

Public Spending Code

Quality Assurance Report for 2014

Donegal County Council

To Be Submitted to the National Oversight & Audit Commission in
Compliance with the Public Spending Code

Certification

This Annual Quality Assurance Report reflects Donegal Count Council's assessment of compliance with the Public Spending Code. It is Bases on the best financial, organisational and performance related information available across the various areas of responsibility.

Signature of Accounting Officer:

A handwritten signature in black ink, appearing to be 'Deanna B', written in a cursive style.

Date: 30th September 2015

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1. Introduction

Donegal County Council has completed this Quality Assurance (QA) Report as part of its compliance with the Public Spending Code (PSC).

The Quality Assurance procedure aims to gauge the extent to which the Council is meeting the obligations set out in the Public Spending Code. One of the objectives of the Public Spending Code is 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 Council 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.
- 5. Complete a short report for the 'National Oversight & Audit Commission'** which includes the inventory of all projects, the website reference for the publication of procurements above €10m, the completed checklists, the Council's judgement on the adequacy of processes given the findings from the in-depth checks and the Council's proposals to remedy any discovered inadequacies.

This report fulfils the requirements of the QA Process for Donegal County Council for 2014. It is important to note that 2014 is the first year in which the QA process has applied to local authorities. Projects and programmes which predate Circular 13/13 were subject to prevailing guidance covering public expenditure, e.g. the Capital Appraisal Guidelines 2005.

2. Interpretation of the PSC for the Local Government Sector

The Public Spending Code was written specifically with Government Departments in mind and some of the terminology is very specific to that sector. To aid local authorities meet their obligations in a uniform manner, a Guidance Note was prepared by the CCMA Finance Committee, describing each stage of Quality Assurance requirements and providing interpretations from a Local Government perspective.

The Guidance Note focused on the Quality Assurance element of the PSC only.

This Quality Assurance Report follows the methodology outlined in the Guidance Note.

3. Expenditure Analysis

3.1. Inventory of Projects/Programmes

This section details the inventory drawn up by Donegal County Council (DCC) 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 which amount to more than €0.5m. This inventory is divided between current and capital expenditure and between three stages:

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

Deciding at what point a job/project transitions from "being considered" to "being incurred" can be subjective. The approach adopted for this QA Report is that once any expenditure commences on a job/project, it is included in the "being incurred" category.

Table1: Inventory of Relevant Projects/Programmes

Expenditure Being Considered		
Project/ Programme Description	Revenue Expenditure	Capital Expenditure
SICAP		€1,480,935
RURAL DEVELOPMENT PROGRAMME		€12,900,000
Ballyshannon Fire Station		€800,000
Bundoran Fire Station		€800,000
Glencolmcille Fire Station		€800,000
Lifeboat Berth at Bunrana		€500,000
Groyne at Magheraroarty		€500,000
Leenan Pier		€1,000,000
Gola Island Pier		€1,000,000
N56 Pavement Strengthening (Duncan's Bridge)		€830,000
Donegal Town Branch Library		€1,800,000
Expenditure Being Incurred		
Project/ Programme Description	Revenue Expenditure	Capital Expenditure
Maintenance/Improvement of LA Housing	€4,712,742	
Housing Assessment, Allocation and Transfer 1246597	€1,246,597	
Housing Rent and Tenant Purchase Administration	€1,123,488	
Support to Housing Capital and Affordable Prog.	€1,841,042	
RAS Programme	€3,360,778	
Housing Loans	€1,377,991	
Housing Grants	€815,884	
NP Road - Maintenance and Improvement	€1,416,981	
NS Road - Maintenance and Improvement	€1,623,913	
Regional Road - Maintenance and Improvement	€13,075,922	

