

# Irish Examiner

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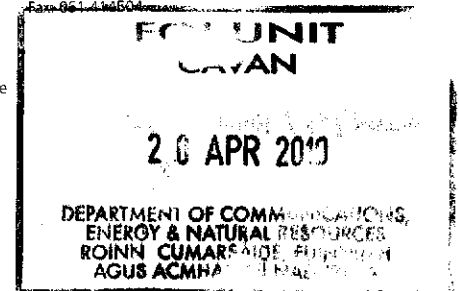
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15<sup>th</sup> April, 2010

**FOI Unit,  
Department of Communications, Energy & Natural Resources  
Elm House,  
Earlsvale Road ,  
Cavan**



## Freedom of Information Unit,

I wish to make a request of the Department under the Freedom of Information Act. My request relates to the Department of Finance's guidelines for the appraisal and management of capital expenditure proposals in the public sector.

I seek:

The copies of any audits or reports commissioned for/by the Department or prepared for the Department relating to spot-checks/post-project reviews on capital spending either under the National Development Plan or previous funding strands – since the introduction of the 2005 Department of Finance guidelines.

All correspondence from the Department of Finance relating to spot-checks or post-project reviews on capital spending.

Any follow-up correspondence, internal communications, external communications, meeting minutes or correspondence relating to these spot-checks/post-project reviews.


If there is a similar request with the Department I would request that my query be released at the same time. I would not require repeat documents and would be happy to accept any or all suitable items in electronic form. If tweaking the scope of the request would reduce the workload for the Department I am happy to consider an alternative wording.

I enclose the standard Euro15, as is required under the Act. I can be contacted at all times on [conorryan@examiner.ie](mailto:conorryan@examiner.ie) , 01-6183638 or 087-6404041.

Kind Regards,

*Conor Ryan*

**Conor Ryan  
Political Correspondent  
Irish Examiner  
Press Gallery, Leinster House  
Kildare Street  
Dublin 2**



26/04/2010

Mr Conor Ryan  
Political Correspondent,  
Irish Examiner,  
Leinster House  
Kildare Street  
Dublin 2

**FOI Request Reference: FOI/2010/12**

Dear Mr Ryan,

I refer to your FOI request under Section 7 of the Freedom of Information Acts, 1997 and 2003, received in this office on 20/04/2010 requesting records relating to the Department of Finance's guidelines for the appraisal and management of capital expenditure proposals in the public sector. The application was received along with the associated fee.

The officer handling your request will be Mr Pat Smyth, Corporate Finance & Planning Division, Department of Communications, Energy and Natural Resources, Elm House, Earlsvale Road, Cavan. Pat can be contacted on 01 6782071.

You can expect to receive your decision by the 19/05/2010.

If you have not received a decision by that time, you are automatically entitled to appeal to the Department for a review of the matter. This review proceeds on the legal basis that the initial request is considered to be refused once the specified time for responding to it has expired. A request for a review should be addressed to the undersigned at the address shown.

Please note the Department of Communications, Energy and Natural Resources has a policy of posting a summary of non-personal requests and decisions on the Departments website for reference purposes.

Yours sincerely,

  
Carmel Cosgrove

FOI Unit  
Department of Communications, Energy and Natural Resources  
Elm House,  
Earlsvale Rd  
Cavan

Phone: 01 6782902



Department of Communications, Energy and Natural Resources  
Roinn Cumarsáide, Fuinnimh agus Acmhainní Nádurtha

31 May 2010

Mr. Conor Ryan,  
Political Correspondent,  
Irish Examiner,  
Press Gallery,  
Leinster House,  
Kildare Street,  
Dublin, 2.

**FOI Request Reference:   FOI/2010/12**

Dear Mr. Ryan,

I refer to your request under Section 7 of the Freedom of Information Acts, 1997 and 2003, received in the Department on 20<sup>th</sup> April relating to the Department of Finance's Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector specifically in relation to Spot-checks and Post Project Reviews. Your telephone conversations with Mr Edward Barry of the Department's Internal Audit Unit and the undersigned also refer.

I have made a final decision to grant your request and all relevant documents are listed in the attached schedule. (It should be noted that there is no spot-checks report for expenditure in 2006 as the original draft guidelines on spot checks requested that an initial spot check be carried out on 2004 and 2005 projects (October 2005). This was taken on board by the Department and in 2006 a tender process was organised to procure external auditors to carry out the testing. The length of time of the tender process and the subsequent testing meant that the 2004/05 report was not ready until quarter 1 2007. A new set of procedures to ensure compliance with the capital appraisal and VFM guidelines were designed in February 2007. As the new procedures were not in place during 2006 it was felt that a spot check on 2006 expenditure would not provide any substantially different conclusions than that on the 2004/05 expenditure). There is also a number of Value for Money and Policy Review Reports posted on the Departments website and you can view these via the following link – <http://www.dcenr.gov.ie/Corporate+Units/Virtual+Press+Room/Publications/Corporate+Publications.htm>

If you have any queries regarding this correspondence you can contact me by telephone at the number below.

I wish to advise you that, if for any reason you are not satisfied with the outcome of your request, you are entitled to seek a review by appealing the decision. To appeal, you need to write to the FOI Unit, Department of Communications, Energy and Natural Resources, Elm House, Earlsvale Rd, Cavan, Co. Cavan. You must make your appeal within 4 weeks

Elm House  
Earlsvale Road  
Cavan

Telephone – 353 1 6782000  
LoCall 1890 44 99 00  
Fax – 353 1 6782057

of the date of this letter, but the making of a late appeal may be permitted in certain circumstances. The review will involve a complete reconsideration of the matter by a more senior member of the staff of this Department.

Please note that an application fee for an appeal is currently €75.00 and a reduced fee of €25.00 applies if you are covered by a Medical Card.

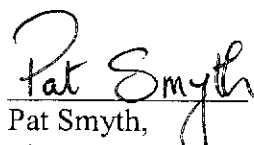
If claiming a reduced application fee, the request must also be accompanied by

- The Medical Card registration number
- The name of the issuing Health Board
- Your consent to the verification of these details with that Health Board.

Payment should be made by way of bank draft, money postal order, or personal cheque made payable to "Department of Communications, Energy and Natural Resources".

On receipt of the fee, you will be advised of when you can expect a decision on your appeal, and the contact details of the person handling the appeal.

Yours sincerely,

  
Pat Smyth,  
Finance Unit.

Central Divisions - Corporate Finance & Planning Division,  
Department of Communications, Energy and Natural Resources,  
Elm House,  
Earlsvale Road,  
Cavan,  
Co Cavan.

