

**Public Spending Code:
Quality Assurance Report for 2015**

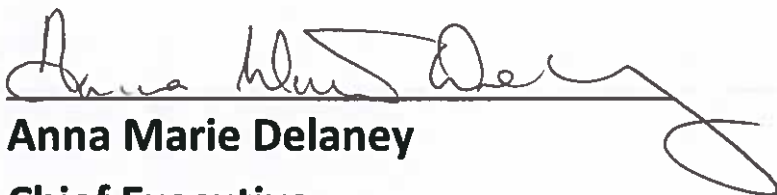
Offaly County Council



**Submitted to the National Oversight and Audit Commission (NOAC) in
Compliance with the Public Spending Code**

Certification

This Annual Quality Assurance Report reflects Offaly County Councils assessment of compliance with the Public Spending Code. It is based on the best financial, organisational and performance related information available across the various areas of responsibility.



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30th May 2016

Contents	Page
1. Introduction	4
2. Expenditure Analysis	5 - 6
3. Assessment of Compliance	7 - 8
4. Next Steps: Addressing Quality Assurance Issues	9
5. Conclusion	9

Appendices:

Appendix 1: Inventory of Projects and Programmes above €0.5m

Appendix 2: Self-Assessment Checklists

Appendix 3: Report Arising from In-Depth Checks of two projects/programmes.

1. Introduction

Offaly County Council (OCC) has completed this Quality Assurance (QA) Report as part of its on-going compliance with the Public Spending Code (PSC).

The Quality Assurance procedure aims to gauge the extent to which Public Bodies are meeting the obligations set out in the Public Spending Code. The Public Spending Code ensures that the state achieves value for money in the use of all public funds.

The Quality Assurance Process contains five steps:

1. Drawing up Inventories of all projects/programmes at different stages of the Project Life Cycle (appraisal, planning/design, implementation, post implementation).

The three sections are expenditure being considered, expenditure being incurred and expenditure that has recently ended and the inventory includes all projects/programmes above €0.5m.

2. Publish summary information on website of all procurements in excess of €10m, whether new, in progress or completed.

3. Checklists to be completed in respect of the different stages.

These checklists allow the organisation to self-assess their compliance with the code in respect of the checklists, which are provided through the PSC document.

4. Carry out a more in-depth check on a small number of selected projects/programmes.

A number of projects or programmes (at least 5% of total spending) are selected to be reviewed more intensively. This includes a review of all projects from ex-post to ex-ante.

5. Complete a short report for the National Oversight and Audit Commission

which includes the inventory of all projects, the website reference for the publication of procurements above €10m, the completed checklists, the organisation's judgment on the adequacy of processes given the findings from the in-depth checks and the organisation's proposals to remedy any discovered inadequacies.

This report fulfils the fifth requirement of the QA Process for Offaly County Council for 2015. This is the second year in which the QA process has been completed by Local Authorities.

2. Expenditure Analysis

2.1 Inventory of Projects/Programmes

This section details the inventory drawn up by Offaly County Council in accordance with the guidance on the Quality Assurance process. The inventory lists all of the Council's projects and programmes at various stages of the project life cycle that amount to more than €0.5m. This inventory is divided between current (revenue) and capital expenditure and between three stages:

- Expenditure being considered
- Expenditure being incurred
- Expenditure that has recently ended

Capital expenditure has been included as capital projects in the inventory of projects.

Table 1 lists a summary of the Council's compiled inventory.

Table 1 : Summary of Number of Projects/Services and Expenditure by Category				
	Current Expenditure	Capital Expenditure		
Projects of total value	€0.5m - €5m	€0.5m - €5m	€5m - €20m	Over €20m
Expenditure Being Considered	1	4	2	
Expenditure Being Incurred	28	5		
Expenditure Recently Ended				
Total Value (€74.2m)	€49.2m	€12.1	€12.8	

Expenditure Being Considered

Table 1 provides a summary of the inventory of expenditures above €0.5m being considered by OCC. As the table identifies, there is 6 capital projects under the category of 'Expenditure Being Considered' in 2015.

