

**Public Spending Code
Quality Assurance Report for 2016
Louth County Council**

**To be submitted to
National Oversight and Audit Commission (NOAC)**

June 2017

Certificate

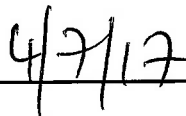
This Annual Quality Assurance Report sets out Louth County Council's approach to completing the Quality Assurance requirements as set out in the Public Spending Code. It is based on the best financial, organisational and performance related information available across the various areas of responsibility.

Signature of Accounting Officer:



Joan Martin
Chief Executive
Louth County Council

Date:



Contents

Introduction.....	3
Requirements of the Quality Assurance Aspect of the Public Spending Code	3
STEP 1 – Project Inventory.....	4
STEP 2 - Summary of Procurements in excess of €10m.....	5
STEP 3 - Checklists	5
Findings on Completion of Checklists	6
STEP 4 - In-Depth review of a sample number of projects.....	6
Internal Audit In-Depth Checks	6
Conclusion.....	7
Appendix A – Inventory of Projects and Programmes Over €0.5m - 2016.....	9
Appendix B – Checklists of Compliance	16
Checklist 1 – General Obligations not specific to Individual Projects or Programmes	16
Checklist 2 – Capital Expenditure Being Considered.....	17
Checklist 3 – Current Expenditure Being Considered.....	18
Checklist 4 – Incurring Capital Expenditure.....	19
Checklist 5 – Incurring Current Expenditure.....	20
Checklist 6 – Capital Expenditure Completed	21
Checklist 7 – Current Expenditure at end of planned timeframe or discontinued.....	22

Introduction

Louth County Council has completed the Quality Assurance (QA) requirements as set out in the Public Spending Code and the purpose of this report is to present the results of each of the 5 Steps in the QA exercise and to report on compliance with the requirements of the Public Spending Code as established during this exercise.

2016 is the third year that the Local Government Sector has been required to meet the QA requirements within the Public Spending Code as required by the Department of Public Expenditure and Reform.

The Public Spending Code was written specifically with Government Departments in mind and some of the terminology is very specific to that sector. In order to inform the QA exercise for the Local Government Sector a Guidance Note was developed for the sector to assist in providing interpretations from a Local Government perspective.

Requirements of the Quality Assurance Aspect of the Public Spending Code

The Quality Assurance obligation involves a **5 step** process as follows:

- **Step 1** - Drawing up inventories of projects/programmes at the different stages of the Project Life Cycle. The person responsible for the Quality Assurance process should be satisfied that they have a full and complete inventory.
- **Step 2** - The Organisation should publish summary information on its website of all procurements in excess of €10m, related to projects in progress or completed in the year under review. (The PSC originally required projects in excess of €2m to be published under this requirement but this has now been changed to €10m) A new project may become a "project in progress" during the year under review if the procurement process is completed and a contract is signed.
- **Step 3** - Completing the 7 checklists contained in the PSC. Only one of each checklist per Department / Agency / Local Authority is required. Checklists are not required for each project/programme. The QA process for verifying the accuracy of responses on the checklist is based on a sample of projects / programmes and is Step 4 of the process.
- **Step 4** - Carry out a more in-depth check on a small number of selected projects/programmes.
- **Step 5** - Complete a short summary report for the National Oversight and Audit Commission (NOAC). The report, which will be generated as a matter of course through compliance with steps 1-4, should be submitted by the end of February (*now May for LG Sector*) in respect of the previous calendar year.

STEP 1 – Project Inventory

The project inventory presents a list of all projects/programmes with 2016 activity and which have a total project life cost of €500,000 or more. The inventory is presented in three stages as set out in the attached table which also outlines the Expenditure Category/Band relevant for inclusion in each stage:

Project/Programme Stage		Category/Band
1	Expenditure being considered	Capital Projects between €0.5m - €5m
		Capital Projects between €5m - €20m
		Capital Projects over €20m
		Current Expenditure programme - Increases over €0.5m
		Capital Grant Schemes greater than €0.5m
2	Expenditure being incurred	Capital Projects greater than €0.5m
		Current Expenditure greater than €0.5m
		Capital Grant Schemes greater than €0.5m
3	Expenditure that has recently ended	Capital Projects greater than €0.5m
		Current Expenditure greater than €0.5m
		Capital Grant Schemes greater than €0.5m

The Project inventory, set out in the format described above, is included in Appendix A. [Appendix A – Inventory of Projects and Programmes Over €0.5m - 2016](#)

The Inventory contains 93 Projects under the three stages and comprise a total value of €253.2m. The following table provides an overview of the number of projects under each Project/Programme stage and under each of the categories/bands in each of these stages. It also provides an overview of the Project Costs under each category.

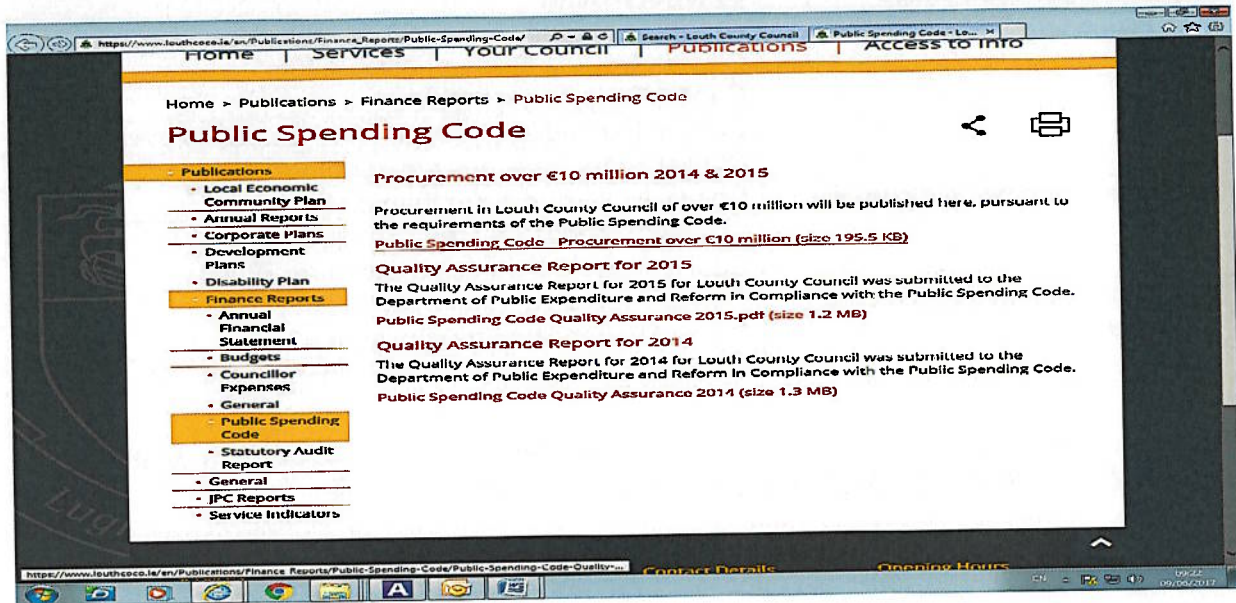
Project Numbers	Revenue Expenditure			Capital Expenditure			Totals
	€0.5m - €5m	€5m - €20m	Over €20m	€0.5m - €5m	€5m - €20m	Over €20m	
Expenditure Being considered	0	0	0	23	3	0	26
Expenditure Being Incurred	35	4	0	19	3	0	61
Expenditure recently ended	0	0	0	0	5	1	6
Totals	35	4	0	42	11	1	93

Project Total Values	Revenue Expenditure			Capital Expenditure			Totals
	€0.5m - €5m	€5m - €20m	Over €20m	€0.5m - €5m	€5m - €20m	Over €20m	
	€M	€M	€M	€M	€M	€M	€M
Expenditure Being considered	0	0	0	34.6	28.9	0	63.5
Expenditure Being Incurred	52.9	33.6	0	43.2	40.0	0	169.7
Expenditure recently ended	0	0	0	7.8	12.2	0	20.0
Totals	52.9	33.6	0	85.6	81.1	0	253.2

STEP 2 - Summary of Procurements in excess of €10m

Louth Co. Council has two procurement projects related to projects in progress with a procurement value of €10m or more for the 2016 financial year. However one is for land purchase and is not a procurement value therefore is not published on the website.