Phone: 01 - 6782071

Record No.	Brief Description & Date of Record	File Ref.	No. of Pages	Relevant facts	Findings/ conclusions (Public Interest Considerations, (If applicable))	Grant/refuse/ part-grant	Basis of Refusal: Section of Act	Record edited/Identify deletions
<b><u>Spot-checks</u></b>								
1	Spot-check report 2006 (on 2004 and 2005 expenditure) – April 2007	F25/6/1	9			Grant		
2	Covering e-mail of 13 April 2007 to D/Finance with Spot-check report 2006	F25/6/1	1			Grant		
3	Letter from D/Finance dated 30 April 2007 in response to record no. 2	F25/6/1	2			Grant		
4	Letter to D/Finance dated 17 May 2007 in response to record no. 3	F25/6/1	2			Grant		
5	E-mail dated 6 September 2007 to D/Finance in response to further queries	F25/6/1	15			Grant		

6	Annual Spot-Check Report 2008 (on 2007 expenditure) – January 2008	G:\Audit Unit Filing System\Audit07\Administrati on\Captial_app raisal\Spotcheck k report	34		No impediment to the release of this report	Grant	N/A	
7	E-mail dated 22 April 2008 from D/Finance with queries in relation to record no. 6		5			Grant		
8	E-mail dated 28 April 2008 to D/Finance with responses to queries in record no. 7		6			Grant		
9	Report on Value for Money and Spot Checks 2009 (on 2008 expenditure) – March 2009	G:\Audit Unit Filing System\Audit 09\Audit 09\Captial Appraisal Spot Checks\Report	7		No impediment to the release of this report	Grant	N/A	
10	E-mails from / to D/Finance in relation to record no. 9 (dated between 11 December 2009 and 7 January 2010)		4			Grant		

11	ICT Architecture for the free release of INSS, INFOMAR and GSI digital Data	G:\Audit Unit Filing System\Audit 09\Non EU Audit\09-12 ICT architecture for the free release of INSS, INFOMAR and GSI digital data\Report	1	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract - (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	p6,
12	Audit of Inland Fisheries Subhead F1	G:\Audit Unit Filing System\Audit 09\Non EU Audit\09-11 Inland Fisheries Subhead F1 (Fishery Boards)\Report	3	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract - (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	P2,p3, p12, p13

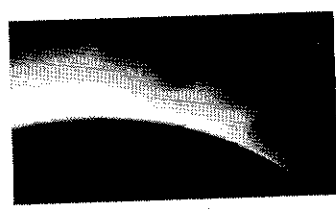
13	Managed Services Entity Phase II Metropolitan Area Networks (Procurement process)	G:\Audit Unit Filing System\Audit 09\Audit 09\Non EU Audit\09-06 MANS_11_Pr ocurement\Rep ort	3	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract – (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	P3, p4, p5, p6
14	Silvermines Rehabilitation Programme	G:\Audit Unit Filing System\Audit 09\Audit 09\Non EU Audit\09-10 Silvermines Audit\Report	3	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract – (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	P3, p4, p13, p14, p15

15	Project Governance of the Hydrographic/Geophysical Survey Launch	G:\Audit Unit Filing System\Audit 08\Non EU Audit\Infomar\ Report	2	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract – (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	P4, p5, p6, p7
16	National Digital Research Centre	G:\Audit Unit Filing System\Audit 08\Non EU Audit\NDRC\ Report	2	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract – (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	P1, p2, p5, p6, p7

17	Digital Hub Development Agency	G:\Audit Unit Filing System\Audit07\Non EU Audit\Multi Media Developments (DHDA)\Reporting	1	In the interests of dealing with the specific topics, the subject of the request, the relevant data has been extracted from the main report for the convenience of the requestor.	No impediment to the release of applicable data pertinent to the request.	Extract - (your conversation with Edward Barry, Internal Audit Unit refers)	N/A	PI
18	Report of the post project review on the construction of a new HQ for the Western Regional Fisheries Board - 3 April 2009		3			Grant		
19	Report on the Broadband Awareness Campaign - 28 March 2007		96			Grant		
20	Report of the post project evaluation of the MakeITSecure 2008 campaign - December 2008		34			Grant		

*Pat Smyth*

Pat Smyth,  
Deciding Officer,  
31 May 2010.



**CrowleysDFK**  
Chartered Accountants

*Working with*



**Department of Communications, Marine and Natural Resources**  
**Roinn Cumarsaide, Mara agus Acmhainni Nadurtha**

**Spot Checks of Capital Projects for Compliance  
with Appraisal, Management, Procurement and  
Other Requirements**

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## SPOT CHECKS ON CAPITAL PROJECTS

### 1. Executive summary

#### 1.1 Background

Appendix 3 of the Department of Finance publication *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector* sets out the conditions of sanction for multi-annual capital envelopes.

One of these requirements is that the sanctioning body must carry out annual spot checks to ensure compliance with capital expenditure guidelines. The sanctioning body must report the findings of these spot-checks to the Department of Finance.

The Department of Communications, Marine and Natural Resources (the Department) has engaged Crowleys DFK to do the spot-checks and to report their findings to the Department.

#### 1.2 Relevant guidelines

The Department of Finance and other bodies have published several documents governing capital expenditure in the public sector:

- Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector
- Public Private Partnership Guidelines
- National and EU Public Procurement Guidelines
- Procedures for the Management and Administrations of EU Structural Funds Programmes
- *Draft Spot Check Guidelines*
- *Draft Guidelines for Promotion, Appraisal and Selection of Private and Community Capital Projects financed by Public Funds*
- Guidance for Tax Clearance

We recognise that the majority of projects funded by the Department were already underway before these guidelines were published. For this reason we have not included our findings of individual projects in this report. Our findings are based on the common short-comings we found occurring across the different projects. We have made recommendations to address these issues and to assist the Department in its compliance with the various guidelines.

#### 1.3 Basis of selection of projects for testing

We selected a sample of projects for testing in accordance with the Department of Finance *draft Spot Check Guidelines*.

We selected the sample to ensure that we tested at least 5% of the Department's capital expenditure. The sample was spread across the Department's capital programmes. This sample was agreed with the Department's Finance Officer.

## SPOT CHECKS ON CAPITAL PROJECTS

### **1.4 Summary of findings**

Our detailed findings and recommendations are set out in Section 2. In summary our main findings are:

- The Department must incorporate the guidelines listed in Section 1.2 into its own procedures document
- The procedures must be applied consistently to all capital projects
- The Department must ensure that bodies receiving grant aid also comply with the relevant guidance
- Reasons for not following the appropriate guidelines should be documented and the decision properly approved

## **SPOT CHECKS ON CAPITAL PROJECTS**

### **2 Objectives, scope and methodology**

The objective of this assignment was to ensure the Department complies with its obligations under Guidelines for Appraisal and Management of Capital Expenditure in the Public Sector in respect of spot checks. The requirement to undertake spot checks of capital projects is set out in Appendix 3 of the Guidelines.

The scope of the spot checks was all capital expenditure projects funded directly and indirectly by the Department. This included capital projects managed by agencies under the aegis of the Department and local authorities.

Our work involved:

- Discussions with key personnel involved with the programmes and projects
- In depth analysis of the project files held both by the Department and agencies
- Review of relevant accounting records

### 3 Findings and recommendations

#### 3.1 Compliance with capital appraisal guidelines

Government departments and state bodies are required to comply with the Department of Finance publication *Guidelines for Appraisal of Capital Expenditure Proposals in the Public Sector*. These guidelines set out 4 main stages of a capital expenditure project:

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

We set out below our findings of the Department's compliance with these guidelines.

##### 2.1.1 Appraisal Findings

The appraisal stage comprises of a preliminary appraisal and a detailed appraisal. The preliminary appraisal should be undertaken to assess whether a detailed appraisal is warranted. A preliminary appraisal is particularly necessary where a detailed appraisal will require significant funding. For smaller projects it may be appropriate to dispense with the preliminary appraisal and proceed directly to the detailed appraisal.

We found that approximately 43% of the sample of projects we tested underwent some form of appraisal process. The quality of these appraisals varied between units within the Department. Some were formal, others were informal.

The common faults we found with the Department's appraisal processes were:

- Little or inadequate financial information. Some appraisals did not detail financial implications of a project.
- All stages of the appraisal process not documented fully.
- Where funding was allocated by central government or included in the annual estimates it was not always considered necessary to do a detailed appraisal
- All available options for solving the issue were not always investigated. The option of not taking any action was rarely considered
- Where the relevant guidelines were not followed reasons for this were not documented
- Details of how the project was approved and who approved it was not always documented.