There is one programme/service area where there is expansion of existing current expenditure being considered in 2015.

Expenditure Being Incurred

Table 1 provides a summary of the inventory of expenditures above €0.5m being incurred by OCC. In total, there are 28 projects or services, which are currently incurring current (revenue) expenditure of over €0.5m. The majority of these services are routine annual expenditure e.g. Road Maintenance, Housing Maintenance. There are 5 capital projects incurring expenditure of over €0.5m.

Expenditure Recently Ended

Table 1 provides a summary of the inventory of expenditures above €0.5m recently ended by OCC. There are no current or capital expenditure project within this category.

The inventory of projects/programmes for OCC is set out in Appendix 1.

2.2 Published Summary of Procurements

As part of the Quality Assurance process Offaly County Council were required to publish summary information on our website of all procurements in excess of €10m.

OCC did not engage in any procurement in excess of €10m in 2015. Therefore, there were no publications on its website (www.offaly.ie)



3. Assessment of Compliance

3.1 Checklist Completion: Approach Taken and Results

The third step in the Quality Assurance process involves completing a set of checklists covering all expenditure. The high level checks in Step 3 of the QA process are based on self-assessment by the Council, in respect of guidelines set out in the Public Spending Code.

There are seven checklists in total:

Checklist 1: General Obligations Not Specific to Individual Projects/Programmes

Checklist 2: Capital Projects or Capital Grant Schemes Being Considered

Checklist 3: Current Expenditure Being Considered

Checklist 4: Capital Expenditure Being Incurred

Checklist 5: Current Expenditure Being Incurred

Checklist 6: Capital Expenditure Completed

Checklist 7: Current Expenditure Completed

Checklists 1,2,3,4 and 5 were completed by OCC. OCC did not record any expenditure under the categories of checklist 6 and 7 during 2015; therefore, all responses to these checklists are recorded as non applicable.

The set of checklists completed by OCC is set out in Appendix 2.

Each question in the checklists is assessed by a 3 point scale 1-3:

- Scope for significant improvements = a score of 1
- Compliant but with some improvement necessary = a score of 2
- Broadly compliant = a score of 3

3. 2 Main Issues Arising from Checklist Assessment

The completed checklists show the extent to which Offaly County Council believe they comply with the Public Spending Code. Overall, the checklists show a good level of compliance with the Code.

Checklist 1 demonstrates that the Council has been proactive in implementing the QA process by ensuring that an independent unit (Internal Audit/Procurement) oversees the process in line with Public Spending Code recommendations. Process guidelines were prepared and circulated to Offaly County Council's Senior Management.

The checklist for capital expenditure under consideration suggests good levels of compliance with the PSC in general with regard to areas such as appraisal and planning.

With regard to expenditure being considered, 6 new capital expenditure programmes were under consideration in 2015.

For expenditure being incurred, good levels of compliance are evident in checklist responses.

Current expenditure programmes are primarily rolling, year-to-year programmes such as the Road Maintenance programme and are subject to ongoing performance monitoring, rather than once off reviews.

With regard to the checklist for expenditure completed in 2015, there was no current (revenue) expenditure or capital expenditure under this category in 2015.

Of all the responses recorded through the checklists, the majority indicated a compliance level of 3 'broadly compliant' with the requirements of the Public Spending Code.

Trends in responses to checklists will be monitored from year to year and responses indicating compliance levels of 2 and under will be followed up and monitored as part of the Quality Assurance process in future years.

3.3 In-Depth Checks

The following section details the in-depth checks, which were carried out in OCC as part of the Public Spending Code. The Internal Audit Unit of OCC undertook these reviews.

