	0	0	0	0	0	0	5,988	5,988
			0	0	0	0	0	0	0	0	0
D06	Development & Upgrading of Fishery Harbours		0	0	0	0	0	0	0		
	Current Year Provision	Capital	0	0	624					19,657	19,657
	Deferred Surrender from 2006	Capital	0	0	20	331	2,484	279	1,304	7,572	7,572

			0	0	0	0	0	0	0	0		
D07	Sea Fisheries Protection Authority	Capital	0	0	0	0	0	0	0	0	845	845
			0	0	0	0	0	0	0	0		
	Subtotal:-		0	0	1,869	331	4,269	279	2,731	0	63,221	66,221
			0	0	0	0	0	0	0	0		
E01	Inland Fisheries	Capital	0	0	0	0	0	0	0	0	4,000	1,000
			0	0	0	0	0	0	0	0		
	Subtotal:-		0	0	0	0	0	0	0	0	4,000	1,000
			0	0	0	0	0	0	0	0	0	0
F01	Energy Conservation (Grant-in-Aid)	Capital	0	0	0	0	0	0	0	0	31,000	31,000
F03	Energy RTDI Programme	Capital	0	0	0	0	0	0	0	0	6,500	6,500
F05	State Energy Infrastructure	Capital	0	0	0	0	0	0	0	0	1	1
			0	0	0	0	0	0	0	0		
	Subtotal:-		0	0	0	0	0	0	0	0	37,501	37,501
			0	0	0	0	0	0	0	0		
G01	Information & Communications Technology Programme	Capital	0	0	0	0	0	0	0	0	45,684	45,684
G02	Multimedia Developments	Capital	0	0	0	0	0	0	0	0	5,000	5,000
G03	Rapid Programme (Dormant Account Allocation)	Capital	0	0	0	0	0	0	0	0	850	850
			0	0	0	0	0	0	0	0		
	Subtotal:-		0	0	0	0	0	0	0	0	51,534	51,534
			0	0	0	0	0	0	0	0	0	0
H04	Grant for TG4 (Grant-in-Aid)	Capital	0	0	0	0	0	0	0	0	917	917
			0	0	0	0	0	0	0	0	0	0
H06	Grants for Digital Terrestrial Television		0	0	0	0	0	0	0	0		
	Current Year Provision	Capital	0	0	716						2,000	2,000
	Deferred Surrender from 2006	Capital	0	0	22	339	31	417	532		1,800	1,800
			0	0	0	0	0	0	0			
	Subtotal:-		0	0	738	339	31	417	532		4,717	4,717
			0	0	0	0	0	0	0			
I02	Mining Services		0	0	0	0	0	0	0			0
	Current Year Provision	Capital	0	0	0	0	0	0	0		4,000	4,000
	Deferred Surrender from 2006	Capital	0	0	0	0	0	361			1,000	1,000
I04	Geoscience Initiatives	Capital	0	0	0	0	0	0	0		1,500	1,500
			0	0	0	0	0	0	0			
	Subtotal:-		0	0	0	0	0	361	0		6,500	6,500

			0	0	0	0	0	0	0	0	0	0
J02	EU Programme Clearance of Accounts	Capital	0	0	0	0	0	0	0	0	1	1
J04	Other Services	Capital	0	0	0	0	0	0	0	0	411	411
			0	0	0	0	0	0	0	0		
	Subtotal:-		0	0	0	0	0	0	0	0	412	412
											0	0
Gross Total			0	0	3,163	1,244	4,863	1,057	3,263		188,578	188,578
Less T - A - in-As			0	0	0	0	0	0	0		-875	-875
Net Total			0	0	3,163	1,244	4,863	1,057	3,263		187,703	187,703

APPENDIX III (a)