## SPOT CHECKS ON CAPITAL PROJECTS

### Recommendation

It is not sufficient for the Department to insist that its officers follow the applicable guideline as published by the Department of Finance. The guidelines should be formally adopted and written into the Department's own policies and procedures.

The Department should develop standard appraisal procedures to implement the government guidelines. These procedures should include standard templates and forms to guide the user through each stage of the appraisal process.

Standardised procedures will help the Department to attain consistency across its operations. This is important where staff have been rotated, and will help the Department prepare for decentralisation.

Projects should be appraised regardless of whether or not they are part of a larger programme. Where an appraisal of a project has been undertaken as part of the estimates process this should be documented on the project files. The inclusion of expenditure in the annual estimates does not exempt the project from formal appraisal.

The Department should consider less detailed procedures for projects below a certain value. The Department of Finance recommends a single appraisal for projects with a value of less than €5m and separate preliminary and detailed appraisals for projects with a value greater than €5m.

It is important that the Department, as sanctioning authority, ensures that the sponsoring agency complies with all the appraisal requirements.

Where the appraisal process has been dispensed with, the reasons for this should be documented on the project files. Authorisation for this should be given at the appropriate level. This should also be recorded on the project file. Where decisions are taken at management meetings these should be properly minuted. The project files should be reference to the minute.

### **Management comments**

*Currently in the Department guidelines and other information are received from the Department of Finance and disseminated to line divisions via emails and the intranet. It would appear based on the spot check results and discussions with Divisions that appraisals are documented for large projects however appraisals for smaller projects are less likely to be formally documented on file. In several cases capital expenditure*

## SPOT CHECKS ON CAPITAL PROJECTS

amounts subject to spot check were seen as minor routine capital expenditure requirements for Boards and agencies under the aegis of the Department and no formal appraisals were documented.

As a result of the introduction of the recent Value for Money Measures (January 2006) the Department has revised its approach to capital expenditure and is introducing a new series of measures initially in the Department and subsequently to its agencies to increase compliance with the 'Guidelines for the Appraisal and management of Capital Expenditure Proposals in the Public Sector' (Feb, 2005). These measures largely consist of:

- A checklist which summarises the requirements of the guidelines has been compiled and will require completion by Divisions prior to expenditure being incurred on a new project. Two versions of the checklist have been compiled to deal with the Department's role as Sponsoring Agency and Sanctioning Authority or Sanctioning Authority only.
- Standard approval levels for projects (varying according to project spend) have been documented.
- Increased Monthly Reporting Requirements
- Quarterly Reports on Large Capital Expenditure Projects.

In addition the Department will be supporting this initiative with a series of workshops in order to inform capital spending Divisions of the new measures and to ensure that the Divisions are familiar with the details of the 'Guidelines for the Appraisal and management of Capital Expenditure Proposals in the Public Sector' (Feb, 2005). These workshops will subsequently be rolled out to bodies under the aegis of the Department who receive funds through the Department's vote.

## SPOT CHECKS ON CAPITAL PROJECTS

### 2.1.2 Project planning

#### Findings

The Government's capital appraisal guidelines 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

We found that less than 50% of the projects examined had documented detailed plans on file. Often this was because the sponsoring agency was responsible for the planning, or the expenditure was a grant to a local authority or private entity. (Please refer to Finding 3.4.2 for discussions on responsibilities of the Department where it is sanctioning authority but not sponsoring agency.)

Where details of the planning stage were documented we identified the following common issues:

- The management structure of the project team was not documented
- The project was not reviewed after the detailed plan and design had been prepared, or if this was done it was not properly documented on the project files.
- Final approval for the project was not documented. We recognise that final approval was most likely recorded in management meeting minutes. However, the file notes did not always refer to this.

#### Recommendations

The management and reporting structure of each project should always be agreed and documented at the out-set. The role of each person in the project management team should be agreed and documented. Where possible the Department should strive to attain a uniform management and reporting structure across all operational units and capital programmes.

A consistent management structure is particularly important where project management consultants are engaged, or where the project is managed by another agency. Each person in the team should be aware of their role, responsibilities and to whom they report.

The management structure should also incorporate the

## SPOT CHECKS ON CAPITAL PROJECTS

reporting structure. The reporting structure should set-out who is responsible for reporting to the Department, how often reports should be made and what information should be reported.

Where the detailed planning is the responsibility of an agency or local authority, the Department must review the plan to ensure compliance with the Department's project planning requirements. The Department's review, findings and recommendations should be documented and communicated to the project team. The Department should not allow a project to commence if it is not satisfied that the sponsoring agency has complied with the relevant guidelines

### **Management comments**

*As documented at 2.1.1 the Department has developed a number of measures which will be rolled out across the Department to ensure adherence to the 'Guidelines for the Appraisal and management of Capital Expenditure Proposals in the Public Sector' (Feb, 2005). The project checklist which will be signed off prior to expenditure being incurred on the project must detail the planning measures which have been completed.*

*Due to the diverse nature of projects across the Divisions of the Department it is not considered appropriate that a standard project management structure is adopted. Instead Divisions will be requested to fill out details of their project management structure on the project checklist and this will be reviewed to ensure appropriately senior individuals are appointed for large/complex projects. Project Managers will be required to provide information on the progress of the project on a monthly basis.*

*Where the detailed planning is the responsibility of an agency or local authority the Department is responsible as indicated in the 'Guidelines for the Appraisal and management of Capital Expenditure Proposals in the Public Sector' (Feb, 2005) for pre-tender review. The Department will request that all agencies and local authorities who receive funding through the Department adhere to the Guidelines, however, the Sponsoring Agency will have primary responsibility for ensuring the requirements of the Guidelines are complied with. Agencies under the aegis of the Department will be subject to the Department's annual spot check process.*

## SPOT CHECKS ON CAPITAL PROJECTS

### 2.1.3 Project implementation

#### Findings

Most projects had clear objectives and review milestones set. We found that projects were monitored to ensure the objectives and milestones were being achieved.

Where overspends or time delays occurred they were investigated by the Department. The findings of these investigations were documented. Where the project required extra funding this was properly appraised before the funding was approved.

#### Recommendations

We make no specific recommendation of project implementation. However, the general recommendation of consistent procedures applies to this area.

See Section 1.3 "Reporting".

<b><i>Management comments</i></b>
<i>See section 2.1.1 for measure to be implemented by the Department.</i>

## SPOT CHECKS ON CAPITAL PROJECTS

### 2.1.4 Post-project review

#### Findings

The capital expenditure guidelines require the sponsoring agency to do a post project review of projects costing in excess of €30m. The review should be of a representative sample covering at least 5% of the value of completed projects.

None of the projects selected for testing were in excess of this amount. Therefore, we could not test this requirement.

#### Recommendations

We consider it to be good practice to do some level of review of every project. The level of expenditure of the project should dictate the level of review required.

When the Department is not the sponsoring agency for a project it should require the sponsoring agency to do the review. The sponsoring agency should report the findings to the Department.

The aim of the post-project review is to determine whether or not the project has met its objectives, within budget and on time.

Post-project review of unsuccessful projects should be designed to determine the reasons for the project not meeting its objectives.

Reviews of successful projects should be designed to determine how they were successful.

Knowledge gained from this exercise can be used in planning and managing future projects.

#### **Management comments**

*Reviews on projects over €30m are carried out under the Value for Money Review Initiative. A Department wide programme of post project reviews will be carried out centrally in 2007 and the approach will be re-assessed for 2008.*

## SPOT CHECKS ON CAPITAL PROJECTS

### 3.2 Competitive process

#### Findings

We identified a number of cases where the competitive process guidelines were not followed. The explanation we were given for this was that there was only one supplier for the goods or service.