The following projects were selected for in-depth review:

- Capital Project 'Under Consideration' – New Ferbane Fire Station - €1.2m
- Current Expenditure 'Being Incurred' - Operation of Libraries & Archival Services - €2.1m

The value of the projects selected for review represented 4.5% of the total inventory of OCC as recorded for Step 2 of the Public Spending Code.

A 'Satisfactory Assurance' rating of compliance with the Public Spending Code was assigned following both reviews.

The report from the in-depth reviews is set out in Appendix 3.

4. Next Steps: Addressing Quality Assurance Issues

The compilation of both the inventory and checklists for the second year of this QA process was a significant co-ordination task in terms of liaising with divisions within the Council and collating of relevant information for the inventories and the checklists. It is envisaged that the administrative burden of the QA process will ease as the process becomes embedded over time in annual Council programme of activities.

As discussed in Section 3, in-depth checks carried out for one Current Programme 'Being Incurred' and one Capital Project 'Under Consideration' was useful in terms of setting out the controls which are place to ensure compliance with the PSC.

However the PSC also requires that in-depth checks take a broader evaluation view of project/programmes assessing project management, project appraisal and post project reviews amongst other things.

It is envisaged that an agreed template will be the basis for in-depth checks to be taken in future years. Now that an inventory of projects and programmes is in place, the Internal Audit Unit is better positioned to select an appropriate sample of programmes for further assessment via the in-depth check process. Line managers will be informed of this process and will be asked to submit relevant documentation on the selected programmes.

5. Conclusion

The inventory outlined in this report clearly lists the current and capital expenditure being considered and being incurred in 2015. The Council had no procurements in excess of €10 million in 2015; therefore there was no requirement for publication on its website. The checklists completed by the Council show a high level of compliance with the Public Spending Code.

The in-depth checks carried out on the selected projects revealed no major issues which would cast doubt on the Council's compliance with the Code. However, it is acknowledged that additional training is required in order to ensure that future in-depth checks are suitably detailed to allow an assessment to be made on compliance with the Code.

Appendix 1: 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 Offaly County Council	Expenditure being considered				Expenditure being incurred			Expenditure recently ended		
	Current	Capital			> €0.5m			> €0.5m		
		Capital Grant Schemes	Capital Projects		Current Expenditure	Capital Grant Schemes	Capital Projects	Current Expenditure	Capital Grant Schemes	Capital Projects
	> €0.5m	> €0.5m	€0.5 - €5m	€5 - €20m	€20m plus					
Housing Programme										
A01 Maintenance / Improvement of LA Housing								€2,139,197		
A03 Housing Rent & Tenant Purchase Administration								€965,102		
A06 Support to Housing Capital & Affordable Programme.								€1,566,296		
A07 RAS Programme								€3,119,336		
A09 Housing Grants								€1,060,633		
0116075C Energy Efficiency Programme								€529,673		
0116075C Vol Hsg Daingean Rd, Tullamore								€575,721		
Reinstate Void Houses			€800,000							
Acquire Family Homes				€7,000,000						
Blundell Social Housing Scheme				€5,800,000						
Special/Group Housing Chancery Lane, Tullamore			€3,740,500							
Road Transportation and Safety										
B02 NS Road – Maintenance & Improvement								€5,353,314		

Appendix 2: Self-Assessment Checklists

Checklist 1: – to be completed by all Local Authorities

General Obligations not specific to individual projects/programmes	Self-Assessed Compliance Rating: 1 - 3	Discussion/Action Required
Does the Local Authority ensure, on an ongoing basis that appropriate people within the authority and in its agencies are aware of the requirements of the Public Spending Code?	2	Communication with Mgt Team / Senior Mgt Group
Has there been participation by relevant staff in external training on the Public Spending Code? (i.e. DPER)	1	Limited training available in 2015.
Has internal training on the Public Spending Code been provided to relevant staff?	2	Communication with Mgt Team / Senior Mgt Group
Has the Public Spending Code been adapted for the type of project/programme that your authority is responsible for? i.e. have adapted sectoral guidelines been developed?	3	QA Guidance Document for LAs developed by Heads of Finance. July 2015, updated May 2016.
Has the Local Authority in its role as Sanctioning Authority satisfied itself that agencies that it funds comply with the Public Spending Code?	3	
Have recommendations from previous Quality Assurance exercises (incl. old Spot-Checks) been disseminated, where appropriate, within the Local Authority and to your agencies?	3	
Have recommendations from previous Quality Assurance exercises been acted upon?	3	