Subhead	Subhead (T)	2007 Provisional expenditure as per Estimates	2007 Actual Expenditure Amount as per Agresso Jan - July 2007	5% of the estimated expenditure (likely target figures for spot checks)	% Checked on the basis of Selection shown at Appendix 111b below
					4.91
A05	Office Machinery and other office supplies	3,507,000.00	1,833,418.49	175,350.00	5.66
B01	Coast Protection & Management	2,955,000.00	371,606.12	147,750.00	8.80
C01	Marine Institute (Grant in Aid)	10,230,000.00	2,820,000.00	511,500.00	5.38
C02	National Seabed Surveys	3,000,000.00	3,007,623.93	150,000.00	7.17
D01	Bord Iascaigh Mhara (Grant in Aid)	26,517,000.00	5,628,000.00	1,325,850.00	4.96
D04	Aquaculture Development	5,988,000.00	948,660.57	299,400.00	8.17
D06	Development & Upgrading of Fishery Harbours	19,657,000.00	8,566,102.23	982,850.00	24.10
D07	Sea Fisheries Protection Authority	845,000.00	204,917.14	42,250.00	15.07
E01	Inland Fisheries	1,000,000.00	672,126.75	50,000.00	9.34
F01	Energy Conservation (Grant-in-Aid)	31,000,000.00	23,511,000.00	1,550,000.00	
F03	Energy RTDI Programme	6,500,000.00	16,313.67	325,000.00	5.47
G01	Information & Communications Technology Programme	45,684,000.00	28,189,343.09	2,284,200.00	50.00
G02	Multimedia Developments	5,000,000.00	2,501,296.57	250,000.00	27.42
G03	RAPID Programme	850,000.00	233,101.00	42,500.00	12.03
H04	Grant for TG4 (Grant in Aid)	917,000.00	110,290.00	45,850.00	20.86
H06	Digital Terrestrial Television	2,000,000.00	2,121,012.84	100,000.00	9.02
I02	Mining Services	4,000,000.00	914,085.32	200,000.00	5.68
I04	Geoscience Initiatives	1,500,000.00	949,192.22	75,000.00	8.57
Totals		171,150,000.00	82,598,089.94	8,557,500.00	

Appendix III (b)

Original Capital Appraisal Spot Check Project Selection

Subhead	Subhead Title	5% of the estimated expenditure (target figures for spot checks)	Sub item	Subitem Title	Project Code	Project Title	Sum of Individual Project Spend	Total Value of Selected Project spend at 31/07/2007	% Checked on the basis of Estimated Programme Spend for 2007 see Appendix 111a above
A05	Office Machinery and other office supplies	175,350.00	158101	IT - Asset Under Development (AUD)	A113	Knowledge Management	112,480.31		
			158101	IT - Asset Under Development (AUD)	A137	SUDS	59,692.33	172,172.64	4.91
B01	Coast Protection & Management	147,750.00	380101	Coast Protection Grants (Non-DCMNR Mngd)	N294	Helvick	87,530.74		
			380121	Coast Protection Grants (DCMNR Mngd) Consultancy	N215	Coastal Protection Strategy Study	79,703.46	167,234.20	5.66
C01	Marine Institute (Grant in Aid)	511,500.00	460126	Marine Institute (Capital Non-NDP) Grant-in-Aid	NA	NA Project	900,000.00	900,000.00	8.80
C02	National Seabed Surveys	150,000.00	489101	INFOMAR GSI - Equipment (Asset)	G502	Data Management (INFOMAR)	161,381.60	161,381.60	5.38
D01	Bord Iascaigh Mhara (Grant in Aid)	1,325,850.00	510161	BIM - Supporting Measures NDP (Capital) G-in-A			1,901,000.00	1,901,000.00	7.17
D04	Aquaculture Development	299,400.00	540101	Aquaculture Development - Grants to Agencies	E126	EZO Teo	226,934.00		
			540101	Aquaculture Development - Grants to Agencies	E110	Irish Ornamental Fish Farms Ltd.	70,173.71	297,107.71	4.96
D06	Development & Upgrading of Fishery Harbours	982,850.00	370106	Fish Hrb Infrastructure Grants Non DCMNR Mngd	C303	Rossaveel FHCF	1,605,524.99	1,605,524.99	8.17
D07	Sea Fisheries Protection Authority	42,250.00	529101	SFPA - Sea Fisheries Vehicles - Asset	NA	NA Project	203,683.20	203,683.20	24.10
E01	Inland Fisheries	50,000.00	610166	Foyle Fishery Commission - Capital Grant	NA	NA Project	150,748.39	150,748.39	15.07
F01	Energy Conservation (Grant-in-Aid)	1,550,000.00	670111	SEI NDP Built Envir Public Sector Meas Grant-in Aid	NA	NA Project	2,894,750.00	2,894,750.00	9.34
F03	Energy RTDI Programme	325,000.00	690106	Energy RTDI Programmes - Capital	E502	Charles Parsons Awards 2006 *			