Although we did find that the project manager did enquire of several suppliers as to whether they could supply the goods or service, details of these enquiries were not documented and retained on the project files.

#### Recommendations

The purpose of the competitive process is to obtain value for money by choosing the most economically advantageous tender. Although we recognise that there may only be one supplier for certain specialised goods or services we think it prudent to seek quotations or advertise the request for tenders (depending on anticipated contract value).

Open tendering could attract tenders from suppliers that can supply the goods or services that were not known to the project manager. This is particularly pertinent where the potential contract value is over the EU advertising limits.

Where suppliers have been contacted this should always be documented. Where a supplier has stated that they cannot provide the goods or service required they should be asked to state this in a letter to the Department. At the very minimum full details of the enquiry, including the response from the supplier, should be documented and retained.

#### **Management comments**

*The Department fully supports the competitive process in all its procurements. The Department would never lightly assume that there was a sole supplier for a product. However, where market analysis or market testing for identical products of recent vintage has taken place the Department would wish to avoid waste of time and resources by conducting competitions where it is clear or proven that a sole supplier exists. The Department of Finance guidelines "Public Procurement Guidelines - Competitive Process" accept that Departments may in some cases be dealing with sole suppliers and gives advice for dealing with such suppliers. The recommendation that all enquiries or approaches to suppliers should be fully documented and retained on file is accepted.*

## SPOT CHECKS ON CAPITAL PROJECTS

### 3.3 Reporting

#### 3.3.1 Periodical reporting

##### Findings

We found that the Department does not have standard reporting requirements across its different operational units and programmes and projects managed by those units.

Some projects required monthly reporting others quarterly. We also found some cases where the reporting requirements set-out at the commencement of the programme were not adhered to.

##### Recommendations

The Department needs to develop a consistent and methodical reporting system across all its units and programmes funded by it.

Project managers should continually assess the risks facing their projects rather than reporting purely historical data. The status of these risks should be included in the monthly reports. This approach should give the Department's senior management forewarning of projects exceeding budget or falling behind schedule. It should enable the project managers to take appropriate preventive action.

The reports of each project should be summarised in a programme report. All the programme reports should be summarised in an overall report for senior management.

The reports should be concise and contain minimal narrative. The aim of the report should be to identify projects and/or programmes that may not meet their stated objectives.

Programmes and projects that are managed by agencies should be subject to the Department's reporting requirements.

##### **Management comments**

*The Department currently does not have standard reporting requirements for capital projects, however, information is reported at a Vote subhead level on a monthly basis.*

*From May 2007 Divisions will be requested to explain any variances on project spend and progress on a monthly basis. Reporting to the Management Committee on projects under €30m will be by exception on a quarterly basis. Individual summarised project reports will be presented to the Management Committee for projects over €30m, also on a quarterly basis.*

*The Department's IS Division currently has a project support office in operation with template project reports and other project management guidance for IT projects. During the Capital Expenditure workshops Divisions will be made aware of the availability of the*

## SPOT CHECKS ON CAPITAL PROJECTS

*standard reports.*

*The decision not to standardise project reports and management procedures by expanding the role of the IS project support office will be re-examined in late 2007.*

### **3.4 Other issues**

#### **3.4.1 Record keeping and filing structures**

##### **Findings**

We found that the Department has a standard filing reference structure across its operations. This structure enabled us to easily identify what files were available for each project.

However, we found that the quality of content in the files varied between programmes and between projects within those programmes.

##### **Recommendations**

Project files should have sections for each stage of the appraisal, planning and implementation processes.

For projects where part of the process was deemed not necessary or not applicable, this should be documented. The rationale for any such decisions should also be documented.

The person who made or approved the decision should sign and date the documentations. Where the approval was made at a meeting the decision should be minuted. The project files should be referenced to the minute.

##### **Management comments**

*As an appendix to the project checklist a list of standard documentation to be kept on files will be available to divisions. This will ensure that all required information will be kept on the project file.*

*Consideration will be given to having separate file sections for each stage of the project.*

## SPOT CHECKS ON CAPITAL PROJECTS

### 3.4.2 Payment of funding to other bodies

#### Findings

The Department provides funding for capital projects by way of grant to other bodies such as local government and State agencies. It also makes grants to non-governmental organisations. We recognise that it is the responsibility of these organisations to follow the relevant capital appraisal and management guidelines, and public procurement guidelines.

It is unclear whether or not the Department should test these organisations' compliance with those guidelines as part of its spot checks process.

The Department makes payments to these organisations in accordance with a drawdown schedule. The sponsoring agency schedules the funds to be drawn-down in accordance with the planned progress of the project.

We did not find any evidence of the Department checking that the project is progressing as set-out in the project plan.

#### Recommendations

Where the Department is not the sponsoring agency for a capital project, ie where it makes grants to other bodies, it has certain obligations and responsibilities as Sanctioning Authority. The sponsoring agency is responsible for appraisal, planning and management of the capital project. The sanctioning authority must assess the appraisal and give approval in principal if appropriate. This approval permits the sponsoring agency to proceed to the planning stage. The sanctioning authority must then assess the detailed project plans prior to giving approval to the sponsoring agency to commence with the project. It is important that the Department is satisfied that the project has been properly assessed and planned. The Department should keep evidence of these assessments on file.

In our opinion the Department's annual spot checks need not include testing of the sponsoring agency's compliance with the capital appraisal and management guidelines. The sponsoring agency is obliged to do its own spot checks. As set out in the paragraph above, the Department should satisfy itself that the sponsoring agency has completed all necessary appraisals and plans before it approves the project.

The objective of the Department's spot checks should be to measure the Department's compliance with the relevant guidelines. We believe the scope of the Department's spot

## SPOT CHECKS ON CAPITAL PROJECTS

checks, in respect to grants and grants-in-aid, should be to check that the Department has fulfilled its obligations as sanctioning authority, ie to assess and approve the sponsoring agencies' appraisals and plans.

The Department of Finance document *draft Guidelines for the Promotion, Appraisal, and Selection of Private and Community Capital Projects financed by Public Funds* states that the departments should make payments in accordance with the achievement of key project milestones.

In addition to checking that the sponsoring agency is requesting the funds in accordance with the agreed drawdown schedule, the Department should also satisfy itself that the project milestones have been met before transferring funds.

### **Management comments**

The Department anticipates three types of capital expenditure (excluding grants to non-public bodies which will be treated separately for spot check purposes) under the multi-annual capital framework which require testing:

#### 1) Direct Capital Expenditure by the Department

Full compliance with the Guidelines will be tested in the Department for all direct capital expenditure undertaken by the Department in its role as Sponsoring Agency and Sanctioning Authority (where applicable) e.g. Fishery Harbour Development.

#### 2) Direct Capital Expenditure by Agencies under the aegis of the Department funded through the Vote

Project files in the Department will be tested for the Department's compliance with its role as Sanctioning Authority in the case of capital expenditure funding granted to Agencies. The level of required individual Sanctioning Authority approval for capital projects will be subject to materiality levels, particularly in the case of expenditure from a Grant in Aid subhead as approval may be given in the form of an Annual Business Plan for routine capital expenditure. Consideration will be given to tailoring draw downs to project progress subject to verification of individual service level agreements.

The Department, in accordance with the Draft 'Procedures for carrying out spot-checks .....' will additionally spot check the project files in the relevant Agency to ensure that the Agency has carried out its role as Sponsoring Agency in accordance with the Guidelines for the Appraisal and management of Capital Expenditure Proposals in the Public Sector' (Feb, 2005).