In compliance with the requirement to publish all procurements in excess of €10m on our website we confirm that we will publish same on our website as soon as possible.



STEP 3 - Checklists

Step three of the Quality Assurance procedure for the Public Spending Code involves the compilation of a number of checklists. There are 7 checklists in all. Checklist 1 captures general information while Checklists 2, 4 and 6 related to capital projects and checklists 3, 5 and 7 are Revenue Expenditure related.

The Checklists are informed by the Project Inventory and the following table outlines the approach taken for the completion of the Checklists

Checklist Completion aligned with Project Inventory	
Expenditure Type	Checklist to be completed
General Obligations	General Obligations - Checklist 1
A. Expenditure being considered	Capital Projects/Programmes - Checklist 2 Current Expenditure – Checklist 3
B. Expenditure being incurred	Capital Projects/Programmes – Checklist 4 Current Expenditure – Checklist 5
C. Expenditure that has recently ended	Capital Projects/Programmes – Checklist 6 Current Expenditure – Checklist 7

All checklists as outlined below have been completed and can be found in [Appendix B](#) of this document.

1. [General obligations not specific to individual projects/programmes.](#)
2. [Capital Projects or Capital Grant Schemes being considered.](#)
3. [Current Expenditure being considered](#)
4. [Capital Projects or Capital Grant Schemes being incurred](#)
5. [Current Expenditure being incurred](#)
6. [Capital Projects & Capital Grant Schemes completed.](#)
7. [Current Expenditure completed](#)

Findings on Completion of Checklists

The responses included in the Checklist indicate a satisfactory level of compliance. There are indications that there is some room for improvement in certain aspects of the requirements. However, no specific serious issues/concerns were evident during the completion of this element of the QA exercise.

STEP 4 - In-Depth review of a sample number of projects

Step 4 of the Quality Assurance Process involved the examining a sample selection of projects included on the Project Inventory to test the standard of practices in use and compliance with the Public Spending Code within the organisation.

Internal Audit In-Depth Checks

Capita, our Internal Auditors was assigned the task of completing the In-depth check. The approach taken was to select three capital projects and one revenue project from the inventory.

The In-depth review has been completed and the projects selected were as follows:

Project Reviewed	Category	Compliance
Expenditure Being Incurred		
Public Lighting	Revenue Expenditure	Satisfactory
Purchase of Vacant Units	Capital Expenditure	Satisfactory
Expenditure Recently Ended		
N2 Blakestown Cross Road	Capital Expenditure	Satisfactory
N53 Barronstown Upgrade Phase 3	Capital Expenditure	Satisfactory

A formal report on the In-depth review has been completed and submitted to the Management Team within Louth Council. There is a general sense of satisfactory compliance with the Public Spending Code with four specific recommendations which are listed below:

- Louth County should carry out a formal post project review of all capital projects that exceed a certain threshold at a suitable time after the project has been completed.
- Louth County Council should introduce a standardised project file checklist that relates to the requirements of the Public Spending Code.
- Louth County Council should develop a standardised methodology of the project / contract management principles to be used by staff.
- Louth County Council to keep staff, who are involved in the delivery and management of projects updated on the Public Spending Code.

Conclusion

This report has set out all the requirements of the Quality Assurance aspect of the Public Spending Code.

- A Project Inventory has been prepared outlining the various projects/programmes – capital and revenue that were being considered, being incurred or recently completed by Louth County Council within the 2016 financial year.
- The relevant publication in relation to procurements over €10m has been placed on Louth County Council's website.
- The 7 checklists required to be completed under the terms of the Public Spending Code Quality Assurance requirement have been completed and provide reasonable assurance that there is satisfactory compliance with the Public Spending Code. The level of compliance reported would suggest there are elements of the expenditure life cycle that could be improved but nothing of a serious nature was highlighted during this compliance exercise.
- An in-depth review of the sample projects contained in the Project inventory has been completed and further confirmed that there is, satisfactory compliance with the requirements of the Public Spending Code. Four projects were examined and four recommendations arose from the review. These recommendations related to post project review process, maintenance of standard project files, development of lifecycle methodology and the delivery of regular updates to staff involved in the delivery and contract management of projects.
- The final step of the QA exercise, as required under the Public Spending Code, is the compilation and publication of a summary report outlining the Quality Assurance Exercise undertaken by Louth Co Council. The contents of this report provide an overview on the QA exercise completed which has been certified by the Accounting Officer, Chief Executive.

Overall the QA exercise has provided reasonable assurance to the management of Louth County Council that the requirements of the Public Spending Code are being met.

The results of the 2016 QA are satisfactory.

All relevant staff will attend any future workshops organised by the Department of Public Expenditure and Reform when these information sessions arise.

The ongoing development of specific guidance in relation to the QA requirements from a local government perspective and the experience gained by staff completing the exercise for the 2016 projects will enhance the process for future years.

Appendix A – Inventory of Projects and Programmes Over €0.5m - 2016

Louth County Council

2016 Inventory of Projects and Programmes over €0.5m

The following contains an inventory of Expenditure on Projects/Programmes with a value above €0.5m, categorised by Expenditure being considered, Expenditure being incurred and Expenditure recently ended. Only projects with Total Project Expenditure matching these criteria are included in the Inventory table

Local Authority	Expenditure being considered			Expenditure being incurred			Expenditure recently ended			NOTES
	Current > €0.5m	Capital Grant Schemes > €0.5m	Capital Projects	Current Expenditure	Capital Grant Schemes > €0.5m	Capital Projects	Current Expenditure	Capital Grant Schemes > €0.5m	Capital Projects	
Louth County Council		€0.5m	€0.5 - €5m	€5 - €20m plus						
Council										
Housing & Building										
LCC Construction										
Mell Phase II - Boice Court			€3.6							
Mell Phase III - Boice Court			€3.2							
Mell Phase IV - Boice Court			€3.1							
Bothar Brugha								€0.8		
Fr. Finn Park Phase II								€3.6		
Acquisition of vacant units - CPO - Drogheda & Dundalk								€4.8		

Local Authority	Expenditure being considered			Expenditure being incurred		Expenditure recently ended		NOTES
	Current > €0.5m	Capital Grant Schemes > €0.5m	Capital Projects	Current Expenditure > €0.5m	Capital Grant Schemes	Current Expenditure > €0.5m	Capital Grant Schemes	
Louth County Council								
Scarlet Street Development - 15 Units			€0.5 - €5m			€2.7		
Woodlands Dunleer - 4 Units			€5 - €20m				€0.6	
Regeneration Works Scheme Coxs Demense Phase 2.A			€20m plus				€2.2	
Regeneration Works Scheme Coxs Demense Phase 2.B								
Regeneration Works Scheme Coxs Demense Phase 2.C & 2.D								
Woodland Park Halting Site Refurbishment Ph. 1			€0.2				€0.7	
Woodland Park Halting Site Refurbishment Ph. 2								
CAS & CALF Schemes								
AHB Tierney Street, Ardee - 7 Units of accommodation						€0.5		
AHB Clés na Manach, Carlingford - 10 Units						€2.0		
AHB Development of Barrack Street - 10 Units						€0.8		
AHB Acquisition of 7 Units in Saltown Dundalk			€1.4					
AHB Clontigora, Dundalk - 43 Units						€5.0		
AHB Ard Dealgain, Dundalk - 38 units						€5.0		
AHB Bishops Court, Dundalk - 2 units						€0.3		
AHB Scarlett St., Drogheda - 15 units						€2.0		
AHB McArdle Green, Drogheda - 1 unit						€0.2		
AHB 36 Strand Hill, Clogherhead - 5 units of accommodation			€0.4					