Local Road - Maintenance and Improvement	€22,095,862	
Public Lighting	€2,494,098	
Maintenance and Management of Car Parking	€995,752	
Support to Roads Capital Prog.	€926,811	
Operation and Maintenance of Water Supply	€14,311,961	
Operation and Maintenance of Waste Water Treatment	€3,652,037	
Collection of Water and Waste Water Charges	€898,260	
Support to Water Capital Programme	€1,637,563	
Agency and Recoupable Services	€655,270	
Forward Planning	€717,899	
Development Management	€2,561,162	
Enforcement	€994,623	
Tourism Development and Promotion	€1,083,989	
Community & Enterprise Function	€3,031,592	
Economic Development and Promotion	€1,978,073	
Operation, Maintenance and Aftercare of Landfill	€1,992,684	
Op and Mtce of Recovery and Recycling Facilities	€527,836	
Litter Management	€1,177,306	
Safety of Structures and Places	€586,489	
Operation of Fire Service	€5,606,027	
Water Quality, Air and Noise Pollution	€563,759	
Operation and Maintenance of Leisure Facilities	€1,400,576	
Operation of Library and Archival Service	€3,516,876	
Op, Mtce & Imp of Outdoor Leisure Areas	€2,162,178	
Operation of Arts Programme	€1,903,474	
Operation and Maintenance of Piers and Harbours	€1,715,261	
Coastal Protection	€562,423	
Veterinary Service	€600,820	
Educational Support Services	€2,634,914	
Profit/Loss Machinery Account	€6,028,853	
Administration of Rates	€9,946,825	
Local Representation/Civic Leadership	€1,508,134	
Motor Taxation	€1,927,192	
Agency and Recoupable Services	€5,363,268	
NATIONAL ROADS OFFICE ADMINISTRATION	€1,815,291	
IDA - ROADS & SERVICES UPGRADE WORKS		€500,000
SAIL WEST INTERREG IV A		€5,949,211
SLIABH LIAG, COMMUNICATIONS & MARKETING		€5,000,000
RIVERLINKS PROJECT		€1,878,277
TERMON PROJECT PETTIGO PEACE III		€7,435,456
THE TERMON PROJECT - ADOPT		€509,879
Donegal Women's Voluntary Housing V24 Refuge		€822,608
Anvers Voluntary Housing		€710,000
H300007 LETTERMACAWARD -13 HOUSES		€2,700,000
COUNTY HOUSE RENOVATIONS PHASE 2		€600,000
Rathmullan Pier Refurbishment		€2,600,000
Rannagh Pier		€2,800,000
Storm Damage 2014 Programme		€700,000

BALLYSHANNON SEWERAGE SCHEME MAJOR		€9,318,000
ROSSNOWLAGH SEW SCHEME		€6,161,000
KILLYBEGS SEWERAGE SCHEME		€20,377,000
BUNDORAN SEWERAGE SCHEME		€1,400,000
LETTERKENNY S-S ENLARGMENT		€42,850,000
L MOURNE INTAKE-RAW WATER MAIN		€12,800,000
NON DOMESTIC METERING PROJECT		€9,255,000
GOLDRUM WATER TREATMENT WORKS FILTER UPGRADE 2007		€544,613
ST JOHNSTON SS SMALL 2002		€738,535
DONEGAL BAY GROUP A DBO		€33,407,000
DUNGLOE/GLENTIES SS DBO MAJOR CAPITAL CONSTRUCTION		€1,291,000
DGL BAY GROUP B CONST. BUND, KILYB. GLEN.CONVOY		€2,298,000
DONEGAL TOWNS & VILLAGES SEWERAGE SCHEMES		€1,104,000
LETTERKENNY SEWERAGE SCHEME (NETWORK) 2013		€1,012,000
TULLY GWS UP GR 2003		€1,375,000
IMPROVEMENTS STH DONEGAL W/S NTHN ROUTE CONTRACT 4		€7,495,000
COMPLETE INFO SYTEMS SANITARY		€534,316
08 TIRLIN TO DRUMNARAW SCHOOL N56		€2,215,217
N56 FANABOY UPPER 2014		€626,613
Annual Bridge Strengthening Programme (Regional)		€2,000,000