#### 3) Capital Expenditure funded by the Department but applied for/managed by a public

## SPOT CHECKS ON CAPITAL PROJECTS

body not under the aegis of the Department eg. Local Authority

It is anticipated that in this case the Department's role as Sanctioning Authority is tested in the Department but that the Sponsoring Agency role is not tested as part of the annual spot checks as the body is under the aegis of another Department and subject to spot checks under that Department.

In future years the Department will also spot check expenditure granted to non-public bodies for capital purposes in line with Guidelines produced for that area in the Department or in Agencies as appropriate.

2

**Catherine McGinty**

**From:** Susan McCarthy  
**Sent:** 13 April 2007 17:52  
**To:** 'Tom.Ryan@finance.gov.ie'  
**Cc:** Shane Carton; Eamonn Molloy; Michael Daly  
**Subject:** Spot Check Report  
**Attachments:** Spot checks 2006-1-2 (DCMNR commentsv3).doc

Tom,

Please find attached a draft of a spot check report produced for the Department of Communications, Marine and Natural Resources as part of the requirements under the 'General Conditions of Sanction for Multi Annual Capital Envelopes'. This was based on an audit carried out by Crowley's DFK on 2004 and 2005 capital expenditure although we believe that its findings would be unlikely to change substantially if the report were to include checks on 2006 expenditure.

It is an initial draft subject to some further comments from Crowleys DFK but I understand that you require a copy urgently and this may be of some use to you. I would hope to forward you the final draft next week.

If you wish to discuss the report or the measures which we are introducing regarding capital expenditure, do not hesitate to contact me.

Regards

Susan McCarthy

Department of Communications, Marine and Natural Resources  
Leeson Lane  
Dublin 2

Tel: (01) 678 2118



In relation to the spot-checks themselves, I would be grateful for details of what system has been put in place to ensure checks are carried out. What is the process for selection of spot-checks, how many are to be carried out this year, what percentage of spending is covered by these spot-checks, who will carry them out, etc.

②  
- Internal  
Audit

Notwithstanding the foregoing shortcomings, the report does point to disturbing instances of procedural inadequacies in your Department where established planning guidelines and satisfactory administrative practices were not observed. For example, Crowleys found that 43% of the project sample tested underwent some form of appraisal. However, this still leaves 57% as not subject to appraisal. Crowleys also noted that less than 50% of projects examined had documented detailed plans on file and that some projects did not have clear objectives. While your Department's views and the intentions set out in the comment on the Crowley Report is welcomed, we would like your assurance that the new appraisal and Value for Money procedures are being put in place and that spot-checks will be ongoing this year. We view the need to improve the system as one that must be done as a matter of priority.

③  
Summary  
measures

I would be obliged if you would arrange to have the necessary adjustments made to the report and to have the revised document submitted to this Department as a matter of urgency.

Yours sincerely

*PR*

Pat Ring  
Sectoral Policy Division



17 May 2007

Copied  
sent 17/5/07

Mr. Pat Ring  
Department of Finance  
Upper Merrion Street  
Dublin 2

Dear Pat

Re: 2004/2005 Spot Check Report

Thank you for your letter of the 30th of April 2007 regarding the Department's spot check report on 2004/2005 capital projects. As indicated in your letter, that report was very much a first step into the area for the Department and, as set out below and in the relevant report, we have identified a number of measures to improve on the results indicated. I would like to take this opportunity to reiterate that I or Susan McCarthy are available at any stage to discuss those measures and the progress which the Department has made in relation to their implementation.

Your letter requests details of the steps taken to disseminate the capital appraisal and Value for Money Guidelines in the Department on the basis that these were not included in the spot check report submitted. I would like to direct your attention to Section 2.1.1 of that report and in particular the 'Management Comments' response documented therein. The guidelines and other Department of Finance related information were initially disseminated to line divisions via email and additionally published on the Department's intranet. This was the general policy adopted for such information at that time. However, as indicated on page 6 of the report and in additional documents submitted to your Department, the Department has revised its approach to capital expenditure and introduced a series of Department specific control measures in relation to same. This has been supported by a series of workshops to inform capital spending Divisions and Agencies of the new measures and to ensure that they are fully briefed on the 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' (February 2005).

I am pleased to inform you that the training programme indicated in the report has now been rolled out in the Department and that at least 67 staff involved in the monitoring/carrying out of expenditure under the Multi-Annual Capital Framework have been trained under either the Department of Communications, Marine and Natural Resources training initiative or the related Department of Finance, CSTDC course. The attendees included senior representatives from all capital spending divisions. Additionally it 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 is to be 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 addition, work is ongoing on the development of further guidance material which will be published as a 'knowledge management asset' on the Department's intranet and which



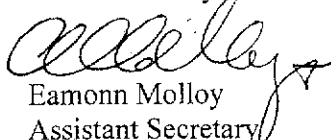
will serve as an easy up-to-date reference material for staff involved in capital projects. As can be appreciated, from the resources required for us to carry out the above, the improvement of the system for appraisal and management of capital projects is one that has been given priority by the Management Committee. This is all the more significant when one considers the fact that we have had almost 35% staff turnover in the Department over the past year due to decentralisation.

It is anticipated that the results of the 2007 spot checks will provide valuable information in terms of monitoring the implementation of the new measures. Following consideration of the spot check requirements and the experience gathered on the 2004/2005 spot check report it has been decided that the most appropriate section to perform the spot checks is the Internal Audit Unit of the Department. The timely performance of those spot checks will be monitored by the Finance Unit. The Department is currently working on increasing its capital reporting on a project basis and will use the proposed 2007 Capital Investment Schedule recently submitted for Department of Finance sanction to identify a set of 'projects' which will be reported on more closely on a regular basis. Projects will be selected at random from that schedule up to a value of 5% of the Department's expected spend and subject to any of the requirements of the final version of the 'Procedures for carrying out spot-checks for compliance with the General Conditions of Department of Finance Sanction for Multi-Annual Capital Envelopes' which I understand is to be published by the Department of Finance shortly. As indicated in the report submitted on 2004/2005 expenditure, spot checks will include agency spend. The spot checks will be carried out in the latter half of 2007 to ensure that the report is available for 31 January 2008. The spot check results will be analysed to determine the results of projects which have been commenced since the training sessions in the Department have taken place and a significant improvement will be expected.

I would like to point out that, due to the diverse nature of the Department's capital spend and the large proportion of expenditure which is not related specifically to capital asset purchase to which the 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' (February 2005) and associated Department of Finance training programme are targeted, significant ambiguities have arisen during the 2004/05 spot check process and implementation of the new procedures in relation to the application of certain components of the guidelines to all expenditure under the Department's Multi-Annual Capital Framework. I would like to take this opportunity to thank the Department of Finance's Central Evaluation Unit, Government Accounting Section and Vote Section for working with officials of the Department to resolve those ambiguities and look forward to continuing this relationship into the future to ensure that the system improvements can be carried out as a matter of priority.

If you require any further information in relation to the above do not hesitate to contact me.

Yours sincerely

  
Eamonn Molloy  
Assistant Secretary

**Catherine McGinty**

**From:** Susan McCarthy  
**Sent:** 06 September 2007 14:20  
**To:** 'pat.keane@finance.gov.ie'  
**Cc:** 'Hearne, Edmond'; Finola Rossi; Eamonn Molloy  
**Subject:** FW: Spot-check report on capital projects  
**Attachments:** Link 4- Capex Checklist 1(Direct purchase).doc; Spot Checks - Projects Examined.xls; 070516Response to DoF on Spot Checks(Draft3).doc

Pat,

Eamonn Molloy received the email below from Tom Ryan and I have responded to his queries below. As I understand he has since left the Department perhaps you could redirect it if it is not your area.