G01	Information & Communications Technology Programme	<u>2,284,200.00</u>	710101	E-Commerce & Comms Grants	N438	Donegal Phase II MAN	2,500,000.00	<u>2,500,000.00</u>	<u>5.47</u>
G02	Multimedia Developments	<u>250,000.00</u>	720131	Funding for NDRC	NA	NA Project	2,500,000.00	<u>2,500,000.00</u>	<u>50.00</u>
G03	RAPID Programme	<u>42,500.00</u>	730106	RAPID Programme (Capital)	NA	NA Project	233,101.00	<u>233,101.00</u>	<u>27.42</u>
H04	Grant for TG4 (Grant in Aid)	<u>45,850.00</u>	790111	RTE grant TnaG - Capital	NA	NA Project	110,290.00	<u>110,290.00</u>	<u>12.03</u>
H06	Digital Terrestrial Television	<u>100,000.00</u>	810101	Grants for Digital Terrestrial Television (Capital)	D001	Digital Terrestrial Television	417,105.33	<u>417,105.33</u>	<u>20.86</u>
I02	Mining Services	<u>200,000.00</u>	910117	Mining Works (Capital)	A141	Silvermines Rehabilitation Programme	360,994.83	<u>360,994.83</u>	<u>9.02</u>
I04	Geoscience Initiatives	<u>75,000.00</u>	910307	GSI Geoscience Research Awards	I401	Griffith Award - Cummins	85,188.00	<u>85,188.00</u>	<u>5.68</u>
Totals		<u>8,557,500.00</u>						<u>14,660,281.89</u>	<u>8.57</u>

* Note on the Charles Parsons Awards. Given the level of expenditure, 2006 was taken as the selected year for inclusion in this report.

Appendix IV

Subhead	Subhead (T)	Subitem_text	Project	Project_Text	Interview Conducted	Date Interviewed	% of Programme expenditure
A05	Office Machinery and other office supplies	IT - Asset Under Development (AUD)	A113	Knowledge Management	Y	09/10/2007	
		IT - Asset Under Development (AUD)	A137	SUDS	Y	09/10/2007	4.91
G03	RAPID Programme	RAPID Programme (Capital)	NA	NA Project	Y	22/11/2007	27.42
H04	Grant for TG4 (Grant in Aid)	RTE grant TnaG - Capital	NA	NA Project	Y	28/11/2007	12.03
H06	Digital Terrestrial Television	Grants for Digital Terrestrial Television (Capital)	D001	Digital Terrestrial Television	Y	28/11/2007	20.86
I02	Mining Services	Mining Works (Capital)	A141	Silvermines Rehabilitation Programme	Y	15/11/2007	9.02
I04	Geoscience Initiatives	GSI Geoscience Research Awards	I401	Griffith Award - Cummins	Y	14/12/2007	5.68
F01	Energy Conservation (Grant-in-Aid)	SEI NDP Built Envir Public Sector Meas Grant-in Aid	NA	NA Project	Y	06/11/2007	9.34
F03	Energy RTDI Programme	Energy RTDI Programmes - Capital	E502	Charles Parsons 2006	Y	14/11/2007	
G01	Information & Communications Technology Programme	E-Commerce & Comms Grants	N438	Donegal Phase II MAN	Y	23/10/2007	5.47
G02	Multimedia Developments	Funding for NDRC	NA	NA Project	Y	06/11/2007	50.00
E01	Inland Fisheries	Foyle Fishery Commission - Capital Grant	NA	NA Project	Y	19/10/2007	15.07
C02	National Seabed Surveys	INFOMAR GSI - Equipment (Asset)	G502	Data Management (INFOMAR)	Y	22/11/2007	5.38
AGRICULTURE							
B01	Coast Protection & Management	Coast Protection Grants (Non-DCMNR Mngd)	N294	Helvick	N		5.66

		Coast Protection Grants (DCMNR Mngd) Consultancy	N215	Coastal Protection Strategy Study	N		
C01	Marine Institute (Grant in Aid)	Marine Institute (Capital Non-NDP) Grant-in-Aid	NA	NA Project	Y	19/10/2007	8.80
D01	Bord Iascaigh Mhara (Grant in Aid)	BIM - Supporting Measures NDP (Capital) G-in-A			N		7.17
D04	Aquaculture Development	Aquaculture Development - Grants to Agencies	E126	EZO Teo	N		
		Aquaculture Development - Grants to Agencies	E110	Irish Ornamental Fish Farms Ltd.	N		4.96
D06	Development & Upgrading of Fishery Harbours	Fish Hrb Infrastructure Grants Non DCMNR Mngd	C303	Rossaveel FHCF	N		8.17
D07	Sea Fisheries Protection Authority	SFPA - Sea Fisheries Vehicles - Asset	NA	NA Project	N		24.10

Appendix V

Overview of the Spot Check Project Sampled.