Notes:

1. All expenditure headings at "Service" level in the 2014 Annual Financial Statement (AFS) which incurred expenditure > €0.5m are included in the report. As per Guidance Document, all are included under the "being incurred" heading. It should be noted that in future years only those current expenditure programmes/projects that feature an increased expenditure figure of >€0.5m will be included in the inventory.
2. Local government accounting practices result in some expenditure that other organisations would classify as "capital" being reported here under the "current" heading – and visa versa.
3. The cost stated in all cases for uncompleted capital projects is the estimated final total cost at completion, not expenditure to date as of the end of 2014. There is some very high value projects included in Table 1 above where actual expenditure incurred to date is relatively small and there is little likelihood of the project proceeding to delivery in the foreseeable future (e.g. N13 Stranorlar to Derry).
4. Segregation of overall projects: it can be difficult to establish what constitutes a 'phase' or a continuation of a multi-annual project/programme and what is a new project/programme (e.g. major roads projects delivered in stages that can have a decades- long lifecycle). Best judgement has been used on a case by case basis in this report.
5. In the case of some very long-term projects, expenditure information is only readily available from as far back as the commencement of the Agresso financial management system, i.e. since 2001.
6. Donegal County Council was still incurring expenditure during 2014 on a number of Irish Water Capital Projects. Some of these projects were not completed during 2014 but transitioned to Irish Water's responsibility during that year. DCC took the view that these would be best placed

in the 'Recently Completed' category and that the project value would be equivalent to the total amount of money spent to date by DCC on that project. In reality, these projects are not complete and feature continuing expenditure on the part of Irish Water directly.

- 7. Figures quoted in current expenditure (programmes) include overheads and administration costs*
- 8. Figures quoted include transfers to/from reserves if appropriate*
- 9. Figures quoted include central management charges*

4. Published Summary of Procurements

As part of the Quality Assurance process, Donegal County Council is required to publish summary information on our website of all procurements in excess of €10m. During 2014, no procurements above this threshold occurred. Hence, no summaries were published.

5. Assessment of Compliance

5.1. 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

A full set of checklists 1-7 was completed by the Council – see following pages.

Each question in the checklist is judged by a 5 point scale- **0.** Not Done, **1.** < 50% compliant, **2.** 50-75% compliant, **3.** > 75% compliant or **4.** 100% compliant.

Notes:

1. *Some minor wording amendments have been made to the Checklists to reflect the fact it is a local authority and not a government department that is completing them.*

Checklist 1 – To be completed by All Local Authorities

General Obligations not specific to individual projects/programmes	Self-Assessed Compliance Rating: 0-4	Comment/Action Required
Does the Local Authority ensure, on an ongoing basis that appropriate people within the Local Authority and in its agencies are aware of the requirements of the Public Spending Code?	2	2014 is the first year of the PSC in Local Government. Advice on the PSC has been issued through line management.
Has there been participation by relevant staff in external training on the Public Spending Code (i.e. DPER)	N/A	No Training provided for Local Government sector to date.
Has Internal training on the Public Spending Code been provided to relevant staff?	2	2014 is first year of PSC and training needs, if any, have yet to be identified. A Guidance document has been developed and circulated within the sector.
Has the Public Spending Code been adapted for the type of project/programme that your Local Authority is responsible for? i.e. have adapted sectoral guidelines been developed?	4	Yes. A guidance document has been developed for the QA process, adapting the PSC to Local Government structures and approach.
Has the Local Authority in its role as Sanctioning Authority satisfied itself that agencies that it funds comply with the Public Spending Code?	0	Requirements are not clear in this regard. It is not clear if an obligation exists in terms of those agencies receiving less than €500k per project/annum. For the purposes of clarification, no external agencies have been advised of the PSC to date.
Have recommendations from previous Quality Assurance exercises (incl. old Spot-Checks) been disseminated, where appropriate, within the Local Authority and to your agencies?	4	2014 is the first year of the QA requirement in Local Government. Audit recommendations & findings and the results of similar exercises are communicated to relevant staff.
Have recommendations from previous Quality Assurance exercises been acted upon?	N/A	2014 is the first year of the QA requirement in Local Government
Has an annual Public Spending Code Quality Assurance Report been submitted to NOAC?	4	2014 is the first year of the QA requirement in Local Government. This report is being submitted to NOAC.
Was the required sample subjected to a more in-depth Review i.e. as per Step 4 of the QA process?	1	2014 is the first year of the QA requirement in Local Government. It is intended to achieve the required 5% over the next 3-years in line with the terms of the PSC.
Has the Accounting Officer signed off on the information to be published to the website?	4	Yes. CE has signed off.
Self-Assessed Ratings: 0 – Not Done, 1 – < 50% compliant, 2 – 50-75% Compliant, 3 – > 75% Compliant, 4 – 100% Compliant		