Local Authority	Expenditure being considered			Expenditure being incurred		Expenditure recently ended		NOTES
	Current > €0.5m	Capital		Current Expenditure	Capital Grant Schemes	Current Expenditure	Capital Grant Schemes	
		Capital Grant Schemes > €0.5m	€0.5 - €5m					
Louth County Council								
AHB Various Acquisitions - 12 units		€1.6						
AHB 5 Slieveroe Crescent, Dundalk - 1 unit		€0.3						
AHB 19 Pitchers Hill, Drogheda - 1 units		€0.2						
AHB Coulter Park, Dundalk - 2 units plus 4 units of accommodation		€1.4						
AHB Boice Court, Drogheda - 15 units		€2.2						
AHB Old Graveyard Rd, Faughart - 5 units of accommodation		€0.3						
AHB 98 & 99 Woodlands, Dunleer - 8 units of accommodation		€1.0						
AHB Castletown, Cooley (Begley's Land) - 5 units of accommodation		€0.3						
AHB Cockle Road, Killineer, Drogheda - 5 units of accommodation		€0.7						
AHB Long Avenue, Dundalk - 3 units of accommodation		€0.1						
NDFA PPP Project, Dunleer						€15.0		
A01 Maintenance/Improvement LA Housing								
A02 Housing Assessment, Allocation and Transfer						€8.6		
A03 Housing Rent & TP Administration						€0.7		
A04 Housing Community Development Support						€1.8		
						€0.6		

Local Authority	Expenditure being considered			Expenditure being incurred		Expenditure recently ended		NOTES
	Current > €0.5m	Capital Grant Schemes > €0.5m	Capital Projects	Current Expenditure > €0.5m	Capital Grant Schemes > €0.5m	Current Expenditure > €0.5m	Capital Grant Schemes > €0.5m	
Louth County Council								
A05 Administration of Homeless Service				€1.8				
A06 Support to Housing Capital Prog.				€2.0				
A07 RAS Programme				€4.4				
A08 Housing Loans				€1.6				
A09 Housing Grants				€1.4				
Road Transportation and Safety								
St Dominicks Bridge Refurbishment			€0.5					
Surface Water Scheme			€1.5		€4.5			
Greenway Routes								
Ash walk to N52 - Ardee Master Plan			€0.8					
Ardee By Pass								
N2 Blakestown Cross								
N52 Realignment Design & Construction - Barronstown to HBX (Phase 3)								€2.6
Port Access Northern Cross Route - phase I - land purchase					€10.0			
Bellurgan Embankment Improvement Works					€0.8			
Clanbrassil Street Refurbishment ERDF Grant			€4.7					
Other Projects								
Carlingford Library			€1.1					

Local Authority	Expenditure being considered			Expenditure being incurred		Expenditure recently ended		NOTES
	Current > €0.5m	Capital		Current Expenditure > €0.5m	Capital Grant Schemes	Current Expenditure	Capital Grant Schemes > €0.5m	
		Capital Grant Schemes > €0.5m	Capital Projects					
Louth County Council		€0.5 - €5m	€5 - €20m plus	€0.5m	€0.5m			
8 Classroom Primary School at Ardee		€4.0						
Post Primary School at Marshes Lanes, Dundalk						€15.0		
N53 Phase 4 Hackballscross to Rassan.			€6.0					
Drogheda Office Refurbishment			€10.0					
Post Primary School Ballymakenny New Build								
Ardee Castle Refurbishment		€2.0					€12.2	
B01 NP Road - Maintenance and Improvement								
B03 Regional Roads – Maintenance & Improvement					€0.9			
B04 Local Road – Maintenance & Improvement					€3.4			
B05 Public Lighting					€8.2			
B07 Road Safety Engineering Improvement					€1.9			
B09 Maintenance & Management of Car Parking					€0.5			
B10 Support to Roads Capital Prog					€0.8			
					€0.6			
Water Services								
C01 Water Supply								
C02 Waste Water Treatment					€3.5			
					€1.9			
Development Management								
D01 Forward Planning								
D02 Development Management – Planning					€0.7			
					€1.6			

Local Authority	Expenditure being considered			Expenditure being incurred		Expenditure recently ended			NOTES
	Current > €0.5m	Capital Grant Schemes > €0.5m	Capital Projects	Capital Grant Schemes > €0.5m	Capital Projects	Current Expenditure	Capital Grant Schemes > €0.5m	Capital Projects	
			€0.5 - €5m	€5 - €20m	€20m plus				
Louth County Council									
D03 Enforcement						€0.8			
D06 Community and Enterprise Function						€2.2			
D09 Economic Development & Promotion & Peace IV						€3.2			
Environmental Services									
Whiteriver Landfill Site - Development of Phase V							€1.2		
Landfill Renewable Energy Project & Ancillary Works							€3.0		
E01 Operation, Maintenance & Aftercare of Landfill						€0.6			
E03 Op & Mtc of Waste to Energy Facilities						€0.6			
E05 Litter Management						€0.9			
E06 Street Cleaning						€2.0			
E09 Mtc & Upkeep of Burial Grounds						€0.5			
E11 Operation of Fire Services						€7.6			
Recreation and Amenity									
Redevelopment of Sports Centre 2012							€2.6		
F02 Operation of Library & Archive Services						€2.9			
F03 Outdoor Leisure Areas Operations						€1.3			
F04 Community, Sports & Recreation Development						€1.2			
F05 Operation of Arts Programme						€1.9			

Local Authority	Expenditure being considered				Expenditure being incurred		Expenditure recently ended		NOTES
	Current > €0.5m	Capital			Current Expenditure	Capital Grant Schemes	Current Expenditure	Capital Grant Schemes	
		Capital Grant Schemes > €0.5m	€0.5 - €5m	€5 - €20m					
Louth County Council									
Agriculture, Education, Health and Welfare									
G04 Veterinary Service					€0.6				
[Insert other category/s if required]									
Miscellaneous Services									
H01 Profit & Loss Machinery Account					€1.2				
H03 Administration of Rates					€9.2				
H09 Local Representation/Civic Leadership					€0.9				
H10 Motor Taxation					€1.0				
H11 Agency & Recoupable Services					€1.0				
	€0.0	€0.0	€34.6	€28.9	€86.5	€0.0	€83.2	€0.0	€20.0
									€253.2

Appendix B – Checklists of Compliance

Checklist 1 – To be completed in respect of general obligations not specific to individual projects/programmes.

