



RSM McClure Watters
Audit · Tax · Advisory

National Transport Authority

**Public Spending Code - Section 4 Review
Final Report**

March 2014

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1 INTRODUCTION & SUMMARY OF FINDINGS

1.1 Upon issuance of Circular 13/13 ‘*The Public Spending Code: Expenditure Planning, Appraisal & Evaluation in the Irish Public Service – Standard Rules & Procedures*’, this review was commissioned by the National Transport Authority in compliance with the Public Spending Code. Having completed Section 3 involving high level checklists that capture various areas of compliance, reviews of three projects were completed in February 2014 to assess the level of compliance with the Code through a more detailed analysis. The projects chosen were as follows:

- Dublin Bus PSO Programme;
- Bus Replacement Programme;
- Luas Cross City.

1.2 PURPOSE, OBJECTIVES & SCOPE

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 scope of the audit included a review of compliance with the Public Spending Code within each of the above projects. There were no scope limitations.

1.3 CONDUCT OF AUDIT

The audit work was performed in accordance with standards set by the Chartered Institute of Internal Auditors.

1.4 ASSURANCE

The assurance rating for this review was not only informed by the work referred to herein but also by the various audits that have been undertaken within NTA and all of the final beneficiaries.

Given the outcome of the various reviews detailed individually below, it is our opinion that there is, overall, **Satisfactory Assurance** (see Appendix 1) that there is compliance with the Public Spending Code within the National Transport Authority.

Arising from our work, a number of recommendations have been generated. These are summarised below by area reviewed and by priority.



Area Reviewed	Assurance Rating	High	Medium	Low	Total Recommendations
Dublin Bus PSO	Substantial	-	1	-	1
Bus Replacement Programme	Satisfactory	-	1	-	1
Luas Cross City	Satisfactory	-	1	-	1
Total		-	3	-	3

1.6 REPORT APPROACH

In the remainder of this report each of the projects/programmes examined are detailed under:

- an evaluation of the control environment;
- opportunities for improvement and recommendations.

2 DUBLIN BUS PSO

2.1 INTRODUCTION

The 2013 PSO award to Dublin Bus is part of a 5 year programme that is revisited annually and is subject to an annual letter of offer. All funds flow from NTA, through CIÉ, to Dublin Bus. The purpose of the funding is to provide for socially necessary but financially unviable public transport services.

The funding of PSO services is governed by Public Transport Contracts between the Authority and the operators. The current contract with Dublin Bus was signed in December 2009 and is for a period of 5 years, to 2014.

The purpose of this review was to examine the governance arrangements in place over the Public Transport Contract between Dublin Bus and the NTA. The opinion however was not just informed by the outcome of the work referred to herein but also our reviews of the PSO arrangements undertaken annually within the Bus Company.

AUDIT OPINION

The controls in place over the governance of the Dublin Bus PSO by the NTA provides **Substantial Assurance** (see Appendix I) that there is compliance with the Public Spending Code.

Controls upon which reliance can be placed include:

- A contract is in place between NTA and Dublin Bus that clearly sets out the legislative frameworks and EU directives that inform the payment of PSO. This also establishes roles, responsibilities and accountabilities along with terms of payment, communication means, etc.
- This contract is amended from time to time by the NTA, the one for 2013 was issued in November 2012 to facilitate it being effective from 01 December 2013.
- Responsibilities for PSO are clearly allocated within NTA. This is documented by way of job descriptions, organisation charts, etc.
- Reporting requirements (Schedule C) have been clearly stated with appropriate measures having been determined e.g. numbers of buses, costs, number of journeys, etc.
- In addition, performance obligations, (Schedule B) are clearly articulated both in terms of requirements and in terms of those that relate to the award of performance related pay.
- There is clear evidence of the evolution of both sets of requirements over the period of NTA's existence. This not only relates to the requirements themselves but also the cumulative performance measures achieved over the same period. This helps to ensure that only relevant and reasonable requirements are in place.
- Conditions and requirements are set out in the contract including how these obligations are reported (quarterly reports) – quarterly reports and minutes of meetings particularly where changes to requirements are discussed