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: 0–4	Comment/Action Required
Was a Preliminary Appraisal undertaken for all projects > €5m	N/A	Only the ‘Rural Development Programme’ relevant to this question. The RDP is allocated from central funds.
Was an appropriate appraisal method used in respect of each capital project or capital programme/grant scheme?	3	Capital appraisal may take place at local level or externally by the sanctioning agency depending on funding and other considerations.
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	Capital appraisal may take place at local level or externally by the sanctioning agency depending on funding and other considerations.
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	Capital appraisal may take place at local level or externally by the sanctioning agency depending on funding and other considerations.
If a CBA/CEA was required was it submitted to the CEEU for their view?	N/A	
Was 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	Projects still under consideration
Was approval granted to proceed to tender?	N/A	Projects still under consideration
Were Procurement Rules complied with?	N/A	Projects still under consideration
Were State Aid rules checked for all supports?	N/A	Not applicable to Local Government
Were the tenders received in line with the Approval in Principle in terms of cost and what is expected to be delivered?	N/A	Projects still under consideration
Were Performance Indicators specified for each project/programme which will allow for the evaluation of its efficiency and effectiveness?	N/A	Projects still under consideration
Have steps been put in place to gather the Performance Indicator data?	N/A	Projects still under consideration
Self-Assessed Ratings: 0 – Not Done; 1 - < 50% compliant; 2 – 50-75% Compliant; 3 - > 75% Compliant; 4 – 100% Compliant		

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

Current Expenditure being considered – Appraisal and Approval	Self-Assessed Compliance Rating: 0 – 4	Comment/Action Required
Were objectives clearly set?	N/A	No programmes relevant to PSC in 2014
Are objectives measurable in quantitative terms?	N/A	No programmes relevant to PSC in 2014
Was an appropriate appraisal method used?	N/A	No programmes relevant to PSC in 2014
Was a business case incorporating financial and economic appraisal prepared for new current expenditure?	N/A	No programmes relevant to PSC in 2014
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 2014
Was the required approval granted?	N/A	No programmes relevant to PSC in 2014
Has a sunset clause been set?	N/A	No programmes relevant to PSC in 2014
Has a date been set for the pilot and its evaluation?	N/A	No programmes relevant to PSC in 2014
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 2014
If outsourcing was involved were Procurement Rules complied with?	N/A	No programmes relevant to PSC in 2014
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	No programmes relevant to PSC in 2014
Have steps been put in place to gather the Performance Indicator data?	N/A	No programmes relevant to PSC in 2014
Self-Assessed Ratings: 0 – Not Done, 1 – < 50% compliant, 2 – 50-75% Compliant, 3 – > 75% Compliant, 4 – 100% Compliant		