General Obligations not specific to individual projects/programmes	Self-Assessed Compliance Rating: 1 -	Discussion/Action Required
1.1 Does the organisation ensure, on an ongoing basis, that appropriate people within the organisation and its agencies are aware of their requirements of the Public Spending Code (incl. through training)?	2.5	All relevant staff and agencies have been notified of their obligations under the PSC
1.2 Has training on the Public Spending Code been provided to relevant staff within the organisation?	2	Due to recent staff changes not all staff have received training. But it has been included in the training programme for 2018.
1.3 Has the Public Spending Code been adapted for the type of project/programme that your organisation is responsible for? i.e., have adapted sectoral guidelines been developed?	3	Yes. A guidance document has been developed for the QA adapting the PSC to Local Government structures and approach
1.4 Has the organisation in its role as Sanctioning Authority satisfied itself that agencies that it funds comply with the Public Spending Code?	N/A	No projects relevant to the PSC
1.5 Have recommendations from previous QA reports (incl. spot checks) been disseminated, where appropriate, within the organisation and to agencies?	3	2016 is the third year of the QA exercise in the Local Government sector
1.6 Have recommendations from previous QA reports been acted upon?	3	2016 is the third year of the QA requirement in Local Government
1.7 Has an annual Public Spending Code QA report been certified by the organisation Chief Executive, submitted to NOAC and published on the organisation's website?	3	Yes – Report submitted
1.8 Was the required sample of projects/programmes subjected to in-depth checking as per step 4 of the QAP?	3	Required sample reviewed
1.9 Is there a process in place to plan for ex post evaluations/Post Project Reviews? Ex-post evaluation is conducted after a certain period has passed since the completion of a target project with emphasis on the effectiveness and sustainability of the project.	1	All projects are reviewed in line with the original submission to the relevant Department / Agency to ensure they meet the targets.
1.10 How many formal Post Project Review evaluations have been completed in the year under review? Have they been issued promptly to the relevant stakeholders / published in a timely manner?	1	
1.11 Is there a process to follow up on the recommendations of previous evaluations/Post project reviews?		Will be on the agenda for discussion at the next Procurement Steering Committee
1.12 How have the recommendations of previous evaluations/post project reviews informed resource allocation decisions?	N/A	

Checklist 2 – To be completed in respect of capital projects/programmes & capital grant schemes that were under consideration in the past year.

Capital Expenditure being Considered – Appraisal and Approval	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
2.1 Was a preliminary appraisal undertaken for all projects > €5m?	N/A	The only projects listed at this level are under the direction of other bodies who complete the appraisal
2.2 Was an appropriate appraisal method used in respect of capital projects or capital programmes/grant schemes?	3	Yes. In conjunction with the relevant government body / agency
2.3 Was a CBA/CEA completed for all projects exceeding €20m?	N/A	The only projects listed at this level are under the direction of other bodies who complete the appraisal.
2.4 Was the appraisal process commenced at an early stage to facilitate decision making? (i.e. prior to the decision)	2	Yes. In conjunction with the relevant government body / agency
2.5 Was an Approval in Principle granted by the Sanctioning Authority for all projects before they entered the planning and design phase (e.g. procurement)?	3	Required to secure grants
2.6 If a CBA/CEA was required was it submitted to the relevant Department for their views?	N/A	The only projects listed at this level are under the direction of other bodies who complete the appraisal.
2.7 Were the NDFA consulted for projects costing more than €20m?	N/A	The only projects listed at this level are under the direction of other bodies who complete the appraisal.
2.8 Were all projects that went forward for tender in line with the Approval in Principle and if not was the detailed appraisal revisited and a fresh Approval in Principle granted?	3	Tenders were in line with approvals
2.9 Was approval granted to proceed to tender?	3	Yes
2.10 Were procurement rules complied with?	3	Yes
2.11 Were State Aid rules checked for all supports?		N/A in Local Government
2.12 Were the tenders received in line with the Approval in Principle in terms of cost and what is expected to be delivered?		Yes
2.13 Were performance indicators specified for each project/programme which will allow for a robust evaluation at a later date?		No
2.14 Have steps been put in place to gather performance indicator data?		No

Checklist 3 – To be completed in respect of new current expenditure under consideration in the past year.

Current Expenditure being Considered – Appraisal and Approval	Self- Assessed Compliance Rating: 1 -	Comment/Action Required
3.1 Were objectives clearly set out?	N/A	No programmes relevant to PSC in 2016
3.2 Are objectives measurable in quantitative terms?	N/A	No programmes relevant to PSC in 2016
3.3 Was a business case, incorporating financial and economic appraisal, prepared for new current expenditure?	N/A	No programmes relevant to PSC in 2016
3.4 Was an appropriate appraisal method used?	N/A	No programmes relevant to PSC in 2016
3.5 Was an economic appraisal completed for all projects exceeding €20m or an annual spend of €5m over 4 years?	N/A	No programmes relevant to PSC in 2016
3.6 Did the business case include a section on piloting?	N/A	No programmes relevant to PSC in 2016
3.7 Were pilots undertaken for new current spending proposals involving total expenditure of at least €20m over the proposed duration of the programme and a minimum annual expenditure of €5m?	N/A	No programmes relevant to PSC in 2016
3.8 Have the methodology and data collection requirements for the pilot been agreed at the outset of the scheme?	N/A	No programmes relevant to PSC in 2016
3.9 Was the pilot formally evaluated and submitted for approval to the relevant Department?	N/A	No programmes relevant to PSC in 2016
3.10 Has an assessment of likely demand for the new scheme/scheme extension been estimated based on empirical evidence?	N/A	No programmes relevant to PSC in 2016
3.11 Was the required approval granted?	N/A	No programmes relevant to PSC in 2016
3.12 Has a sunset clause (as defined in section B06, 4.2 of the Public Spending Code) been set?	N/A	No programmes relevant to PSC in 2016
3.13 If outsourcing was involved were procurement rules complied with?	N/A	No programmes relevant to PSC in 2016
3.14 Were performance indicators specified for each new current expenditure proposal or expansion of existing current expenditure programme which will allow for a robust evaluation at a later date?	N/A	No programmes relevant to PSC in 2016
3.15 Have steps been put in place to gather performance indicator data?	N/A	No programmes relevant to PSC in 2016

Checklist 4 – To be completed in respect of capital projects/programmes & capital grants schemes incurring expenditure in the year under review.

Incurring Capital Expenditure	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
4.1 Was a contract signed and was it in line with the Approval in Principle?	3	Yes where appropriate
4.2 Did management boards/steering committees meet regularly as agreed?	2	Yes where appropriate
4.3 Were programme co-ordinators appointed to co-ordinate implementation?	2	Internal co-ordinating team in place in most cases
4.4 Were project managers, responsible for delivery, appointed and were the project managers at a suitably senior level for the scale of the project?	2	Internal co-ordinating team in place in most cases
4.5 Were monitoring reports prepared regularly, showing implementation against plan, budget, timescales and quality?	2	Internal co-ordinating team in place in most cases
4.6 Did projects/programmes/grant schemes keep within their financial budget and time schedule?	2	In most cases
4.7 Did budgets have to be adjusted?	2	Yes. Up and down
4.8 Were decisions on changes to budgets / time schedules made promptly?	2	Yes
4.9 Did circumstances ever warrant questioning the viability of the project/programme/grant scheme and the business case incl. CBA/CEA? (exceeding budget, lack of progress, changes in the environment, new evidence, etc.)		No
4.10 If circumstances did warrant questioning the viability of a project/programme/grant scheme was the project subjected to adequate examination?		Tender in one project higher than Consultant's project estimated costs. Subsequently funding not available and the project did not proceed further.
4.11 If costs increased was approval received from the Sanctioning Authority?	3	Yes. This would be a requirement for grant approval
4.12 Were any projects/programmes/grant schemes terminated because of deviations from the plan, the budget or because circumstances in the environment changed the need for the investment?		Yes

Checklist 5 – To be completed in respect of current expenditure programmes incurring expenditure in the year under review.