Subhead	Project Title	Programme	Type of Expenditure	Anticipated Duration of Project	Anticipated Full cost of the project	Current Project Phase	NDP/Exchequer	EU/Co funded	Project Management Resource	P E S T L E T
A05	Knowledge Management IT Asset	Office Machinery and other office supplies			€1,218,342		Exchequer	N	External	T
A05	SUDS IT Asset	Office Machinery and other office supplies	Capital Project		€100,000	Post Project Review	Exchequer	N	Internal/External	T
G03	RAPID Programme	RAPID Programme (capital)	Cost Neutral Grant	Annual	850,000	Cyclic	Exchequer	N	Internal	P S
H04	Grant for TG4	RTE grant TnaG - Capital	Grant in Aid	Annual	€917,000	Cyclic	Exchequer	N	Internal	P S
H06	Digital Terrestrial Television Pilot	Grants for Digital Terrestrial Television (Capital)	Capital Project	3 years	€10,000,000	Implementation	Exchequer	N	External	P T S
I02	Silvermines Rehabilitation Programme	Mining Works (Capital)	Capital Project	4 Year	€10,600,000	Planning	Exchequer	Y	External	P E
I04	Griffith Award	Geoscience Initiatives Research Awards	Award Scheme	7 Years	€10,000,000	Implementation	NDP	N	Internal	P E
F01	SEI NDP Built Envir Public Sector	Energy Conservation (Grant-in-Aid)	Award	Annual	€2,500,000	Implementation	NDP	Y	Internal	S E E

F03	Charles Parsons 2006	Energy RTDI Programmes - Capital	Award	7 Years	€19,000,000	Implementation	NDP	N	Internal	P/ E/ S/ T
G01	Donegal Phase II MAN	Information & Communications Technology Programme E-Commerce & Comms Grants	Capital project		€2,500,000	Implementation	NDP	Y	External	P/ E/ T/ S
G02	Funding for NDRC	Multimedia Developments	Grant	5 Years	€25,000,000	Implementation	NDP	N	Internal	P
E01	Foyle Fishery Commission - Capital Grant	Inland Fisheries	Grant	Annual	€884,000	Cyclic	Exchequer	N	Internal	P/ E
C02	INFOMAR GSI - Equipment (Asset)	National Seabed Surveys	Capital project	3 Years	€12,000,000	Implementation	Exchequer	N	External	P/ E/ E

Strategic reasons for project initiation

- P Political
- E Economic
- S Social
- T Technological
- L Legal
- E Environmental



Pat Smyth

From: Edward Barry
Sent: 24 May 2010 11:54
To: Pat Smyth
Subject: FW: Annual Capital and Spot Check Reports
Attachments: DOF_VFM_Check_IAU_Response_250408.doc

From: Edward Barry
Sent: 25 April 2008 17:05
To: Brian Carroll .T- Corporate Finance
Subject: RE: Annual Capital and Spot Check Reports

From: Brian Carroll .T- Corporate Finance
Sent: 24 April 2008 15:54
To: Francis Hughes; Edward Barry
Cc: Donna Comer; John Donohoe; Pat Smyth; Catherine McGinty; Fergus N Casey
Subject: FW: Annual Capital and Spot Check Reports

Francis/Eddie

Please see e-mail below from Pat Keane, DoF and also the attached checklist. In the light of your spot-check activity, perhaps you could confirm the position regarding each of the items. Important that we revert quickly so capital sanction can issue. Imagine we should be OK on all but (ii) which we will have say is in process etc. Can we discuss?