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

Incurring Capital Expenditure	Self-Assessed Compliance Rating: 0 – 4	Comment/Action Required
Was a contract signed and was it in line with the approval in principle?	3	It is normal practice to sign contracts for major capital projects, and that they be in line with the approval in principle.
Did management boards/steering committees meet regularly as agreed?	3	
Were Programme Co-ordinators appointed to co-ordinate implementation?	3	Divisional Managers coordinate delivery of all projects within their Service Division.
Were Project Managers, responsible for delivery, appointed and were the Project Managers at a suitable senior level for the scale of the project?	3	It is normal practice that responsibility for overseeing/ coordinating the delivery each capital project is assigned to a staff member of appropriate grade.
Were monitoring reports prepared regularly, showing implementation against plan, budget, timescales and quality?	3	Project progress is tracked and regular project meetings are held involving Council representatives, Contractor representatives and, where relevant, Consultant representatives.
Did the project keep within its financial budget and its time schedule?	2	Most projects, once they go to construction, stick as close as practical to budget and time schedule, given their nature.
Did budgets have to be adjusted?	2	On some occasions budgets have to be adjusted to meet contingencies, but changes are kept to a minimum.
Were decisions on changes to budgets/time schedules made promptly?	2	Such decisions are usually made as soon as practical.
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)	No	
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?	3	
Were any projects terminated because of deviations from the plan, the budget or because circumstances in the environment changed the need for the investment?	No	
For significant projects were quarterly reports on progress submitted to the MAC (Management Team) and to the Minister?	N/A	
Self-Assessed Ratings:		
0 - Not Done, 1 - < 50% compliant, 2 - 50-75% Compliant, 3 - > 75% Compliant, 4 - 100% Compliant		

Checklist 5: - For Current Expenditure

Incurring Current Expenditure	Self-Assessed Compliance Rating: 0-4	Comment/Action Required
Are there clear objectives for all areas of current expenditure?	4	Yes. Spending Programme Defined as part of the Annual Budget process.
Are outputs well defined?	3	
Are outputs quantified on a regular basis?	3	The annual Service Indicators monitor activity levels for a range of local government services.
Is there a method for monitoring efficiency on an ongoing basis?	2	Yes, Budget performance and monitoring is in place. Internal Audit Unit and Value for Money Committee are established.
Are outcomes well defined?	2	The development of the Annual Service Plans will enhance this measurement
Are outcomes quantified on a regular basis?	2	The development of the Annual Service Plans will enhance this measurement
Is there a method for monitoring effectiveness on an ongoing basis?	2	Yes Budget performance and monitoring is in place. Internal Audit Unit and Value for Money Committee are established.
How many formal VFMs/FPAs or other evaluations been completed in the year under review?	6	Includes Internal Audit Reports and periodic reports to the VFM Committee
Is there an annual process in place to plan for new VFMs, FPAs and evaluations?	Yes	Internal Audit Work Programme and periodic reports to the VFM Committee
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 evaluations?	Yes	Internal Audit Implementation & Progress Report
How have the recommendations of VFMs, FPAs and other evaluations informed resource allocation decisions?	Yes	Through consideration by Senior Management
Self-Assessed Ratings: 0 - Not Done, 1 - < 50% compliant, 2 - 50-75% Compliant, 3 - > 75% Compliant, 4 - 100% Compliant		

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: 0 – 4	Comment/Action Required
How many post-project reviews were completed in the year under review?	0	No formal PPR documents were cited by respondents. This does not mean however that post project reviews do not take place in other forms.
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?	0	
Were lessons learned from post-project reviews disseminated within the Sponsoring Agency and to the Sanctioning Authority?	0	
Were changes made to the Sponsoring Agencies practices in light of lessons learned from post-project reviews?	0	
Were project reviews carried out by staffing resources independent of project implementation?	1	Multi-annual projects would have such reviews carried out, but not necessarily during the year in question.
Self-Assessed Ratings: 0 – Not Done, 1 – < 50% compliant, 2 – 50-75% Compliant, 3 – > 75% Compliant, 4 – 100% Compliant		

