

PEMPAL Budgeting Community of Practice

“Capital Budgeting in Ireland”

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Note on Compliance Checks

**In Ireland, Compliance checks were introduced in 2007,
by the Department of Finance to ensure that all
infrastructure investments are implemented
according to plan**

Overview: In Ireland projects are not just appraised but, after approval and implementation commences, a new system of checks has been put in place to ensure that they are being implemented in line with Government Guidelines. The new system, announced on 15 May 2007, is designed to enable early warnings about problems that might be emerging, as well as providing outcome lessons from completed projects which might be helpful for similar projects coming on stream.

Controls: On 15 May 2007, the Department of Finance issued a Circular consolidating their system for carrying-out annual spot-checks of projects to ensure compliance with requirements set out in the range of guidelines now in place¹. In essence, the new system has (a) direction from the top (Department of Finance); delivery from the bottom (Agencies delivering projects) with multi-layered reporting requirements (Department of Finance, sectoral Ministries and Agencies delivering projects). The Department of Finance oversees the sectoral Ministries, and Agencies under their aegis, to ensure that the new compliance system is implemented. A system of annual spot-checks on projects has been put in place to ensure compliance with requirements set out in the Capital Appraisal Guidelines, Public Private Partnership Guidelines, National and EU Public Procurement Procedures and Tax Clearance requirements as laid down by the Revenue Commissioners. Departments are required to report the findings of such spot-checks to the Department of Finance and that Department, in turn, will carry out periodic reviews of these spot-check reports.

Scope of Spot-Checks : Spot-checks are to cover a reasonably representative sample of projects across all capital programmes managed by each Department and its agencies. It is specifically recommended that the sample should cover (a) **At least** 5% of the value of all programmes each year; (b) Projects at different stages of the project appraisal and management process, i.e. projects ranging from those at preliminary appraisal stage to completed projects, and (c) Projects covering the different ranges of capital values used to determine the scale of appraisal required i.e. < €0.5m; €0.5 - €5m; €5m - €30m; and > €30m. Audits or spot checks of programmes and projects which are carried out for other purposes such as, for example, to meet EU requirements may

¹ Circular: “*Procedures for carrying out spot-checks for compliance with value for money requirements under the General Conditions of Department of Finance Sanction for Multi- Annual Capital Envelopes*”, Department of Finance, Dublin, 15 May 2007.

count towards the 5% requirement, provided that they are carried out by persons independent of those managing the programmes and projects and comply with the broad principles set out for the new system.

Nature and Focus of Spot-Checks: Spot-checks are carried out by Officials/ Body or persons who are independent of those directly involved in the appraisal and management of the projects which are the subject of checking. External assistance, if necessary, can be procured to carry out the spot-checks. Preference is, however, for the checks to be carried out internally to facilitate the build up of the necessary skills within Departments and Agencies. Those carrying out the spot-checks should be sufficiently competent and be familiar with the broad body of reporting requirements. There should be a systematic examination of the actions of the sponsoring agency and sanctioning authority involved in the appraisal and management of the projects to ensure that specific requirements of the guidelines, rules and procedures have been adhered to.

Content of Spot-Check Reports: The annual report of Departments on spot-checks should set out details of the steps being taken to disseminate within their organisation and Agencies all requirements which are subject to checking. In particular, there should be reporting of the coverage of the spot-checks carried out and the findings; this should detail projects checked, the stage at which the project was, the estimated cost of the project and an estimate of the total value of projects checked by reference to the total value of the programme.

Top-level Role: The Department of Finance has a number of roles, in the spot-checking process. Vote Sections to carry out an initial assessment of spot check reports to ensure that it meets basic requirements as regards scope and content, and then the Central Expenditure Evaluation Unit to review the annual spot-check reports submitted and convey its views on the conclusions and findings of such reports to the Vote Sections. The Central Expenditure Evaluation Unit, in reviewing the conclusions and findings of annual spot check reports, may carry out direct checks of its own on a sample number of cases at Departmental and Agency level. It may also, at its own initiative, undertake directly occasional spot-checks of projects. Departments and Agencies will be expected to co-operate fully with all reasonable requests from the Central Expenditure Evaluation Unit, and any consultants acting on its behalf, for access to project information and the relevant personnel responsible for project appraisal and management.

Engagement with Departments: The Department of Finance will engage with each Department in regard to any remedial action which may be required in relation to the arrangements within the Department or Agencies under its aegis for the appraisal and management of capital programmes and projects on foot of reports from the Central Expenditure Evaluation Unit. Departments will be given a reasonable period in which to respond to any such requests from the Department of Finance. In reviewing the delegated sanction for capital expenditure by Departments under the rolling multi-annual capital envelopes and the level of future funding under the envelope, the Department of Finance will take into account the level of compliance by Departments and their agencies with the conditions of sanction, including compliance with reporting and spot-check requirements, and the conclusions of the spot-checks.

Submission of spot check reports: In accordance with the general conditions of sanction under the multi-annual capital envelopes, Departments are required to submit an annual report on spot-checks to the Department of Finance. It is anticipated that such reports would be incorporated as a separate section in the more general Annual Reports on the capital investment programmes.