Thanks
 Brian

From: Keane, Pat [mailto:Pat.Keane@finance.gov.ie]
Sent: 22 April 2008 16:12
To: Brian Carroll .T- Corporate Finance
Cc: Finneran, Adrian; John Donohoe; Pat Smyth; Catherine McGinty; Fergus N Casey
Subject: Annual Capital and Spot Check Reports

Brian,

In advance of sanctioning the 2008-12 Multi-Annual Capital Investment Framework, Central Section have circulated us with the attached checklist and requested that Vote Sections confirm that all capital sanction and VFM requirements are addressed in these reports. Examining your Annual Capital and Spot Check Reports against the checklist has led us to make the following observations regarding some of the items:

- (i) *Confirm that a project manager was appointed for each capital project*
 The spot-check report is not clear as to whether this was the case. Please confirm.

IAU are satisfied that in the selection of projects examined, that a Project Manager function had been established. In the majority of cases this function was being performed by an officer of the primary Line Division concerned, however in a small number of cases, this function had been outsourced to a third party contractor.

This item is mentioned specifically at Section 4.2.2 (page 8) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved

at Section 4.2.2.1 (page 9)

- (ii) *Confirm that all projects have been subject to an ex-ante appraisal and that capital projects above €30m have been subject to an economic cost-benefit analysis.*
It appears from our reading of the spot-check report that few projects have been ex-ante reviewed and for those that were, the process was inadequately documented. **Having regard to the major project which your Department is managing (i.e. the East-West Electricity Interconnector), we would have concerns that few projects have received satisfactory ex-ante evaluation and would require confirmation that this would be addressed.**

- (iii) *Confirm that all projects were subject to procurement in accordance with the National Public Procurement Policy, including the revised arrangements for fixed-price contracts.*
The spot-check report confirms that this is the case for projects over €30m but is not clear on other projects. Please confirm.

IAU confirms the procurements examined in the selection were carried out accordance with National Public Procurement Policy.

- (iv) *Confirm that all projects in progress or completed during the year were closely monitored and reviewed and that regular reports on progress were submitted to the Project Board.*

IAU can confirm that of the projects examined, some form of documented monitoring and control procedure was in place, which was benchmarked against defined objectives and milestones.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (pages 10 and 11)

- (v) *Confirm that these progress reports included, if necessary, recommendations to address adverse developments.*

IAU can confirm the existence of on-going scheduled activity in respect of the monitoring of project expenditure, with monthly meetings held to explain and discuss any variances.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (page 11, bulleted points 4 - 6)

- (vi) *Confirm that all completed projects over €30m and that a representative sample of at least 5% of completed projects are subject to post project review within the Department.*
The spot-check report makes a number of recommendations for improved project management structures that could be implemented by DCENR. It is not clear to what extent these recommendations have been taken on board by management and what timeframe has been set for implementation of these improvements. Please clarify.

Of the projects sampled by IAU in conducting the Spot Checks, only one had reached post project review stage, but the value of this project did not exceed the minimum level which makes a review obligatory.

This item is mentioned specifically at Section 4.2.4 (page 12) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.4.1 (page 12).

Finally, the scope of the spot checks for 2007 did not include any Agency spending. You indicate that your Department intends to address this in the next report. Given the level of spending by some agencies – especially SEI – this should be a priority.

IAU are currently in the process of conducting an audit within SEI in respect of the closure of the NDP 2000 – 2006. Any relevant projects identified in this exercise will be benchmarked against the Capital Appraisal

Guidelines.

I would appreciate if you could examine and revert to me.

Regards,

Pat

Pat Keane,
Communications, Energy & Natural Resources Vote Section,
Sectoral Policy Division,
Department of Finance,
Room 3.1, 2-4 Merrion Row,
Dublin 2,
Ireland
Tel: +353 1 669 6336
Fax: +353 1 669 6326
Email: pat.keane@finance.gov.ie

Attention:

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VFM CHECK-LIST
for use in evaluating Annual Capital Reports / NDP templates
and other material submitted to Department of Finance Vote sections

The following specific points are based on the requirements set out in the Department of Finance VFM Circular Letter of 25th January 2006:

1. Confirm that a project manager was appointed for each capital project

IAU are satisfied that in the selection of projects examined, that a Project Manager function had been established. In the majority of cases this function was being performed by an officer of the primary Line Division concerned, however in a small number of cases, this function had been outsourced to a third party contractor.

This item is mentioned specifically at Section 4.2.2 (page 8) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.2.1 (page 9)

2. Confirm that all projects have been subject to ex-ante appraisal in accordance with the requirements set out in point 1.7 of the February 2005 *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector*. Confirm that capital projects above €30m have been subject to an economic cost-benefit analysis.