Incurring Current Expenditure	Self- Assessed Compliance Rating: 1 -3	Comment/Action Required
5.1 Are there clear objectives for all areas of current expenditure?	3	Yes. Spending Programme defined as part of the Annual Budget process
5.2 Are outputs well defined?	3	National KPIs are in place for Local Government
5.3 Are outputs quantified on a regular basis?	3	KPIs are established each year for specific services
5.4 Is there a method for monitoring efficiency on an ongoing basis?	3	Yes. Budget performance and monitoring is in place
5.5 Are outcomes well defined?	3	The development of the Annual Service Plans will enhance this measurement
5.6 Are outcomes quantified on a regular basis?		The development of the Annual Service Plans will enhance this measurement
5.7 Are unit costings compiled for performance monitoring?	1	No
5.8 Are other data compiled to monitor performance?	2	Yes
5.9 Is there a method for monitoring effectiveness on an ongoing basis?	2	The development of the Annual Service Plans will enhance this measurement
5.10 Has the organisation engaged in any other 'evaluation proofing' ¹ of programmes/projects?		No

Checklist 6 – To be completed in respect of capital projects/programmes & capital grant schemes discontinued in the year under review.

Capital Expenditure Recently Completed	Self- Assessed Compliance Rating: 1 -	Comment/Action Required
6.1 How many post project reviews were completed in the year under review?	2	In conjunction with the relevant funding agency
6.2 Was a post project review completed for all projects/programmes exceeding €20m?		N/A
6.3 Was a post project review completed for all capital grant schemes where the scheme both (1) had an annual value in excess of €30m and (2) where scheme duration was five years or more?		N/A
6.4 Aside from projects over €20m and grant schemes over €30m, was the requirement to review 5% (Value) of all other projects adhered to?	3	Yes
6.5 If sufficient time has not elapsed to allow for a proper assessment, has a post project review been scheduled for a future date?	2	Yes
6.6 Were lessons learned from post-project reviews disseminated within the Sponsoring Agency and to the Sanctioning Authority? (Or other relevant bodies)	2	Yes
6.7 Were changes made to practices in light of lessons learned from post-project reviews?	2	Yes
6.8 Were project reviews carried out by staffing resources independent of project implementation?	1	

Checklist 7 – To be completed in respect of current expenditure programmes that reached the end of their planned timeframe during the year or were discontinued.

Current Expenditure that (i) reached the end of its planned timeframe or (ii) was discontinued	Self- Assessed Compliance Rating: 1	Comment/Action Required
7.1 Were reviews carried out of current expenditure programmes that matured during the year or were discontinued?	N/A	No programmes relevant to PSC in 2016
7.2 Did those reviews reach conclusions on whether the programmes were efficient?	N/A	No programmes relevant to PSC in 2016
7.3 Did those reviews reach conclusions on whether the programmes were effective?	N/A	No programmes relevant to PSC in 2016
7.4 Have the conclusions reached been taken into account in related areas of expenditure?	N/A	No programmes relevant to PSC in 2016
7.5 Were any programmes discontinued following a review of a current expenditure programme?	N/A	No programmes relevant to PSC in 2016
7.6 Were reviews carried out by staffing resources independent of project implementation?	N/A	No programmes relevant to PSC in 2016
7.7 Were changes made to the organisation's practices in light of lessons learned from reviews?	N/A	No programmes relevant to PSC in 2016



Louth County Council

**Internal Audit –
Quality Assurance Review of
Public Spending Code Submission**

**Report
June 2017**



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

CONTENTS

INTRODUCTION.....	3
SCOPE OF THIS REVIEW	3
BASIS OF ASSURANCES	4
SAMPLE SELECTION.....	4
PROJECT ONE – PUBLIC LIGHTING – REVENUE EXPENDITURE BEING INCURRED....	6
PROJECT TWO – PURCHASE OF VACANT UNITS – CAPITAL EXPENDITURE BEING INCURRED	7
PROJECT THREE – N2 BLAKESTOWN CROSS UPGRADE – CAPITAL EXPENDITURE RECENTLY ENDED	8
PROJECT FOUR – N53 BARRONSTOWN ROAD UPGRADE – CAPITAL EXPENDITURE RECENTLY ENDED	9
SUMMARY OF OUR FINDINGS	10
OTHER MATTERS	12
APPENDIX A: POST PROJECT REVIEW PROCESS.....	13
APPENDIX B: MAINTENANCE OF STANDARD PROJECT FILES.....	14
APPENDIX C: PROJECT / CONTRACT MANAGEMENT POLICY / PROCEDURE / GUIDANCE.....	16
APPENDIX D: PUBLIC SPENDING CODE TRAINING	17
APPENDIX E: PRIORITY LEVELS FOR RECOMMENDATIONS.....	18

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

INTRODUCTION

- 1.1. We have completed our internal audit fieldwork in relation to the Public Spending Code (the Code) submission to be made by Louth County Council (LCC or the Council). The audit fieldwork took place during May 2017. This report summarises our findings.
- 1.2. The objective of this review was to carry out an in-depth check of four projects / programmes of capital / revenue expenditure as incurred by LCC during 2016. The Council is responsible for establishing an internal, independent, quality assurance procedure the outcome of which is a quality assurance report on how the organisation is meeting its obligations under the Public Spending Code. A report is required to be returned to the National Oversight and Audit Commission (NOAC) on an annual basis. We understand that the Quality Assurance performed during this review will be included in the Council's submission to the Department of Environment, Community and Local Government (DECLG).

SCOPE OF THIS REVIEW

- 1.3. The Public Spending Code, [Circular 13/13](#), follows on from a Government decision of 24 July 2012. The Public Spending Code is designed to ensure that the State gets the best possible value from the resources at its disposal. The Code applies to both capital and current expenditure and sets out the processes that should be applied by public service managers at different points of the expenditure lifecycle. It does not examine payroll cost or numbers. The Accounting Officer must complete and publish a signed annual Quality Assurance Report that assesses compliance with the requirements set out in the Public Spending Code.
- 1.4. The Public Spending Code requires the Council to assess the level of compliance with the requirements set out in the Code. This assessment requires a number of steps to be taken by the Council. These include the following:
 - Draw up an inventory list of capital projects and current expenditure programmes in place where money was spent in 2016. It also includes projects or programmes under consideration or completed in 2016. This will form an appendix to the Quality Assurance Report as submitted by the Council to NOAC in May 2017.
 - Publish a summary of all capital or current expenditure procurements with an individual capital or programme value in excess of €10m that were tendered in 2016.
 - The Council managing the selected capital projects and current expenditure programmes must self-assess their compliance with the Public Spending Code requirements. The process requires the Council to assign ratings to 7 checklists that indicates the level of compliance with the Code. The checklists are based on a sample of projects at different stages of the programme / project lifecycle. The assessment mechanism assigns ratings to indicate the level of compliance. The three rating options are outlined below:
 1. Scope for significant improvements – a score of 1
 2. Compliant but with some improvement necessary – a score of 2

Commercial in Confidence

Page 3 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

3. Broadly compliant – a score of 3

The 7 checklists outline compliance with the Code in the following areas;

1. A comprehensive business case is in place for the expenditure.
 2. Sanctions & approvals in place from the sanctioning authority.
 3. Appropriate appraisals are carried out.
 4. Performance indicators are in place.
 5. Procurement rules are being complied with.
 6. Effective governance/management structures and processes are in place.
 7. Post project reviews are undertaken.
- 1.5. An in-depth spot check to be carried out on a sample of projects by an Evaluation/Internal Audit Unit. This assesses the actual level of compliance with the Public Spending Code (it requires a more detailed examination of capital projects and current expenditure programmes and the processes in place).
- 1.6. The Council must submit a short summary report to NOAC. The report will be generated as a matter of course and include steps 1-4 as outlined above.