I hope the information below answers the queries in relation to the same but if you require any further information do not hesitate to contact me.

1. The steps taken by your Department to ensure that the capital appraisal and VFM guidelines are being observed.

Please see attached a letter issued to Mr. Pat Ring in May 2007 which indicated the work ongoing in the department to ensure compliance with the capital appraisal and VFM guidelines. In addition to the work indicated capital spending divisions are now being requested for a completed checklist (see example attached above) 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.

2. Details - identity etc.- of the projects which were the subject of spot-checks

The projects which were subject to spot check were not disclosed in the original report as it was felt that it was more constructive to implement the general recommendations on an improvement of the Department's system. However, the projects originally selected for testing are attached above for your information.

3. why 2004/5 projects rather than 2006 projects, were subjected to spot checks.

The original draft guidelines on spot checks requested that an initial spot check be carried out on 2004 and 2005 projects (October 2005). This was taken on board by the Department and in 2006 a tender process was organised to procure external auditors to carrying out the testing. The length of time of the tender process and the subsequent testing meant that the 2004/05 report was not ready until quarter 1 2007. A new set of procedures to ensure compliance with the capital appraisal and VFM guidelines were designed in February 2007 and these are being implemented. As the new procedures were not in place during 2006 it was felt that a spot check on 2006 expenditure would not provide any substantially different conclusions than that on the 2004/05 expenditure. The internal audit division are currently devising a work plan for the 2007 spot checks to ensure that it the results are available in time for 31 January 2008.

4. Details of the responsibilities of players for the appraisal and management of each capital project - including identification of the business units and and positions involved.

Ultimately the heads of function in each area are responsible for the appraisal and management of capital projects in that area, they are supported on request by the finance unit.

If you require any further information or if you or the Central Evaluation Unit wish to meet to discuss any of the issues further do not hesitate to contact me.

Regards

Susan McCarthy

01 678 2118

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**From:** Ryan, Tom [mailto:Tom.Ryan@finance.gov.ie]  
**Sent:** 15 August 2007 12:26  
**To:** Eamonn Molloy  
**Cc:** Finola Rossi; Hearne, Edmond; Keane, Pat  
**Subject:** Spot-check report on capital projects

Eamonn

I discussed the above report with you on 3 July 2007 and requested more expansive information e.g.

1. the steps taken by your Department to ensure that the capital appraisal and VFM guidelines are being observed.
2. details - identity etc. - of the projects which were the subject of spot-checks
3. why 2004/5 projects rather than 2006 projects, were subjected to spot checks.
4. details of the responsibilities of players for the appraisal and management of each capital project - including identification of the business units and positions involved.

Although you indicated that you would write to me promptly, nothing has been received in the interim.

I would appreciate if you would arrange to provide the above information at the earliest opportunity, please.

Regards

Tom

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Scanadh an r-phost seo le **MailMarshal** agus deimhníodh go raibh sé saor ó víoras leis an bpatrúnchomhad atá in úsáid faoi láthair. Ní féidir a ráthú leis seo áfach nach bhfuil ábhar mailíseach ann.



**Department of Communications, Marine and Natural Resources**

**Checklist for capital expenditure projects carried out directly by the Department**

*Note: A Checklist must be completed in order for a new Agresso Project Code to be opened*

**General Project Information**

Project Name: \_\_\_\_\_ Relevant Subhead: \_\_\_\_\_  
 Division: \_\_\_\_\_

Estimated Spend: \_\_\_\_\_

NDP: Y  N   
 EU Co-Funded: Y  N

If Yes, Please note EU fund: \_\_\_\_\_

File Reference Number: \_\_\_\_\_

Project Manager: \_\_\_\_\_

File Manager (if different): \_\_\_\_\_

Brief Description of Project (including outputs expected over life of Project):  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Brief Business Case for Project:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Agresso Project Code (Allocated by Finance):  
 \_\_\_\_\_  
 \_\_\_\_\_

*Please note that where the answer is other than "YES" a full explanation must be provided*

All page references below are to relevant pages of the 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' which can be found at:

<http://mitranet/NR/rdonlyres/8C63FC76-807D-4FFF-876B-8A95F24D481A/0/GuidelinesfortheAppraisalandManagementofCapitalExpenditureinthePublicSectorFeb05.pdf>

**I. APPRAISAL**

	Ref (page)	Yes	No	Explanation
<b>All Projects</b>				
1.	13			<p>Has a preliminary appraisal been carried out and retained on file? (note: scale of appraisal should be proportionate to the cost and complexity of the project)</p> <p>Preliminary appraisal should detail:</p> <ul style="list-style-type: none"> <li>Aims and objectives</li> <li>Specification of nature and objectives of project</li> <li>Relevant background circumstances</li> <li>Why public resources should be committed (considering what private sector might do)</li> <li>Statement of needs which project is designed to meet</li> </ul> <p>Option identification and assessment</p> <ul style="list-style-type: none"> <li>Identify all realistic options to deliver selected objectives and quantify key elements of each</li> <li>Preliminary assessment of costs and benefits of all options (including doing nothing)</li> <li>Choice of preferred option</li> </ul> <p>Cost/Benefit Judgement</p> <ul style="list-style-type: none"> <li>Judgement on whether benefits are sufficient to warrant incurring costs</li> </ul>

	Ref (page)	Yes	No	Explanation
2.	<p>Has this preliminary appraisal been approved at the appropriate level as detailing a sufficiently good case for the project?</p> <p>See approval levels documented at:</p> <p>XXXXXX</p> <p>Note: for projects under €5m no further steps in this appraisal section require completion unless it is an EU Co-funded project (step 6).</p>			
3.	<p><b>Projects over €5m</b></p> <p>If the project is over €5m has a detailed appraisal of the project been carried out?</p> <p>Detailed appraisal should include:</p> <ol style="list-style-type: none"> <li>1) Definition of needs project should meet and its objective 31</li> <li>2) List of options (realistic alternative ways in which objectives can be achieved) 33</li> <li>3) List of Constraints 32</li> <li>4) Advice of NDFA which is required on all projects over €20m (all projects over €20m should be considered for PPP)</li> <li>5) Quantification of financial costs (including ongoing capital and life cycle costs and potential receipts. Contingency to be included. Sensitivity analysis to be included). Realistic assumptions to be made and stated. 36-42</li> <li>6) Analysis of the main options using financial and non-financial appraisal techniques. See Guidelines for the Appraisal and management of Capital</li> </ol>			

	Ref (page)	Yes	No	Explanation
	<p>Expenditure Proposals in the Public Sector' for further details on alternative methods</p> <p>7) Identification of risks of each option, potential impact of adverse consequences and strategy for dealing with risks 15</p> <p>8) Decision on preferred option and time profile for actions and for expenditure. 15</p> <p>9) Recommendation of Preferred Option.</p>			
4.	<p><b>Project between €5m and €30m</b></p> <p>If the project is over €5m but less than €30m has a Multi-Criteria Analysis been carried out?</p> <p>Has this detailed appraisal been approved at the appropriate level as detailing a sufficiently good case for the project?</p> <p>See approval levels documented at:</p> <p>XXXXXX</p>			
5.	<p><b>Project over €30m and complex projects</b></p> <p>If the project is over €30m or over €5m but complex in nature has a Cost Benefit Analysis been carried out?</p> <p>Has this detailed appraisal been approved at the appropriate level as detailing a sufficiently good case for the project?</p> <p>See approval levels documented at:</p> <p>XXXXXX</p>			

	Ref (page)	Yes	No	Explanation
<b>EU Co-Funded</b>				
6. If EU co-funded and over €50m have Structural and Cohesion Fund eligibility rules and conditions been complied with?				