Checklist 7: - to be completed if 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: 0-4	Comment/Action Required
Were reviews carried out of current expenditure programmes that matured during the year or were discontinued?	N/A	No programmes relevant to PSC in 2014
Did those reviews reach conclusions on whether the programmes were effective?	N/A	No programmes relevant to PSC in 2014
Did those reviews reach conclusions on whether the programmes were efficient?	N/A	No programmes relevant to PSC in 2014
Have the conclusions reached been taken into account in related areas of expenditure?	N/A	No programmes relevant to PSC in 2014
Were any programmes discontinued following a review of a current expenditure programme?	N/A	No programmes relevant to PSC in 2014
Was the review commenced and completed within a period of 6 months?	N/A	No programmes relevant to PSC in 2014
Self-Assessed Ratings: 0 - Not Done; 1 - < 50% compliant; 2 - 50-75% Compliant; 3 - > 75% Compliant; 4 - 100% Compliant		

Notes:

- (a) The scoring mechanism for the above tables is set out below
 - I. Scope 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

- (b) For some questions, the scoring mechanism is not always strictly relevant. In these cases, it is appropriate to mark as N/A and provide the required information in the commentary box as appropriate.

- (c) The focus should be on providing descriptive and contextual information to frame the compliance ratings and to address the issues raised for each question. It is also important to provide summary details of key analytical outputs for those questions which address compliance with appraisal/evaluation requirements i.e. the annual number of CBAs, VFMs/FPAs and post project reviews.

DCC Notes:

- 1. A local authority has a range of different projects and programmes across many services, funded through a myriad of different sources, conducted according to various and diverse regulations and requirements. Completing a single set of QA documents for the organisation does not appear particularly rational and does not necessarily provide an accurate picture of compliance generally throughout the organisation.*
- 2. Whilst some minor wording changes were made, the QA Checklists are not considered to be particularly well tailored for the local government sector – many of the questions are not applicable or irrelevant (e.g. references to MAC).*
- 3. Some of the questions presuppose an element of choice in whether or not DCC spends money in a particular area (Value and Subject). This is not always the case – as in direct grant funding to do a certain thing.*

6. In-Depth Checks

Due to the short timeframe available for compilation of this report, it hasn't been possible to undertake in-depth checks specifically for the Public Spending Code QA Report.

Instead, on this occasion, the Council is relying on audits carried out for other purposes.

It is, however, the Council's intention to have its Internal Audit Unit undertake the necessary range of in-depth checks as part of its annual work programme in future years.

6.1. Relevant Audits

A. Peace III Programme Priority 1, Theme 1.1

The DFP Audit Authority carried out an Article 16 review on a claim from Priority 1, Theme 1.1 of the Peace III Programme, administered by Donegal County Council's Peace & Reconciliation Partnership, based in Donegal County Council's Offices, Station Island, Lifford, County Donegal.

Objective:

Under Article 16 of the Commission Regulation (EC) No 1828/2006, the Audit Authority is required to provide an assurance/opinion on the:

- Adequacy and effectiveness of the control framework established by final beneficiaries and;
- Verify selectively, expenditure declarations made.

At the time of the verification exercise, the Theme had a declared expenditure of **€26,440,223.33**. The Audit examined sample transactions amounting to a total value of €42,193.32.

Outcomes:

The Audit found as follows:

- a) the operation meets the selection criteria for the operational programme, has been implemented in accordance with the approval decision and fulfils applicable conditions concerning its functionality and use and or objectives to be attained;
- b) the expenditure declared by the Donegal County Council's Peace & Reconciliation Partnership, in respect of its building positive relations at the local level projects, as identified from sample selection, corresponds to the accounting records and supporting documents held by the beneficiary,
- c) the expenditure declared by the beneficiary is in compliance with Community and National rules; and

- d) the public contribution paid to the beneficiary is in accordance with Article 80 of Commission Regulation (EC) No 1083/2006.