BASIS OF ASSURANCES

- 1.7. We conducted our internal audit work in accordance with the Chartered Institute of Internal Auditors (IIA) Standards. Our work included an examination, on a test basis, of transactions processed in accordance with the Council's systems of internal control.
- 1.8. We planned and performed our internal audit work to obtain reasonable assurance that the systems were operating as described. However, you should not rely on our work to identify all instances of fraud or error which may exist. The responsibility for these matters rests with management and the Chief Executive.

SAMPLE SELECTION

- 1.9. By agreement with management, we selected and reviewed a sample of four projects relating to the 2016 inventory report. The total expenditure of the projects selected amounted to €11m, which equates to 4% of the total value of all projects reported in the inventory of €253.2m (set out at 1.10).
- 1.10. The Code requires that at least 5% of the total value of all projects in the inventory is subject to closer examination each year. However, to allow flexibility, the minimum of 5% can be achieved as an average over a three year period. While the proportion of expenditure sampled in the 2016 review was below the 5% threshold as set out above, we would note that, in our Public Spending Code review in respect of the 2015 year, some 7.5% of project expenditure was subject to sample testing
- 1.11. The category, number and value of the projects disclosed in the Project Inventory were as follows:

Commercial in Confidence

Page 4 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

Category	Number of Projects	Expenditure
Expenditure Being Considered > €0.5m		
Current Expenditure > €0.5m	-	-
Capital Grant Schemes > €0.5m	-	-
Capital Projects €0.5m - €5m	23	€34.6m
Capital Projects €5m - €20m	3	€28.9m
Expenditure Being Considered	26	€63.5m
Expenditure Being Incurred > €0.5m		
Current Expenditure	39	€86.5m
Capital Grant Schemes	-	-
Capital Projects	22	€83.2m
Expenditure Being Incurred	61	€169.7m
Expenditure Recently Ended > €0.5m		
Current Expenditure	-	-
Capital Grant Schemes	-	-
Capital Projects	6	€20m
Expenditure Recently Ended	6	€20m
Totals	93	€253.2m

Commercial in Confidence

Page 5 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

1.12. The four projects selected for review were as follows:

Project	Category	Expenditure
Expenditure Being Incurred		
Public Lighting	Revenue Expenditure	€1.9m
Purchase of Vacant Units	Capital Expenditure	€4.8m
Expenditure Recently Ended		
N2 Blakestown Cross Road Upgrade	Capital Expenditure	€1.7m
N53 Barronstown Upgrade Phase 3	Capital Expenditure	€2.6m
Totals		€11m

1.13. Below, we have set out the background to each of the four projects:

PROJECT ONE – PUBLIC LIGHTING – REVENUE EXPENDITURE BEING INCURRED

- 1.14. This project relates to the contract to repair and maintain public lighting equipment and related services in the Counties of Louth, Monaghan and Cavan. Responsibility for the provision of safe lighting transferred from national to local government as part of the strategy to deliver a change process and cost savings in response to the 2008 Economic Crisis. ESB Contracts had delivered public lighting maintenance on a national level. Further to the government decision to allow competition to the market in 2009, Councils were given the autonomy to seek best value. The revised delivery of maintenance would require local government regions to appraise, plan implement and review contract expenditure for public lighting maintenance (delivery of maintenance).
- 1.15. In response to this change in strategy LCC put forward an Invitation to Tender (ITT) in Autumn 2013 on approval to procure the service by senior management. This specification of works outlined a tender to complete the following. A successful contractor would provide:
- Routine maintenance tasks
 - Reactive maintenance
 - An on-call emergency service
 - Cable fault repair
 - Other maintenance
 - Fault reporting
 - Associated ancillary works
 - Health & Safety management

Commercial in Confidence

Page 6 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

- 1.16. The contract was intended to cover an initial period of one year with the provision to extend up to a maximum period of two years based on performance.
- 1.17. On completion of the procurement exercise and in accordance with Office of Government Procurement (OGP) guidance a contractor was awarded and approved by executive management. An approval letter and relevant letters to unsuccessful candidates were issued in December 2014. The tender was based on the 'Most Economically Advantageous Tender' (OGP) Framework.
- 1.18. Management of the contract was assigned to a Senior Engineer in the Infrastructure Division. There was a requirement under the contract for the Contract Manager to meet / validate contract works on a monthly basis, approve invoicing and provide an annual review of performance to establish the adequacy of the contract.
- 1.19. Expenditure relating to public lighting maintenance amounted to €1.9million in 2016.
- 1.20. We reviewed a contract file which provided evidence to the procurement process. Supplementary documentation surrounding the appraisal process including business case was limited. Management reports underlining the implementation stage of the programme expenditure were reviewed. Management meet the contractor formally, monthly, with a formal performance review completed annually.

PROJECT TWO – PURCHASE OF VACANT UNITS – CAPITAL EXPENDITURE BEING INCURRED

- 1.21. This project relates to the LCC Capital Investment Programme as part of the Council's approved 2016-2018 Social Housing Project Plan to purchase and refurbish derelict / distressed properties for the benefit of individuals and families on the social housing waiting list. It is in response to a national project/strategy to improve housing provision availability to the population.
- 1.22. Housing Demand was prioritised at a national level with focus on groups including Homeless People, People with Disabilities, Travellers and those exiting aftercare. Each group was recognised to have prioritised needs which required recognition as part of housing allocation.
- 1.23. Under the national 'Rebuilding Ireland Action Plan' the strategy of purchasing vacant housing due in part to the 2008 economic downturn to deal with social housing demand was set out as a recognised method by government to help support the reduction of social housing waiting list numbers. The Council has pursued this option as a key driver to deal with the social housing waiting list.
- 1.24. In anticipation of the Government issuing the 'Rebuilding Ireland Action Plan' the Director of Services presented two project briefs to the Senior Management Team outlining a proposed local strategy to enact increased social housing initiatives to tackle pressures surrounding social housing need. Focus was drawn to the use of compulsory purchase orders to acquire derelict / vacant properties for redevelopment. Each scheme

Commercial in Confidence

Page 7 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

would be funded by the Department of Environment, Community and Local Government (DECLG) as supporting/funding body.

- 1.25. During May 2015, a proposal from LCC to purchase, re-design and refurbish 24 vacant / derelict properties in Dundalk at a budgeted cost of €3,350,000 was developed and presented to the Council for approval. This in turn was forwarded to DECLG for outline approval to proceed.
- 1.26. In December 2015, a further proposal by LCC to purchase, re-design and refurbish 12 vacant / derelict properties in Drogheda at a budgeted cost of €1,670,000 was prepared and presented to the Council for approval. This again was forwarded to DECLG for outline approval to proceed.
- 1.27. In anticipation of formal approval from DECLG, in November 2015, an Invitation to Tender for a single framework agreement for appointment of design team for the restoration of damaged or long term vacant local authority housing units for LCC was developed. The tender was evaluated using the Most Economically Advantageous Tender (MEAT) methodology, comprising a blend of cost and quality factors. On completion of the procurement exercise and in accordance with OGP guidance a contractor was awarded and approved by executive management. The design contractor was subsequently appointed formally in April 2016.
- 1.28. During February 2016 outline approval was received from DECLG for funding. Funding of €3.1m for the Dundalk Scheme and €1.7m for the Drogheda Scheme was confirmed. Conditions of funding would be in line with meeting guidance under the Capital Works Management Framework (CWMF) as part of Department of Finance Circular 06/2010.
- 1.29. A project steering group was initiated by LCC on appointment of the design contractors in 2016. This management forum acted as a monthly assessment of the timeline and performance of the design team in conjunction with the instigation of the compulsory purchase order (CPO) scheme as approved by the Director of Services at LCC.
- 1.30. Expenditure related to both schemes in Dundalk and Drogheda amounted to €4.8m in 2016. The scheme is ongoing in 2017.
- 1.31. We reviewed a contract file which provided evidence to the procurement process. Supplementary documentation surrounding the appraisal process including business case, and management reports underlining the implementation stage of the programme expenditure were also reviewed.