Has an annual Public Spending Code Quality Assurance Report been submitted to NOAC (National Oversight and Audit Commission)?	3	
Was the required sample subjected to a more in-depth Review i.e. as per Step 4 of the QA process	3	
Has the Chief Executive signed off on the information to be published to the website?	3	

Checklist 2: – to be completed in respect of capital projects or capital programme/grant scheme that is or was under consideration in the past year.

Capital Expenditure being considered - Appraisal and Approval	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
Was a Preliminary Appraisal undertaken for all projects > €5m	N/A	
Was an appropriate appraisal method used in respect of each capital project or capital programme/grant scheme?	3	
Was a CBA/CEA completed for all projects exceeding €20m?	N/A	
Was the appraisal process commenced at an early stage to facilitate decision making? (i.e. prior to the decision)	3	
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	
If a CBA/CEA was required was it submitted to DPER (CEEU) for their views?	N/A	
Were the NDFA Consulted for projects costing more than €20m?	N/A	
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?	N/A	
Was approval granted to proceed to tender?	N/A	
Were Procurement Rules complied with?	3	Design Consultants appointed in line with procedures.
Were State Aid rules checked for all supports?	N/A	

Were the tenders received in line with the Approval in Principle in terms of cost and what is expected to be delivered?	N/A	
Were Performance Indicators specified for each project/programme that will allow for the evaluation of its efficiency and effectiveness?	N/A	
Have steps been put in place to gather Performance Indicator data?	N/A	

Checklist 3: - New Current expenditure or expansion of existing current expenditure under consideration

Current Expenditure being considered - Appraisal and Approval	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
Were objectives clearly set?	3	Budget process examines and identifies current expenditure objectives. The objective is to get the best value for money and maximise the amount of roads maintained & improved.
Are objectives measurable in quantitative terms?	3	
Was an appropriate appraisal method used?	N/A	This expenditure refers to ordinary local road maintenance & improvement works on a number of areas/projects on 1640km of local roads in Offaly. It does not refer to any specific project.
Was a business case incorporating financial and economic appraisal prepared for new current expenditure?	N/A	
Has an assessment of likely demand for the new scheme/scheme extension been estimated based on empirical evidence?	N/A	
Was the required approval granted?	3	Budget was adopted by council.
Has a sunset clause been set?	N/A	
Has a date been set for the pilot and its evaluation?	N/A	
Have the methodology and data collection requirements for the pilot been agreed at the outset of the scheme?	N/A	
If outsourcing was involved were Procurement Rules complied with?	3	Road Schemes done by contract are tendered out in accordance with procurement guidelines.

Were Performance Indicators specified for each new current expenditure proposal or expansion of existing current expenditure which will allow for the evaluation of its efficiency and effectiveness?	N/A	Performance Indicators are completed for Non-national roads annually.
Have steps been put in place to gather Performance Indicator data?	N/A	

Checklist 4: - Complete if your authority had capital projects/programmes that were incurring expenditure during the year under review.