- Quarterly returns are provided by Dublin Bus that cover all Schedule B & Schedule C requirements.
- A series of monthly and quarterly meetings take place between NTA and Dublin Bus. These are to discuss key issues and give rise to a series of action points that are robustly followed up. Quarterly meetings may be attended by the respective CEOs and their staff.
- Any changes to fares including the impact of Leap card capping are subject to formal review and approval by NTA (submissions 04 July 2013, Oct 2013).
- A reduction was applied to the grant arising from the strike action in August 2013. The basis for the calculation was clear and was communicated to Dublin Bus.
- Normal payment processes apply to the issue of PSC payments. However, in 2013, CIE clearly established that a business need existed for payments to be made in advance. This was subject to a formal change management process and was considered and approved by the CEO of the NTA who had advised the Board of the Authority .
- In addition to the NTA scheme of delegation, a grants checklist is completed in advance of payment being issued.
- Systems of internal financial control are independently reviewed by NTA's internal audit function whose reports are subject to scrutiny by the NTA Audit Committee.
- The Department approves any drawdowns to NTA that are required to meet the PSO payments.
- A process is in place whereby NTA approval is required in advance of route changes, additional stops, etc. In 2013, 17 such requests for approval were processed and approval given.
- Letter dated 29 Jan 2010 sets out unambiguous guidance as to how changes to services should be proposed and implemented.

2.3 MATTERS ARISING AND RECOMMENDATIONS

2.3.1 Minutes Detail

The minutes of monitoring meetings lack detail with regard to attendees, desired outcomes, etc.

Recommendation

Any minutes should provide a comprehensive record of matters discussed, outcomes agreed and actions required. They should also show the date and location of the meeting, those present and any others in attendance.



3 DUBLIN BUS REPLACEMENT PROGRAMME

3.1 INTRODUCTION

The current BÁC fleet replacement policy is to maintain an average fleet age of six years by replacing buses on a 12 year cycle. To assist ongoing compliance with this policy, capital grant was sought to purchase 90 replacement vehicles. The purpose of this review was to look at the control and assurance arrangements within NTA relating to the management of this project and to assess compliance levels with the requirements of the Public Spending Code.

AUDIT OPINION

This opinion was informed by the reviews of capital spend undertaken each year by internal audit and also the review of grants management delivered in 2013 in NTA. The project provides **Satisfactory Assurance** (see Appendix I) that there is compliance with the Public Spending Code.

Controls upon which reliance can be placed include:

- Clear linkage exists between this project and overarching transport strategies.
- Responsibility for the monitoring of this project was clearly allocated to appropriately skilled staff within NTA.
- A series of guidelines are in place for capital expenditure projects that have been communicated to Dublin Bus.
- An Agency Project Approval Application was submitted in support of the request for funds. This clearly referenced the Business Case analysis that was carried out by consultants in 2010.
- Anticipated benefits in the areas of economy, quality and environmental impact were clearly articulated.
- A formal letter of project approval was issued by NTA for the purchase of 80 buses. A full award for 90 vehicles could not be made due to budgetary constraints.
- Robust procurement procedures are in place within Dublin Bus and these were applied and their application reported to NTA.
- Monitoring arrangements were established and regular updates on both progress and finances were provided to NTA who evaluated information provided.
- Formal requests for draw down were requested from NTA by Dublin Bus and from DTTAS by NTA.
- Periodic progress reports were provided to NTA that included information on the bus replacement programme.
- A series of grant claim approvals were applied as evidenced from inputs to the PRS system.



3.3 MATTERS ARISING AND RECOMMENDATIONS

3.3.1 Benefits Realisation

Although the application and project appraisal set out the benefits to be gained through the bus fleet replacement programme, it did not quantify the benefits or when they would be realised. As a consequence, the optimum time for determining if anticipated benefits have been realised, is difficult to determine.