PROJECT THREE – N2 BLAKESTOWN CROSS UPGRADE – CAPITAL EXPENDITURE RECENTLY ENDED

- 1.32. This project relates to the upgrade of the N2 Blakestown Cross (Ardee) road network, including road works to widen and level off an existing road surface as well as incorporating a new site entrance to a dwelling house. This scheme formed part of the 2016-2018 LCC Capital Programme.

Commercial in Confidence

Page 8 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

- 1.33. A preliminary Safety and Health Plan was developed by an external service provider as the basis for delivering/instigating the scheme. The increased traffic using the road, as well as the findings of the Safety and Health review, gave additional impetus to the plans for the upgrade road scheme. Road Safety was the key factor in seeking approval to proceed with the scheme.
- 1.34. Transport Infrastructure Ireland (TII) / LCC budgeted funding was sourced to provide for the construction of works and associated technical consultancy.
- 1.35. On approval of the scheme under the 2016-18 LCC Capital Programme and on completion of the procurement exercise (in accordance with OGP guidance) a contractor was awarded and approved by executive management (Summer 2016). LCC appointed a works contractor and a technical consultancy to delivering the project as set by the approved ITT. The tender was evaluated using the MEAT approach. The works contract was subsequently declined by the 1st choice applicant due to their declaration that they could not proceed with acceptance of the works (reason: limited staff resource to deliver the works). The second-choice contractor was selected and approved in September 2016.
- 1.36. In consultation with TII the scheme was delivered during the Winter of 2016/17. The scheme's cost had been budgeted at €1,671,200. Spend on the project amounted to €1.7m.
- 1.37. The scheme was managed by LCC in consultation with the Technical Consultants. Site meetings were held as the key oversight control during implementation of the project.
- 1.38. We reviewed a contract file which provided evidence to the procurement process. Supplementary documentation surrounding the appraisal process including business case, and management reports underlining the implementation stage of the programme expenditure were also reviewed.
- 1.39. Post Project Evaluation (PPE) documentation was not held on file. LCC do not envisage that a PPE will be completed as part of the project management methodology to this capital expenditure lifecycle.

PROJECT FOUR – N53 BARRONSTOWN ROAD UPGRADE – CAPITAL EXPENDITURE RECENTLY ENDED

- 1.40. This project related to the N53 Barronstown to Hackballscross Realignment comprising the construction of 1.0km of Type 2 Single Carriageway (S2) to improve the N53 route. This project had been sought by the Council for more than 10 years. The project formed part of a larger specific objective within the Roads Improvement Programme element of the Louth Council Development Plan 2009-2015. The project was supported by the National Spatial Strategy 2002-2020. The existing carriageway had been identified in the EuroRAP publication as 'High Risk'. The section for upgrading had an accident rate twice the collision rate for a National Secondary Route. The upgrade of the road was

Commercial in Confidence

Page 9 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

seen as an essential capital works programme, to improve the infrastructure and safety of the area.

- 1.41. A preliminary project appraisal report dated March 2014 was the catalyst for setting out options to mitigate safety risks identified. This document was the basis for delivering/instigating the scheme completed. Extensive data sets and summary statistics were provided in the project appraisal document to evidence the need for the scheme. Road Safety was the key to seeking approval to proceed with the scheme.
- 1.42. The primary input to the project was funding provided by TII to construct and manage the project. An outline budget at a cost of €2,581,132 was presented in association with the preliminary project appraisal report.
- 1.43. On approval of the scheme under the 2016-18 LCC Capital Programme in tandem with TII funding approval requirements and on completion of the procurement exercise (in accordance with OGP guidance) a contractor award was made and approved by executive management (Spring 2015). LCC appointed a works contractor and a technical consultant to deliver the project as set by the approved ITT. The tender was evaluated using the MEAT approach.
- 1.44. In consultation with TII the scheme was delivered during the Winter of 2016/17. The scheme's cost had been budgeted at €2,581,132. Spend on the project amounted to €2.6m.
- 1.45. The scheme was managed by LCC in consultation with the Technical Consultants. Site meetings were held as the key oversight control during implementation of the project.
- 1.46. We reviewed a contract file which provided evidence to the procurement process. Supplementary documentation surrounding the appraisal process including business case, and management reports underlining the implementation stage of the programme expenditure were also reviewed.
- 1.47. Post Project Evaluation (PPE) documentation was not held on file. LCC do not envisage that a PPE will be completed as part of the project management methodology to this capital expenditure lifecycle.

SUMMARY OF OUR FINDINGS

- 1.48. Our fieldwork indicated that the LCC public spending code checklists were available for inspection at the time of audit.
- 1.49. In assessing its own compliance with the requirements of the Public Spending Code in this area, the Council has arrived at a self-assessment rating of **2 - Compliant but with some improvement necessary**. The findings and recommendations arising from our review are consistent with this self-assessment.

Commercial in Confidence

Page 10 of 18

Report – June 2017

INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

- 1.50. While undertaking our fieldwork, we reviewed all records that were made available to us and held discussions with staff that were involved with the four projects that had been selected for review.
- 1.51. In summary, our fieldwork indicated that;
- Business cases or appraisal reports were available to establish the methodology to the case for funding.
 - Sanctions were in place from the funding bodies or directly from Council to fund schemes.
 - Appraisals held on file varied in scope and detail.
 - Contract/Project files held supporting documentation surrounding the procurement exercise undertaken using the OGP Framework as required.
 - Governance / management structures were in place. However, in review with Project Managers and on review of project files we were unable to document a standardised LCC approach to project/contract management. The development and mapping of clear and specific performance indicators were also difficult to trace. An example of this was with regards to Public Lighting; whereby budget vs spend figures over the lifetime of the contract were not available for inspection at the point of our review. Discussions with management during audit fieldwork indicated that this information was not available owing to an upgrade to financial management systems.
 - As highlighted in our prior year report the use of post project evaluations (PPE) are not envisaged by LCC to be completed in the short – term.
- 1.52. Our fieldwork indicated that project files did not consistently contain the same standardised contents. Information was generally available when requested but was not always contained within the relevant file and had to be requested from the relevant officer within the organisation
- 1.53. Our fieldwork indicated that LCC does not presently have a Council project / contract management policy / procedure / guidance in place setting out the methodology to project and contract management strategy. Projects, whilst meeting funding body approval criteria, did not follow a clear, systematic approach that could be linked directly to the requirements of the Public Spending Code.
- 1.54. Best Practice Procurement forms a key element to the Public Spending Code. Our fieldwork indicated that the Council continues to action recommendations arising from its 2016 Internal Audit review of Procurement and Contract Management. We will follow up on progress with implementation of these recommendations in the course of our 2017 Internal Audit Plan.
- 1.55. Our fieldwork indicated that Public Spending Code guidance was provided to Senior Management on introduction of the Code. The guidance was cascaded to Project and Contract Operations Managers. Specific Public Spending Code training has not been provided to Operational Managers responsible for managing projects / contracts on a daily basis.