3. Confirm that all projects were subject to procurement in accordance with the National Public Procurement Policy, including the revised arrangements for fixed price contracts.

IAU confirms the procurements examined in the selection were carried out accordance with National Public Procurement Policy.

4. Confirm that all projects in progress or completed during the year were closely monitored and reviewed and that regular reports on progress were submitted to the Project Board.

IAU can confirm that of the projects examined, some form of documented monitoring and control procedure was in place, which was benchmarked against defined objectives and milestones.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (pages 10 and 11)

5. Confirm that these progress reports included, if necessary, recommendations to address adverse developments.

IAU can confirm the existence of on-going scheduled activity in respect of the monitoring of project expenditure, with monthly meetings held to explain and discuss any variances.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (page 11, bulleted points 4 - 6)

6. Confirm that separate progress reports for each project over €30m were submitted to the Department's MAC and to the Minister on a quarterly basis.

IAU can confirm that reports in respect of projects over €30m were submitted to the Departments MC.

This item is mentioned specifically at Section 2 (page 4), Section 3 (page 5, bulleted point 7), of the Annual Spot Check Report submitted by the Department.

7. Confirm that all completed projects over €30m and that a representative sample of at least 5% of completed projects are subject to post project review within the Department.

Of the projects sampled by IAU in conducting the Spot Checks, only one had reached post project review stage, but the value of this project did not exceed the minimum level which makes a review obligatory.

This item is mentioned specifically at Section 4.2.4 (page 12) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.4.1 (page 12).

8. Confirm that spot-checks were carried out on a sample of projects (5%) to check for compliance with the capital appraisal guidelines, confirm that the findings of such spot-checks have been reported to the Department of Finance and outline the general findings of the spot checks.

IAU can confirm that at least 5% of the expenditure incurred on all capital programmes in 2007 was examined, the results of which are contained in a report submitted to the Department of Finance.

This item is mentioned specifically at Section 1.4 (page 1) and Section 4.1.1, 4.1.2 and 4.1.3 (page 5) of the Annual Spot Check Report submitted by the Department.

9. Confirm that spot-checks and contract reviews (mentioned in points 6 and 7 above) were carried out by Official or persons independent of those directly involved with the delivery of the project.

The Spot Checks themselves were carried out by the Internal Audit Unit of DCENR, which is independent of those directly involved in the appraisal and management of the projects concerned.

This item is mentioned specifically at Section 3 (page 5, bullet point 10) of the Annual Spot Check Report submitted by the Department.

10. Confirm that the Secretary General/CEO/Equivalent has formally certified the Value for Money Material.

Any other issues pertaining to VFM should also be signalled.



Pat Smyth

From: Edward Barry
Sent: 24 May 2010 11:44
To: Pat Smyth
Subject: FW: Annual Capital and Spot Check Reports email
Attachments: DOF_VFM_Check_IAU_Response_250408.doc

From: Brian Carroll .T- Corporate Finance
Sent: 28 April 2008 16:11
To: 'pat.keane@finance.gov.ie'
Cc: 'adrian.finneran@finance.gov.ie'; John Donohoe; Pat Smyth; Catherine McGinty; Fergus N Casey; Francis Hughes; Edward Barry; Donna Comer
Subject: FW: Annual Capital and Spot Check Reports

Pat

In reference to your e-mail, please see attached checklist with response of IAU DCENR highlighted in red. In addition, please see your e-mail below with IAU response highlighted in blue. Also, I would like to make the following points:

1. It is a priority for DCENR to address, where necessary, the issue of ensuring that all capital projects are subject to appropriate and satisfactory ex ante appraisal.
2. Separate quarterly reports in respect of projects over €30m have been submitted to the Minister as well as the MAC.
3. In relation to certification by the Sec Gen of the VFM material, I refer you to p. 48 of the Annual Capital Report which is as follows:

“Certification by Secretary General

The Secretary General has certified that Guidelines for the Engagement of Consultants in the Civil Service (March 1999) and the Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector (February 2005) are being complied with in the Department and that all expenditure on consultancy is necessary and will provide value-for-money.”

4. In relation to the implementation of the recommendations of the spot check report and the question of Agency spend, I refer you to p. 20 of the Spot Check Report which states:

“Feedback reports containing the IAU findings and recommendations listed in this report are being prepared at present. These will be disseminated to the relevant line Divisions and IAU will actively seek the observations and proposed actions of these Divisions.