There were a number of minor issues identified, each of which was responded to by Management and the necessary actions taken, including:

- Placing on file document not available at time of audit
- Amendment of procedures for sign-off of evaluations
- Amendment of procedures for processing certain invoices
- Amendment to document retention policy

B. Peace III Programme Priority 2, Theme 2.1

This project, as developed by Donegal County Council in conjunction with Fermanagh District Council and ADoPT (Association for the Development of Pettigo and Tullyhommon), is regenerating the twin villages of Pettigo and Tullyhommon, which straddle opposing sides of the border, and their surrounding areas and promote the emergence of a vibrant, economically active and integrated community.

Objectives:

The scope of this review was to assess the control framework operated by Donegal County Council in the implementation of the Peace III Programme.

The objectives of the review were:

- To assess whether or not the project is being administered in accordance with the Letter of Offer issued by SEUPB and the EC Regulations, National Legislation and Programme Guidance/Guidelines;
- To assess whether or not there are documented controls and procedures in place and whether or not these documented controls and procedures are adhered to; and
- To draw to the attention of the SEUPB any identified weaknesses in controls and procedures.

At the time of this review, Donegal County Council's expenditure amounted to **€922,617.34** and this check sampled 5% of the total overall expenditure to date. The amount selected to be examined was €373,531.27.

Outcomes:

The Audit found as follows:

- In general, the SEUPB considers that DCC has established adequate control systems and that the project is being delivered in compliance with EC Regulations, the Letter of Offer, National Legislation and SEUPB Guidance and Guidelines.

- A number of issues were identified and are outlined in Annex A.

Each issue raised was responded to by Management and the necessary actions taken, including:

- Project Governance and Change Control Protocol recommendations were accepted by Project Steering Group, providing for more effective management of the project.
- Measures to ensure procedures of Partner agencies are in line with programme guidance/thresholds

C. Internal Audit Report IA14/4 – Prompt Payment of Accounts

This audit, whilst not focusing on any single project or job, amounted to a comprehensive review of how the Council manages payments to its Suppliers. It is therefore seen as highly relevant to the spirit of the Public Spending Code.

Objectives:

The purpose of this audit was to assess Donegal County Council's compliance with the 'Prompt Payment of Accounts Act, 1997' and to appraise the systems and procedures in place to manage the organisation's exposure to Prompt Payment Interest and Compensation charges.

The audit also included performance-analysis on a set of 19,926 payment transactions completed during the period January to October 2014. This aspect of the audit, and the Purchase-to-Pay Cycle in general, increased in significance as the audit developed.

Outcomes:

A wide range of findings were documented, some of the key ones being:

- There is no single defining policy or procedures document in respect of Prompt Payment of Accounts obligations. General training in respect of payments processing was provided by the Finance Section to a wide selection of processors and approvers in September 2013. The prompt payment of accounts was addressed as part of this training and written guidance was made available on the Council's Intranet site ('Purchase to Pay Training Notes').
- The amount of Prompt Payment penalties paid by Donegal County Council has increased every year since 2010. The amount of Prompt Payment penalties paid in 2014 (€29,927.77) is more than three times higher than the amount paid in 2010 (€9,146.44).
- The general performance in terms of processing payments has improved marginally over the last three years. However the introduction of the mandatory minimum compensation payments has eclipsed any savings that would otherwise have been achieved.
- Performance analysis in respect of late payments appears to indicate improvements across a number of headings. Internal Audit examined the period January 2012 to October 2014 in detail. The average number of days by which a late payment is late has reduced from 59.25 days to 15.66 days. The value of Prompt Payment *Interest* (as opposed to Compensation) paid in 2014 was a third of that paid in 2010.

- Internal Audit carried out analysis on a set of 19,926 payment transactions completed on the Agresso FMS during the period January to October 2014. Internal Audit observed an inordinately high level of processing errors in the sample set. The analysis indicates that payment processing guidelines are not being adequately adhered to in practice.