Commercial in Confidence

Page 11 of 18

Report – June 2017



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

- 1.56. We have noted some improvements which could be incorporated into Louth County Council's system for risk management, control and governance in relation to compliance with the Public Spending Code.
- 1.57. We have presented our findings in **Appendices A to D**. These can be summarised as follows:

Findings	Priority Level		
	High	Medium	Low
Appendix A: Post Project Review Process	-	1	
Appendix B: Maintenance of Standard Project Files	-	1	-
Appendix C: Project / Contract Management Policy / Procedure / Guidance	1	-	-
Appendix D: Public Spending Code Training	-	1	-
Total	1	3	-

- 1.58. Definitions of the priority levels of our recommendations are provided at **Appendix E**.

OTHER MATTERS

- 1.59. We would like to take this opportunity to thank the Council's management and staff for their assistance and co-operation during the course of this assignment. If you have any queries in relation to this correspondence, please do not hesitate to contact Pauline Poots (Director of Internal Audit) or Alan Davidson (Internal Audit Manager).

Pauline Poots.

Email: pauline.poots@capita.com
alan.davidson@capita.com

Commercial in Confidence

Page 12 of 18

Report – June 2017



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF
PUBLIC SPENDING CODE SUBMISSION

APPENDIX A: POST PROJECT REVIEW PROCESS

Findings				
<p>A1. Our fieldwork indicated that the Council has not carried out a Post Project Evaluation / Review (PPE) in relation to the projects / programmes of expenditure completed during 2016. We understand that at the time of preparing our report, May 2017, there is no plan to carry out PPE reviews. This is a recurring finding as presented in our prior year report. Post Project Review is a key element of the Public Spending Code</p>				
Effects				
<p>A2. The absence of a formal post project review process could result in lessons not being learned from previous projects, increasing the risk of future projects failing to deliver the expected outcomes and efficiencies.</p>				
Recommendations		Priority	Management Acceptance & Comments	Responsibility & Timeframe
<p>Recommendation 1 (restated from 2016 review): We recommend that the Council should carry out a formal post project review of all capital projects that exceed a certain threshold. This should take place at a suitable time after the project has been completed so that a proper evaluation of the project can take place. If post project reviews are formally carried out it will ensure that lessons learned are documented and are carried forward to the planning of future projects.</p>		<p>Medium</p>	<p>Recommendation accepted.</p>	<p>Nominated member of PSC. Continuous</p>



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF
PUBLIC SPENDING CODE SUBMISSION
APPENDIX B: MAINTENANCE OF STANDARD PROJECT FILES

Findings

B1. Our fieldwork indicated that project files did not consistently contain the same standardised contents. Information was generally available when requested but was not always contained within the relevant file and had to be requested from the relevant officers within the organisation. This is a recurring finding as presented in our prior year report.

It is noted that files were improved when compared to our previous Public Spending Code review in 2016. However, they were not consistently based on the holding of documents centred around the enclosed public spending code checklist structure;

- Comprehensive business case is for the expenditure.
- Sanctions & approvals in place from the sanctioning authority.
- Appropriate appraisals carried out.
- Performance indicators in place.
- Procurement rules are being complied with.
- Effective governance/management structures and processes and related documentation.
- Post project reviews undertaken.

B2. Of the four audit files reviewed as part of this May 2017 report procurement documentation held included;

- Pre-procurement Approval and Request for Tender (RFT)
- Correspondence with Tenders
- Evaluation noted / Scoring / Conflict of Interest form
- Letter of Acceptance / Regret letter
- Contract
- Review notes / Renewal letter
- Tax clearance certificate
- Insurance documents
- Purchase Order Form



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

<ul style="list-style-type: none"> Payment file details. 			
Effects			
<p>B2. Failure to maintain standardised project files increases the risk of the Council not being able to adequately demonstrate compliance with the Public Spending Code.</p>			
Recommendations	Priority	Management Acceptance & Comments	Responsibility & Timeframe
<p>Recommendation 2:</p> <p>It is recommended that the Council review project file checklists for completion. Checklists held on file should relate to the requirements of the Public Spending Code and set out the following;</p> <ul style="list-style-type: none"> Business Case used Scoping/Research Material / Correspondence (for business case) Sanctioned approvals from sanctioning authority Performance Indicators in place Procurement documentation Governance Structures – management reporting Post Project Evaluation documentation. <p>Project file contents should follow this format.</p>	Medium	<p>Recommendation accepted.</p> <p>It is anticipated that this goal will be achieved through the Procurement Steering Group</p>	<p>Nominated member of PSC. Continuous</p>



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF
PUBLIC SPENDING CODE SUBMISSION
APPENDIX C: PROJECT / CONTRACT MANAGEMENT POLICY / PROCEDURE / GUIDANCE

Findings			
<p>C1. Our audit testing highlighted that there is no written project / contract management policy / procedure / guidance in place. Of the three capital projects and one revenue expenditure programme reviewed there was an inconsistent structure to documentation held to support the illustration of governance and accountability and how the Public Spending Code requirements were being delivered. A project / contract management policy is a key governance control in respect of the Public Spending Code.</p>			
Effects			
<p>C2. Failure of LCC to illustrate to stakeholders how best practice project / contract management principles and methodology are being applied across the management of projects and contracts in place (throughout the lifecycle of the related expenditure) may give rise to potential for deviation from Public Spending Code requirements and associated governance controls.</p>			
Recommendations	Priority	Management Acceptance & Comments	Responsibility & Timeframe
<p>Recommendation 3: It is recommended that Louth County Council document project / contract management principles used by staff. The lifecycle to a project; start-up/planning/delivery/close (monitor and control) should be set out (Project Framework Overview) with defined mapping to associated governance controls and related Public Spending Code requirements. A standardised methodology / framework should be developed.</p>	High	<p>The new quality assurance – in depth checklists were only made available February this year. As 2016 projects were audited it was not possible to introduce the templates in time for same. The Procurement Steering Committee will address same and ensure that the each directorate follows the template issued by NOAC for all future projects.</p>	<p>Fiona Downes Q4 2017</p>

Commercial in Confidence

Page 16 of 18

Report – June 2017



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF
PUBLIC SPENDING CODE SUBMISSION

APPENDIX D: PUBLIC SPENDING CODE TRAINING

Findings			
D1. The senior management team were briefed with regards to the requirements of the Public Spending Code on introduction of the Code in 2013. Senior management cascaded this briefing to their direct reports and associated staff within their division. However, specific practical Public Spending Code training was not provided to staff performing project management and contract management roles.			
Effects			
D2. If staff involved in the planning, delivery and close of projects and contracts do not consistently apply the requirements of the Public Spending Code, the Council may not be able to demonstrate compliance with the Code on an ongoing basis.			
Recommendations	Priority	Management Acceptance & Comments	Responsibility & Timeframe
<p>Recommendation 4:</p> <p>We recommend that Louth County Council staff involved in the delivery of projects and management of contracts are provided with updated Public Spending Code training to assist in the demonstration of how the Code is applied across all capital and revenue contracts.</p>	Medium	<p>Recommendation accepted.</p> <p>Will filter down through the Procurement Steering Committee.</p>	<p>Nominated member of PSC.</p> <p>Continuous</p>



INTERNAL AUDIT – QUALITY ASSURANCE REVIEW OF PUBLIC SPENDING CODE SUBMISSION

APPENDIX E: PRIORITY LEVELS FOR RECOMMENDATIONS

Priority Level	Description
High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure.
Low	Improvements that will enhance the existing control framework and/or represent best practice.