It is further envisaged that a composite report containing the findings/recommendation and observations/proposed actions will be presented to the Management Advisory Committee for their consideration. As is the policy within IAU regarding normal audit work, all actionable items arising from this spot-check activity will be documented and a review of these items will be carried out in the future.

As noted earlier in this report, none of the selected spot checks conducted in relation to the 2007 expenditure involved visits to any Agency of the Department. Addressing this issue is a key priority of the Department and planning is already advanced to deal with this issue in the 2008 spot-checks programme and the IAU's 2008 audit plan.”

In addition, it is the intention of Corporate Finance and Planning Division to hold Training Sessions in

relation to necessary follow-up.

I hope that this addresses your queries. If you need any further information, please do not hesitate to revert to me. When you decide to do so, I would be pleased if you could issue the sanction in relation to the Multi-Annual Capital Investment Framework to me

Regards
Brian

Brian Carroll
Principal Officer
Corporate Finance and Planning
Department of Communications, Energy and Natural Resource
Elm House
Cavan

From: Edward Barry
Sent: 25 April 2008 17:05
To: Brian Carroll .T- Corporate Finance
Subject: RE: Annual Capital and Spot Check Reports

From: Brian Carroll .T- Corporate Finance
Sent: 24 April 2008 15:54
To: Francis Hughes; Edward Barry
Cc: Donna Comer; John Donohoe; Pat Smyth; Catherine McGinty; Fergus N Casey
Subject: FW: Annual Capital and Spot Check Reports

Francis/Eddie

Please see e-mail below from Pat Keane, DoF and also the attached checklist. In the light of your spot-check activity, perhaps you could confirm the position regarding each of the items. Important that we revert quickly so capital sanction can issue. Imagine we should be OK on all but (ii) which we will have say is in process etc. Can we discuss?

Thanks
Brian

From: Keane, Pat [mailto:Pat.Keane@finance.gov.ie]
Sent: 22 April 2008 16:12
To: Brian Carroll .T- Corporate Finance
Cc: Finneran, Adrian; John Donohoe; Pat Smyth; Catherine McGinty; Fergus N Casey
Subject: Annual Capital and Spot Check Reports

Brian,

In advance of sanctioning the 2008-12 Multi-Annual Capital Investment Framework, Central Section have circulated us with the attached checklist and requested that Vote Sections confirm that all capital sanction and VFM requirements are addressed in these reports. Examining your Annual Capital and Spot Check Reports against the checklist has led us to make the following observations regarding some of the items:

- (i) *Confirm that a project manager was appointed for each capital project*
The spot-check report is not clear as to whether this was the case. Please confirm.

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This item is mentioned specifically at Section 4.2.2 (page 8) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.2.1 (page 9)

- (ii) *Confirm that all projects have been subject to an ex-ante appraisal and that capital projects above €30m have been subject to an economic cost-benefit analysis.*
It appears from our reading of the spot-check report that few projects have been ex-ante reviewed and for those that were, the process was inadequately documented. **Having regard to the major project which your Department is managing (i.e. the East-West Electricity Interconnector), we would have concerns that few projects have received satisfactory ex-ante evaluation and would require confirmation that this would be addressed.**

- (iii) *Confirm that all projects were subject to procurement in accordance with the National Public Procurement Policy, including the revised arrangements for fixed-price contracts.*
The spot-check report confirms that this is the case for projects over €30m but is not clear on other projects. Please confirm.

IAU confirms the procurements examined in the selection were carried out accordance with National Public Procurement Policy.

- (iv) *Confirm that all projects in progress or completed during the year were closely monitored and reviewed and that regular reports on progress were submitted to the Project Board.*

IAU can confirm that of the projects examined, some form of documented monitoring and control procedure was in place, which was benchmarked against defined objectives and milestones.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (pages 10 and 11)

- (v) *Confirm that these progress reports included, if necessary, recommendations to address adverse developments.*

IAU can confirm the existence of on-going scheduled activity in respect of the monitoring of project expenditure, with monthly meetings held to explain and discuss any variances.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (page 11, bulleted points 4 - 6)

- (vi) *Confirm that all completed projects over €30m and that a representative sample of at least 5% of completed projects are subject to post project review within the Department.*
The spot-check report makes a number of recommendations for improved project management structures that could be implemented by DCENR. It is not clear to what extent these recommendations have been taken on board by management and what timeframe has been set for implementation of these improvements. Please clarify.

