The assurance process   March 2011

The Construction Sector Transparency Initiative (CoST) is principally about achieving transparency in public sector construction projects through the disclosure of project information into the public domain (see Briefing Note 1, Overview of CoST). It is crucial that the information being disclosed is both accurate and in a form that stakeholders can easily understand. To achieve this, the CoST pilot project was designed to have the disclosed information verified for accuracy and completeness by expert assurance teams who were appointed for this purpose. This note explains the approaches to assurance adopted in the seven countries participating in the CoST pilot and assesses the extent to which the assurance teams (ATs) were able to meet their objectives.

Goals and constitution of the assurance teams

In each pilot country, the multi-stakeholder group (MSG) that governed CoST appointed an assurance team or teams. The approaches used varied across countries. The MSGs in Zambia, UK, and Ethiopia appointed experienced individuals from the construction sector, either working together in one team (Zambia and UK) or as individuals (Ethiopia). Malawi and Vietnam appointed consultancy firms while the MSG in Tanzania appointed five separate two-person teams. The Philippines used an existing organisation, the Commission of Audit (COA), so as to avoid the perception that CoST was duplicating the work of other agencies; the COA was appointed to do the work of the AT and not to conduct an audit. The ATs in all the pilot countries had the following core objectives:

- To assist the MSG to liaise with the procuring entities to ensure the disclosure of material project information (MPI) on construction projects selected for coverage by CoST. (MPI is defined as information that is sufficient to enable stakeholders to make informed judgements about the cost, time, and quality of the infrastructure concerned.)

- To verify the accuracy and completeness of MPI disclosures and report on the extent and accuracy of information released on the selected construction projects.

- To analyse the disclosed and verified data in order to make informed judgements about the cost and quality of the built infrastructure.

- To produce reports for the MSG that were clearly intelligible to the non-specialist, highlighting any 'cause for concern' that the analysed information revealed.

These terms of reference show that the AT was seen as playing an interpretative role in helping to make raw data disclosures more intelligible to a wider range of affected stakeholders: as well as verifying the disclosed data, the team was expected to analyse it, highlight any 'causes for concern', and report these in everyday language to the MSG.

Preliminary tasks: working with PEs and selecting projects

The procuring entity (PE) for a project is central to the process of disclosure of MPI. Persuading these entities to participate in the pilot was the task of the MSG. This took time, but eventually PEs from three to five sectors in each country agreed.

The PEs provided a list of ongoing construction projects from which—according to the design of the pilot—the MSG was to select a sample, using a random procedure and taking into account criteria such as sector, size, location, and source of funding. In fact, in no country were projects selected randomly and in many cases the selection was left to the AT or to the PE itself, with obvious implications for bias. The projects that were selected are shown in Table 1.

Table 1: Number of projects per sector that were included in the pilot

Country	Transport	Water, sanitation, irrigation, flood defence	Schools and colleges	Housing	Govt Buildings	Hospitals and health centres	Ports and airport	Total
Ethiopia	14	7	2	0	0	2	0	25
Malawi	5	2	0	2	0	0	0	9
Philippines	5	2	1	0	0	0	2	10
Tanzania	2	1	0	0	1	2	0	6
UK	2	2	2	2	0	0	0	8
Vietnam	5	4	1	1	0	0	1	12
Zambia	8	0	6	0	3	0	0	17
Total	41	18	12	5	4	4	3	87

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Compiling and disclosing project information

The CoST design document anticipated that PEs would make periodic collections of material project information, record the information in a template maintained for this purpose, and disclose it directly into the public domain on an ongoing basis. The terms of reference for the assurance teams proposed that the teams assist in this process if required.

In practice, Vietnam was the only country where ATs assisted the procuring entities to compile the MPI and disclose it directly into the public domain (Figure 1). In all the other countries the ATs themselves had to collect the MPI and enter it into the MPI template (Figure 2).

Figure 1: MPI collection and disclosure: Vietnam and the pilot design document
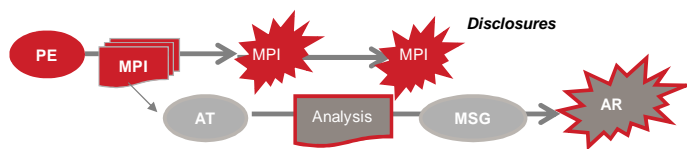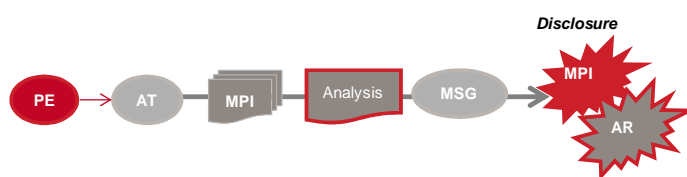

Figure 2: MPI collection and disclosure: Ethiopia, Tanzania, Malawi, the Philippines, Zambia, and the UK

Note: The exploding bubbles represent disclosure of material project information (MPI) and assurance reports (AR).