Recommendation

In advance of funding approval, applicants should be required to state when anticipated benefits are likely to be realised and how these will be measured. NTA should follow up on this in accordance with the timescales proposed.



4 LUAS CROSS CITY

4.1 INTRODUCTION

Luas Cross City is an ongoing scheme, delivered by the Railway Procurement Agency (RPA), which is the next link in Dublin's light rail system. Passing through Dublin's City centre, it will serve a 5.6km long corridor from the Luas Green Line at its current terminus (St. Stephen's Green) in the south of the city to the Broombridge Railway Station on the Maynooth railway line on the north side of the city.

With a frequent level of service, Luas Cross City will provide a fast and reliable commuter service to the city centre, greatly enhancing the connectivity of the whole rail based public transport network. The forecast journey time between St. Stephen's Green and Broombridge is expected to be approximately 24 minutes.

The proposed scheme will connect together the two existing light rail lines in the city and integrate with the existing heavy rail system and proposed other transport projects.

4.2 AUDIT OPINION

This opinion was informed by our knowledge of the robust assurance framework within RPA coupled with the outcome of previous capital reviews undertaken and the information gained over the course of this review. The project provides **Satisfactory Assurance** (see Appendix I) that there is compliance with the Public Spending Code.

Controls upon which reliance can be placed include:

- Clear linkage exists between this project and overarching transport strategies.
- Statutory approval is in place by way of the Railway (Luas Broombridge – St Stephen's Green to Broombridge) Order 2011.
- A series of NTA guidelines are in place for capital expenditure projects that have been communicated to RPA.
- Institutional Responsibilities for the Luas Cross City Project have been clearly set out that identify the parts to be played by the three main stakeholders, DTTAS, NTA and RPA.
- Responsibility for the monitoring of this project was clearly allocated to appropriately skilled staff within NTA.
- Following postponement of the projects, an updated business case was developed in November 2012 and submitted to NTA in support of the request for funding.
- An independent review was undertaken to confirm the robustness of the revised business case. This assessed the business case as "substantively compliant with existing government guidelines on project appraisal issued by the Department of Finance, Department of Public Expenditure and Reform and Department of Transport, Tourism and Sport."



- In February 2013, a further detailed budget was submitted to the NTA in respect of this project.
- Anticipated benefits in the areas of economy, quality and customer experience.
- Project meetings are held regularly with attendance from key stakeholders.
- Progress on this project forms part of the regular updates to the NTA board.
- Formal project management guidelines, authorisation levels and schemes of delegation are in place within RPA. These are subject to independent review by the in house internal audit function.
- Disbursement of funds is in accordance with NTA internal grants and financial control procedures that have been subject to internal audit reviews and have been found satisfactory.

4.3 MATTERS ARISING AND RECOMMENDATIONS

4.3.1 Project Status

This is an ongoing major project which is still in a relative stage of infancy. There is therefore increased risk that it may not be delivered as intended.

Recommendation

NTA should continue to apply a rigorous oversight throughout the duration of this project and afterwards to ensure all necessary post project evaluations are undertaken.



APPENDIX 1

AUDIT ASSURANCE CATEGORIES AND CRITERIA



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.



APPENDIX 2

2014 RECOMMENDATION AND IMPLEMENTATION SCHEDULE

Report Ref.	Recommendation	Priority (High/ Medium / Low)	Management Response (Accept/Reject/Alternative)	Implementation Date
2.3.1	Any minutes should provide a comprehensive record of matters discussed, outcomes agreed and actions required. They should also show the date and location of the meeting, those present and any others in attendance.	Medium	Accept.	April 2014
3.3.1	In advance of funding approval, applicants should be required to state when anticipated benefits are likely to be realised and how these will be measured. NTA should follow up on this in accordance with the timescales proposed.	Medium	Accept.	April 2014
4.3.1	NTA should continue to apply a rigorous oversight throughout the duration of this project and afterwards to ensure all necessary post project evaluations are undertaken	Medium	Accept. The NTA intends to continue its current level of rigorous oversight.	On-going