Incurring Capital Expenditure	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
Was a contract signed and was it in line with the approval in principle?	3	
Did management boards/steering committees meet regularly as agreed?	3	Regular site meetings are held and reports submitted to the Council.
Were Programme Co-ordinators appointed to co-ordinate implementation?	3	Regular communication between Swimming Pool Committee and between the Council and the Department.
Were Project Managers, responsible for delivery, appointed and were the Project Managers at a suitable senior level for the scale of the project?	3	Swimming Pool Committee engaged a Chartered Quality Surveyor.
Were monitoring reports prepared regularly, showing implementation against plan, budget, timescales and quality?	3	These items were addressed at site meetings and reported on.
Did the project keep within its financial budget and its time schedule?	3	Unforeseen costs did arise, the project was scaled back to ensure that it was delivered on budget and on time.
Did budgets have to be adjusted?	3	Some works were scaled back in order to ensure the project remained within approved budget.
Were decisions on changes to budgets / time schedules made promptly?	3	Meetings and decisions took place in a timely manner.

Did circumstances ever warrant questioning the viability of the project and the business case incl. CBA/CEA? (exceeding budget, lack of progress, changes in the environment, new evidence)	N/A	No. The viability of the project was not in question.
If circumstances did warrant questioning the viability of a project, was the project subjected to adequate examination?	N/A	
If costs increased, was approval received from the Sanctioning Authority?	N/A	
Were any projects terminated because of deviations from the plan, the budget or because circumstances in the environment changed the need for the investment?	N/A	
For significant projects were quarterly reports on progress submitted to the MAC and to the relevant Department?	3	

Checklist 5: - For Current Expenditure

Incurring Current Expenditure	Self-Assessed Compliance Rating: 1 -3	Comment/Action Required
Are there clear objectives for all areas of current expenditure?	3	Annual Budget process examines and identifies current expenditure objectives.
Are outputs well defined?	3	National Performance Indicators are in place.
Are outputs quantified on a regular basis?	3	National Performance Indicators and Regular Internal Management Reports & quarterly reports to DECLG.
Is there a method for monitoring efficiency on an ongoing basis?	3	Budget performance and monitoring is in place.
Are outcomes well defined?	3	Budgets in place.
Are outcomes quantified on a regular basis?	3	
Are unit costings compiled for performance monitoring?	3	
Is there a method for monitoring effectiveness on an ongoing basis?	3	
Is there an annual process in place to plan for new VFMs, FPAs and evaluations?	N/A	
How many formal VFMs/FPAs or other evaluations have been completed in the year under review?	N/A	
Have all VFMs/FPAs been published in a timely manner?	N/A	
Is there a process to follow up on the recommendations of previous VFMs/FPAs and other	3	

evaluations?		
How have the recommendations of VFMs, FPAs and other evaluations informed resource allocation decisions?	N/A	

Checklist 6: - to be completed if capital projects were completed during the year or if capital programmes/grant schemes matured or were discontinued.

Capital Expenditure Completed	Self-Assessed Compliance Rating: 1 - 3	Comment/Action Required
How many post project reviews were completed in the year under review?	N/A	No expenditure under this category.
Was a post project review completed for all projects/ programmes exceeding €20m?	N/A	
If sufficient time has not elapsed to allow a proper assessment of benefits, has a post project review been scheduled for a future date?	N/A	
Were lessons learned from post-project reviews disseminated within the Sponsoring Agency and to the Sanctioning Authority?	N/A	
Were changes made to the Sponsoring Agencies practices in light of lessons learned from post-project reviews?	N/A	
Were project reviews carried out by staffing resources independent of project implementation?	N/A	

Checklist 7: - to be completed if current expenditure programmes 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 - 3	Comment/Action Required
Were reviews carried out of current expenditure programmes that matured during the year or were discontinued?	N/A	No expenditure under this category.
Did those reviews reach conclusions on whether the programmes were effective?	N/A	
Did those reviews reach conclusions on whether the programmes were efficient?	N/A	
Have the conclusions reached been taken into account in related areas of expenditure?	N/A	
Were any programmes discontinued following a review of a current expenditure programme?	N/A	
Was the review commenced and completed within a period of 6 months?	N/A	

The scoring mechanism for the checklists above is:

- I. Score for significant improvements = a score of 1
- II. Compliant but with some improvement necessary = a score of 2
- III. Broadly compliant = a score of 3

For some questions, the scoring mechanism is not always strictly relevant. In these cases, N/A is marked and appropriate comments are provided.