D. LGAS: The oversight role of local authorities in the provision of social housing by Approved Housing Bodies

The report concerns the oversight role of local authorities in the provision of social housing by Approved Housing Bodies (AHBs). AHBs (known as Housing Associations or Voluntary/Co-operative housing associations) are non-profit organisations whose purpose is the provision and management of housing for people with a housing need. They are subject to the conditions set out in the Housing (Miscellaneous Provisions) Act, 1992, and can be limited companies, societies or trusts (incorporated under the Charities Act). They are funded by the Department of the Environment, Community and Local Government (the Department) through local authorities who have an administrative/enabling and oversight role under the social housing funding schemes of the Department.

Objectives:

The Value for Money Unit (VFMU) of the Local Government Audit Service undertook a study on the oversight role of the local authorities in the provision of social housing by AHBs under the main funding schemes. There are over 500 AHBs in Ireland with a housing stock of approximately 27,000 units.

Eight local authorities were selected to participate in the study – one of which was Donegal County Council. These eight deal with approximately 270 AHBs. The total number of units provided by AHBs through the eight participating authorities was 13,916 with an estimated total cost of €1,443,710,639.

Outcomes:

The report sets out a range of issues encountered but makes clear that not all issues arise in every local authority - although the report doesn't identify where particular issues arise.

The Audit made a series of recommendations under a range of headings, including:

- Registration of Mortgage
- Nominations and Statement of Occupancy
- Inspections
- Record of meetings
- Corporate Governance
- Financial Matters
- Leasing arrangements
- Capital Projects

It is the view of Housing Services Division that we perform well under most headings and that only a couple of the recommendations have significant import for DCC.

7. Next Steps: Addressing Quality Assurance Issues

The compilation of information for this report in this first year of this QA process was a complex task in terms of liaising with various sections of the organisation and collating relevant information for the inventories and the checklists. It is, however, hoped that the administrative burden of the QA process will ease as the process becomes embedded over time in annual Council work programmes.

On this first occasion, the Council has had to rely on various audits that were deemed suitable but had not been commissioned specifically for the purpose of fulfilling In-Depth Check requirements.

It is envisaged that a more centralised approach to in-depth checks will be taken in future years. Now that an inventory of projects and programmes is in place, the Council's Internal Audit Unit will be better positioned to select an appropriate sample of programmes for further assessment via the in-depth check process and set aside adequate time to undertake the checks. Directorates will be informed of this process and will be asked to submit relevant documentation on the selected projects/programmes.

So far, external bodies that the Council funds or otherwise works with have not been advised by DCC of obligations arising under the PSC (for example, the Council identified one such Voluntary Housing Organisation that might fall into this category). However, it is not yet clear in what circumstances such obligations arise, nor the extent of such obligations. It is expected that clarity can be brought to this area before the next reporting cycle. Letters of assurance annually from such bodies setting out their compliance with the Public Spending Code may be sufficient.

8. Conclusion

This QA Report has been compiled in as comprehensive a manner as possible within the timeframe available. It has been prepared in line with the interpretations provided in the Guidance Note prepared for the local government sector

The process of compiling this report has highlighted a range of issues that require further consideration in terms of tailoring the PSC for the local government sector. Some of these issues have been noted within this report.

The Council looks forward to the evolution of the code and developing its usefulness in future years, developing Internal Audit's role in the in-depth analysis, configuring the PSC in a more useful context for the sector and ensuring that its timeframe suits the exigencies of the sector in terms of AFS, budgets, capture of expenditure generally, funding sources and direct allocations from the centre.

Donegal County Council has complied to a high degree with the spirit of the PSC in terms of procurement discipline, safeguarding the public purse, achieving best value for money and managing projects in an efficient and economical manner, for the betterment of the county, the improvement of infrastructure and delivery of public services.