## 2. Planning Stage

	Ref	Yes	No	Explanation
<b>Management Structure</b>				
1. Has an appropriate management structure suitable for the project been determined and documented?  The Project Manager for large capital projects should be a senior official during the planning/procurement stage and should have personal responsibility for monitoring progress. (VFM Circular January 06)  All projects over €30m are required to have a project board. (VFM Circular January 06)	19			
2. In the explanation section please detail the main roles in the project management structure and who will fill those roles if allocated.  Consideration should be given to roles of:  Sanctioning Authority Sponsoring agency Steering group Project co-ordinator Design Team Leader	19			
<b>Reports</b>				

	Ref	Yes	No	Explanation
3. Has an appropriate information reporting system been established?  This should include determining: <ul style="list-style-type: none"> <li>- information needs at various levels of the management structure</li> <li>- the format used for presenting information</li> <li>- frequency of submission of reports</li> <li>- who is responsible for supplying and compiling information?</li> </ul>	21			
4. In the explanation section please detail the main reports and their expected frequency.				
<b>Project Brief/Design</b>				
5. Has a project brief been prepared?  This should include: <ul style="list-style-type: none"> <li>- Description of project option approved in principle included</li> <li>- objectives and parameters to be taken into account by planning professionals</li> <li>- Design should not exceed the minimum necessary to achieve a satisfactory and cost-effective end product</li> <li>- Programme for completion of work.</li> <li>- Costs limits/targets</li> <li>- Services to be provided by consultants, architects, engineers etc. to be separately determined.</li> </ul>				

	Ref	Yes	No	Explanation
6.	Has a detailed project plan been prepared?			
7.	Have all consultants employed (typically in design) been employed in line with the "Guidelines for the Engagement of Consultants and other External Support by the Civil Service". See Guidance Note on Employment of Consultants at: <a href="http://www.finance.gov.ie/documents/publications/constructio%20reform/7.GuidanceNote.pdf">http://www.finance.gov.ie/documents/publications/constructio%20reform/7.GuidanceNote.pdf</a> See Standard Conditions of Engagement for Construction Consultants at: <a href="http://www.finance.gov.ie/mic/wdocs.asp?fn=/documents/Publications/Construction%20Procurement%20Reform/6.Condofenagement.pdf">http://www.finance.gov.ie/mic/wdocs.asp?fn=/documents/Publications/Construction%20Procurement%20Reform/6.Condofenagement.pdf</a>			
8.	Note: changes to the project at any stage must be assessed in terms of cost, timing and delivery of project. If a project is deferred indefinitely it should be fully reappraised before being started again.			
9.	<b>Pre Tender Review</b> Has the project proposal including plans and design been reviewed and signed off at appropriate level? Appropriate approval should be documented for the pre-tender review, which approves the commencement of the tendering process.			

	Ref	Yes	No	Explanation
10.	If the cost has increased from the detailed appraisal then has the project been re-examined to achieve reductions without lowering the quality standard of the project below acceptable levels to bring project within approved limit?  Note: Work should not be omitted to achieve reductions if it is essential for the completion of the project and will be introduced later. Significant changes in specification to achieve lower costs should be re-approved by Sanctioning Authority.			
11.	Has planning permission been received if required? (Final decision to proceed not to be taken until essential permits obtained)			
12.	<b>Tendering</b> Has tendering been assessed for EU thresholds and carried out in accordance with EU thresholds as appropriate?  For details on EU thresholds see: <a href="http://intranet/At+Work/Procurement+Policy/">http://intranet/At+Work/Procurement+Policy/</a>			
13.	Has tendering been carried out in line with national procurement guidelines: <a href="http://intranet/At+Work/Procurement+Policy/">http://intranet/At+Work/Procurement+Policy/</a>  The following checklist may be of some assistance and completion of the checklist (document 17) is recommended: <a href="http://www.e-tenders.gov.ie/guides/guides_list.aspx?Type=2">http://www.e-tenders.gov.ie/guides/guides_list.aspx?Type=2</a>			PUT ON INTRANET

	Ref	Yes	No	Explanation
14.	Has a fixed price contract been granted?			
15.	If the contract is a construction contract is this in line with Standard Construction Contracts published by the Department of Finance? See: <a href="http://www.finance.gov.ie/ViewDocs.asp?m=documents/publications/other/constructformidsc06.htm&amp;CallID=61&amp;m=p">http://www.finance.gov.ie/ViewDocs.asp?m=documents/publications/other/constructformidsc06.htm&amp;CallID=61&amp;m=p</a>			
	<b>Post Tender Review and Approval</b>			
17.	Was the case for proceeding with the proposal reviewed with tendering prices? If the tender cost exceeds budget then has the project been re-examined to achieve reductions without lowering the quality standard of the project below acceptable levels to bring project within approved limit? Note: Work should not be omitted to achieve reductions if it is essential for the completion of the project and will be introduced later.			
18.	If the tender cost significantly exceeds budget then has a revised cost effectiveness analysis/re-appraisal been carried out?			
19.	Does the contract proposed include strict performance criteria to include the achievement of key milestones, associated budgetary and financial information?			
20.	Can the project be carried out within currently approved staffing resources?			

	Ref	Yes	No	Explanation
21.	Has the project been correctly authorised to proceed? See approval levels documented at: XXXXXX (Appendix 2)			

### 3. Sanction/Budgets

	Ref	Yes	No	Explanation
1.	Has the project been included in the current DCMNR Capital Investment Schedule sanctioned by the Department of Finance? Note: In a communication to the Secretary General in November 2006 the Department of Finance stated that where possible the Taoiseach and Minister for Finance have requested that project approvals and sanctions be obtained before the year in which the project is to roll out where possible.			
2.	Please submit a cost breakdown by completing Appendix 1 and submitting it with this checklist			

### 4. Implementation Stage

	Ref	Yes	No	Explanation
1.	Please confirm that you have read Appendix 2 which are the requirements for the implementation stage of the capital project			



## Appendix 2 Project Requirements for the Implementation Stage

- Tax clearance requirements to be complied with are documented at <http://intranet/AtWork/Procurement+Policy/>
- Regular project meetings (depending on project size) to monitor project progress. Board should ensure that project objectives, performance criteria and key project milestones are achieved on time and within budget as per the contract.
- Monthly project reports to be submitted to project monitoring board. Adverse developments such as potential cost overruns or delays should be reported and recommendations to address the situation be addressed.
- Sanction should be obtained at appropriate level (See XXXX) for any costs not originally included in the approved tender/project appraisal sign off
- Summary monthly project report which is prepared by Finance should be returned each month by XXX. Example of the report to be found at XXX
- Detailed quarterly project report to be submitted to Finance for projects over €30m. Example of report to be found at XXX. This will be submitted to the Minister (VFM Circular Jan 06)
- Information will be required for the annual report on Capital Investment Programmes in January of each year. Standard format.
- Project files may be subject to audit/review by the Department and by the Central Evaluation Unit/Department of Finance.