Appendix 3: Report Arising from In-depth Check of Two Projects

Public Spending Code

QA Process 2015: Step 4 In-depth Review

Internal Audit Unit

Offaly County Council



May 2015

Table of Contents

	Page
Introduction and Summary of Findings	27-28

Appendices

Appendix 1 Audit Assurance Categories and Criteria	29
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Introduction and Summary of Findings

Step four of the Public Spending Code QA process requires all local authorities to 'Carry out a more in-depth check on a small number of selected projects/programmes'. The code states that 'The value of the projects selected per annum, should be at least 5% of the total value of all projects in the inventory.

Internal Audit was appointed by the Chief Executive of Offaly County Council to complete step 4.

The purpose of the review was to provide an independent professional opinion on compliance with the Public Spending Code and, more specifically, the quality of the appraisal, planning and implementation of work done within each programme. The projects were examined in order to assess if the practices implemented are of a high standard.

The following projects were selected by the Internal Audit Unit for In-depth Review:

Project Name	Project Category (2014)	Project Budget
New Ferbane Fire Station	Capital Expenditure - Under Consideration	€1.2M
Operation of Library & Archival Services	Current Expenditure – Being Incurred	€2.1M

The total value of the Offaly County Council's Inventory listing for 2015 was €74.2M (includes Revenue and Capital Expenditure). Therefore the above 2 projects represent approximately a 4.5% sample.

The Audit related to the stage at which these projects were identified as being at during the year 2015.

Summary of Findings

Given the outcome of the reviews summarised individually below, it is our opinion that there is, overall, 'Substantial Assurance' (see Appendix 1) that there is compliance with the Public Spending Code within Offaly County Council.

There were no issues noted on each of the individual projects outlined above.

The projects reviewed were of different scales and stages. The 'New Ferbane Fire Station' was a Capital Project 'Under Consideration' and it was reviewed at 'Appraisal' stage and the 'Operation of Library and Archival Services' was Current Expenditure Programme 'Being Incurred' and was reviewed at 'Implementation' Stage.

Operation of Library & Archival Services

There is a management structure in place for delivery and oversight of the Library and Archival Service Programme. Expenditure is reviewed and evaluated against budget on an ongoing basis and controls are in place which should ensure that objectives are fully achieved.

New Ferbane Fire Station

Objectives were clearly defined in a detailed appraisal document. The appraisal outlines the objectives and the needs for the New Fire Station project, the options, preferred option and constraints of the project.

A detailed cost document and design drawings are in place.

General Recommendations

Arising from our checks during the PSC Assurance work, there are some recommendations.

- 1) Training should be provided to staff on the requirements/compliance with the Public Spending Code.

Where expenditure is being considered or being incurred, relevant personnel should be made aware of the requirements of the Public Spending Code for all stages of projects/programmes from appraisal, planning, implementation and post project review.

- 2) Standardisation of record keeping across the organisation should be implemented to comply with the recommendations of the Public Spending Code.

Appendix 1: Assurance Category

ASSURANCE CATEGORY		ASSURANCE CRITERIA
SUBSTANTIAL	Evaluation opinion:	there is a robust system of risk management, control and governance which should ensure that objectives are fully achieved, and/or
	Testing opinion:	the controls are being consistently applied.
SATISFACTORY	Evaluation opinion:	there is some risk that objectives may not be fully achieved. Some improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
	Testing opinion:	there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
LIMITED	Evaluation opinion:	there is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.
	Testing opinion:	the level of non-compliance puts the system objectives at risk.
UNACCEPTABLE	Evaluation opinion:	the system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Urgent action is required to improve the adequacy and effectiveness of risk management, control and governance.
	Testing opinion:	significant non-compliance with the basic controls leaves the system open to error or abuse.