Of the projects sampled by IAU in conducting the Spot Checks, only one had reached post project review stage, but the value of this project did not exceed the minimum level which makes a review obligatory.

This item is mentioned specifically at Section 4.2.4 (page 12) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.4.1 (page 12).

Finally, the scope of the spot checks for 2007 did not include any Agency spending. You indicate that your Department intends to address this in the next report. Given the level of spending by some agencies – especially SEI – this should be a priority.

IAU are currently in the process of conducting an audit within SEI in respect of the closure of the NDP 2000 – 2006. Any relevant projects identified in this exercise will be benchmarked against the Capital Appraisal Guidelines.

I would appreciate if you could examine and revert to me.

Regards,

Pat

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VFM CHECK-LIST
for use in evaluating Annual Capital Reports / NDP templates
and other material submitted to Department of Finance Vote sections

The following specific points are based on the requirements set out in the Department of Finance VFM Circular Letter of 25th January 2006:

1. Confirm that a project manager was appointed for each capital project

IAU is satisfied that in the selection of projects examined, that a Project Manager function had been established. In the majority of cases this function was being performed by an officer of the primary Line Division concerned, however in a small number of cases, this function had been outsourced to a third party contractor.

This item is mentioned specifically at Section 4.2.2 (page 8) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.2.1 (page 9)

2. Confirm that all projects have been subject to ex-ante appraisal in accordance with the requirements set out in point 1.7 of the February 2005 *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector*. Confirm that capital projects above €30m have been subject to an economic cost-benefit analysis.

3. Confirm that all projects were subject to procurement in accordance with the National Public Procurement Policy, including the revised arrangements for fixed price contracts.

IAU confirms the procurements examined in the selection were carried out in accordance with National Public Procurement Policy.

4. Confirm that all projects in progress or completed during the year were closely monitored and reviewed and that regular reports on progress were submitted to the Project Board.

IAU can confirm that of the projects examined, some form of documented monitoring and control procedure was in place, which was benchmarked against defined objectives and milestones.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (pages 10 and 11)

5. Confirm that these progress reports included, if necessary, recommendations to address adverse developments.

IAU can confirm the existence of on-going scheduled activity in respect of the monitoring of project expenditure, with monthly meetings held to explain and discuss any variances.

This item is mentioned specifically at Section 4.2.3 (page 10) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.3.1 (page 11, bulleted points 4 - 6)

6. Confirm that separate progress reports for each project over €30m were submitted to the Department's MAC and to the Minister on a quarterly basis.

IAU can confirm that reports in respect of projects over €30m were submitted to the Departments MC.

This item is mentioned specifically at Section 2 (page 4), Section 3 (page 5, bulleted point 7), of the Annual Spot Check Report submitted by the Department.

7. Confirm that all completed projects over €30m and that a representative sample of at least 5% of completed projects are subject to post project review within the Department.

Of the projects sampled by IAU in conducting the Spot Checks, only one had reached post project review stage, but the value of this project did not exceed the minimum level which makes a review obligatory.

This item is mentioned specifically at Section 4.2.4 (page 12) of the Annual Spot Check Report submitted by the Department, with dedicated recommendations on how the process may be improved at Section 4.2.4.1 (page 12).

8. Confirm that spot-checks were carried out on a sample of projects (5%) to check for compliance with the capital appraisal guidelines, confirm that the findings of such spot-checks have been reported to the Department of Finance and outline the general findings of the spot checks.

IAU can confirm that at least 5% of the expenditure incurred on all capital programmes in 2007 was examined, the results of which are contained in a report submitted to the Department of Finance.

This item is mentioned specifically at Section 1.4 (page 1) and Section 4.1.1, 4.1.2 and 4.1.3 (page 5) of the Annual Spot Check Report submitted by the Department.

9. Confirm that spot-checks and contract reviews (mentioned in points 6 and 7 above) were carried out by Official or persons independent of those directly involved with the delivery of the project.

The Spot Checks themselves were carried out by the Internal Audit Unit of DCENR, which is independent of those directly involved in the appraisal and management of the projects concerned.

This item is mentioned specifically at Section 3 (page 5, bullet point 10) of the Annual Spot Check Report submitted by the Department.

10. Confirm that the Secretary General/CEO/Equivalent has formally certified the Value for Money Material.

Any other issues pertaining to VFM should also be signalled.