## Appendix 3 Minimum Documents to be retained on specific official project file

- Business Case
- Approved Project Appraisal (Preliminary and Detailed if required)
- All correspondence with the Department of Finance
- Documentation of management structure
- Documentation of reporting
- Project brief including programming
- Approved Pre Tender Review
- Contract notice
- Advertising re. Tender
- Request for Tender
- All clarifications sent to those who requested the tenders
- Report of opening of tenders
- Winning tender (Unsuccessful tenders may be archived separately with evaluation report)
- Report on recommended winning tender
- Acceptance at appropriate level of tender selection report
- Acceptance letter to tenderer
- Letters to unsuccessful tenderers
- Contract Award Notices
- Contract
- Project management plan (including risk assessment)
- Minutes of project management meetings
- Orders to the contract holder for workpackages/services
- All requests/responses for project change
- For framework agreement all correspondence including orders, relating to individual contracts/drawdowns (individ. Project files may be set up for individual contracts)

- All requests for payment by contract holder
- All requests for expenses, supporting documentation and vouched expense claims for the contract holder
- Acceptance notes for deliverables and services
- Acceptance notes for expenses
- All correspondence with contract holders (Important emails should be printed, initialled and hard copies kept on file)
- All progress reports
- All mid term/peer reviews
- Large contracts quarterly review reports or returns to Finance for any project reports
- Final Report
- Post implementation reviews/reports

Programme	Project	Total programme turnout	Project turnout
1 Administrative/IT	Integrated Fisheries Information System (IFIS)	4,868,000	894,000
2 Fishery Harbour Infrastructure	Safety and maintenance work, Rossaveel, Galway	14,256,000	246,285
3 Fishery Harbour Infrastructure	New slipway, breakwater, pier deck - Rinville Pier, Oranmore, Galway	(as above)	79,992
4 Fishery Harbour Infrastructure	Raising deck level of pier - Ballyederland, Donegal	(as above)	63,714
5 Fishery Harbour Infrastructure	Dredging site investigations - Dingle, Kerry	(as above)	201,093
6 Coast Protection	Inishbofin emergency work	2,093,000	144,932
7 Marine & Natural Resources Tourism		11,000	11,000
8 Marine Research	PHD Fellowships	2,090,000	174,687
9 National Seabed Survey	[see 2005]	4,514,000	4,514,000
10 BIM Seafood development	Marketing investment programme	13,320,000	928,000
11 Seafood Conservation	purchase of motor vehicles	145,000	95,000
12 Seafood Processing	Kilmore Fish Company Limited	1,045,000	118,034
13 Aquaculture Development	BMW operational programme	4,462,000	1,903,000
14 Inland Fisheries	DCMNR catchment management	598,000	92,000
15 Energy Conservation	Built environment programme	8,000,000	2,671,000
16 Information & Communications Technology	Broadband project management	25,943,000	1,552,000
17 Multimedia Development		1,270,000	1,270,000
18 Broadcasting	TnG Satellite link-up	869,000	69,000
19 Peace II and INTERREG		1,583,000	1,583,000
20 Information Society		399,000	399,000
		85,466,000	17,009,737

	Programme	Project	Total programme turnout	Project turnout
1	Administrative/IT	Coastal Zone Administration System (CoZAS)	5,606,000	467,000
2	Fishery Harbour Infrastructure	Port Oriel Upgrade and Extension (Clogherhead, Louth)	16,578,000	3,692,877
3	Coast Protection	Youghal, Phase 1 completion	2,324,000	233,000
4	Marine Research	Strategic Projects	4,838,000	601,715
5	National Seabed Survey		4,204,000	4,204,000
6	BIM Seafood development	Adjustment of fishing effort	12,630,000	3,035,000
7	Seafood Conservation	Investment in surveillance equipment and fleet vehicles.	467,000	467,000
8	Seafood Processing	Thomas Molloy	1,230,000	456,000
9	Aquaculture Development	Aquaculture Development Measure of NDP S&E Operational Programme	6,834,000	3,572,000
10	Peace II Seafood Initiative		1,073,000	1,073,000
11	Inland Fisheries	Fisheries Boards	4,265,000	3,569,000
12	Energy Conservation	R&D - Renewable energy	10,328,000	2,400,000
13	Information & Communications Technology	MANs projects	20,217,000	12,424,000
14	Multimedia Development	Digital Research Fund	1,165,000	1,165,000
15	Broadcasting	TNG Annual renewals	869,000	408,000
			92,628,000	37,767,592

May 2007

Mr. Pat Ring  
Department of Finance  
Upper Merrion Street  
Dublin 2

Dear Pat

Re: 2004/2005 Spot Check Report

Thank you for your letter of the 30th of April 2007 regarding the Department's spot check report on 2004/2005 capital projects. As indicated in your letter, that report was very much a first step into the area for the Department and, as set out below and in the relevant report, we have identified a number of measures to improve on the results indicated. I would like to take this opportunity to reiterate that I or Susan McCarthy are available at any stage to discuss those measures and the progress which the Department has made in relation to their implementation.

Your letter requests details of the steps taken to disseminate the capital appraisal and Value for Money Guidelines in the Department on the basis that these were not included in the spot check report submitted. I would like to direct your attention to Section 2.1.1 of that report and in particular the 'Management Comments' response documented therein. The guidelines and other Department of Finance related information were initially disseminated to line divisions via email and additionally published on the Department's intranet. This was the general policy adopted for such information at that time. However, as indicated on page 6 of the report and in additional documents submitted to your Department, the Department has revised its approach to capital expenditure and introduced a series of Department specific control measures in relation to same. This has been supported by a series of workshops to inform capital spending Divisions and Agencies of the new measures and to ensure that they are fully briefed on the 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' (February 2005).

I am pleased to inform you that the training programme indicated in the report has now been rolled out in the Department and that at least 67 staff involved in the monitoring/carrying out of expenditure under the Multi-Annual Capital Framework have been trained under either the Department of Communications, Marine and Natural Resources training initiative or the related Department of Finance, CSTDC course. The attendees included senior representatives from all capital spending divisions. Additionally it 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 is to be 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 addition, work is ongoing on the development of further guidance material which will be published as a 'knowledge management asset' on the Department's intranet and which

will serve as an easy up-to-date reference material for staff involved in capital projects. 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 Committee. This is all the more significant when one considers the fact that we have had almost 35% staff turnover in the Department over the past year due to decentralisation.

It is anticipated that the results of the 2007 spot checks will provide valuable information in terms of monitoring the implementation of the new measures. Following consideration of the spot check requirements and the experience gathered on the 2004/2005 spot check report it has been decided that the most appropriate section to perform the spot checks is the Internal Audit Unit of the Department. The timely performance of those spot checks will be monitored by the Finance Unit. The Department is currently working on increasing its capital reporting on a project basis and will use the proposed 2007 Capital Investment Schedule recently submitted for Department of Finance sanction to identify a set of 'projects' which will be reported on more closely on a regular basis. Projects will be selected at random from that schedule up to a value of 5% of the Department's expected spend and subject to any of the requirements of the final version of the 'Procedures for carrying out spot-checks for compliance with the General Conditions of Department of Finance Sanction for Multi-Annual Capital Envelopes' which I understand is to be published by the Department of Finance shortly. As indicated in the report submitted on 2004/2005 expenditure, spot checks will include agency spend. The spot checks will be carried out in the latter half of 2007 to ensure that the report is available for 31 January 2008. The spot check results will be analysed to determine the results of projects which have been commenced since the training sessions in the Department have taken place and a significant improvement will be expected.

I would like to point out that, due to the diverse nature of the Department's capital spend and the large proportion of expenditure which is not related specifically to capital asset purchase to which the 'Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector' (February 2005) and associated Department of Finance training programme are targeted, significant ambiguities have arisen during the 2004/05 spot check process and implementation of the new procedures in relation to the application of certain components of the guidelines to all expenditure under the Department's Multi-Annual Capital Framework. I would like to take this opportunity to thank the Department of Finance's Central Evaluation Unit, Government Accounting Section and Vote Section for working with officials of the Department to resolve those ambiguities and look forward to continuing this relationship into the future to ensure that the system improvements can be carried out as a matter of priority.

If you require any further information in relation to the above do not hesitate to contact me.

Yours sincerely

Eamonn Molloy  
Assistant Secretary