The main reasons cited for why PEs were loath to disclose information were that they were not required by law to disclose all of the items of MPI and in the format required by CoST, and that for them disclosure was an additional, unfunded, burden.

Key factors that encouraged PEs in Vietnam to disclose MPI were the provision of incentive payments to their staff for the additional work involved, as well as a clear directive to disclose that they received from the highest authority, the Prime Minister.

ATs found the task of collecting and collating the MPI challenging. Information had to be extracted from source documents belonging to the PE or to its client organisation and the process was hindered by poor document management, with source documents being held in different offices often scattered across the country. Sometimes reluctance of PE staff to cooperate added to the difficulties. In some countries PEs were suspicious of CoST, which some saw as pushing the donor agenda, while others doubted the value of information disclosure, especially when compared with the costs it entailed.

Having the MPI assembled by the assurance teams rather than by the PEs created implications for its disclosure. Although the PEs released information to the ATs, the latter were not entitled to disclose it to the public because the information belonged to the PEs. Eventually the raw MPI data were disclosed by the MSG in each country but only with the agreement of—and in some cases after extensive negotiations with—the PEs.

Given the limited time available, ATs generally only achieved a single round of information collection from the selected projects. Most of the MPI that was disclosed through the pilot therefore provides only a snapshot of the status of each project at a particular point in time. Vietnam is the notable exception where information was collected and disclosed on a regular basis over a five-month period.

Verifying for accuracy and completeness

ATs were expected to verify that the MPI disclosed by the PE was accurate and complete, paying special attention to the reasons given for time and cost overruns. Because the information was collected by the AT from source documents and the AT itself deduced the reasons for overruns, verification for accuracy had little meaning. Some ATs tried to check source documents with consultants and contractors but often this amounted to simply making sure that they had copies of the same documents.

AT reports sometimes pointed out items of information that were missing or could not be obtained from the PE or from other sources. Information gaps were a problem on one project in Malawi, one project in Vietnam, and several projects in Zambia where the item most frequently missing was the budget.
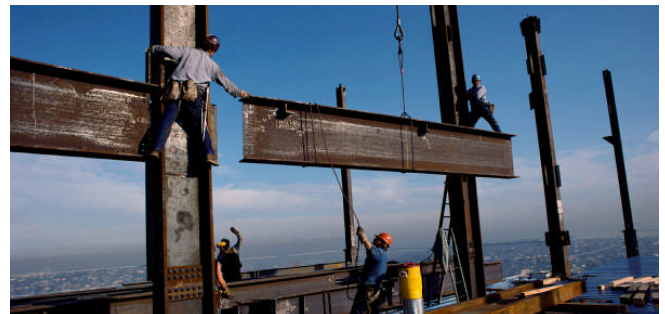
Judging cost and quality

At the time of writing, AT reports had been received on 67 projects from six pilot countries (those from the Philippines and for ten projects in Ethiopia were pending [<OK?]). The AT reports pointed out many instances of cost- and time overruns but provided less explanation and judgment of their findings than had been expected when CoST was designed. The experience showed that making judgments on value for money, time to completion, and quality on the basis of information released by the PEs is more difficult than had been assumed at the outset of the pilot.

To judge whether the cost of a project represents good value it is necessary to look both at the original contract price and at any increase in price during project

implementation. Most of the AT reports highlighted cost overruns, but far fewer assessed whether or not the overruns were justified. Most of the challenges they raised concerned increases in project cost that were not adequately explained by the available documentation. In some cases, further investigation and closer analysis of the documentation (particularly the bill of quantities) revealed price increases that were excessive, including instances of double counting. Detailed analyses of initial contract prices raised similar concerns. This suggests that to make robust judgements on project cost requires a thorough investigation similar to an audit.

Time overruns, like cost overruns, were frequently noted and less frequently challenged.

Making informed judgements on project quality is even more problematic. In most countries the AT's scope of work included just one visit to the project site, with the quality check limited to a visual inspection. Thus it was difficult for the teams to draw conclusions on the quality of the built infrastructure—and few attempted to do so. The few comments on project quality that were included in AT reports were limited to very obvious defects and shortcomings in procedures.

Highlighting 'causes for concern'

Some ATs were reluctant to use the term 'causes for concern', preferring to say 'observations' or 'findings.' Many of their observations were simply to highlight facts revealed by the MPI. Fewer of them reflected attempts to find the reasons or draw out the implications of the highlighted facts and explain why they might be of concern.

Of the observations that went beyond simply highlighting facts, around a third (31%) related to cost and time overruns during project implementation; many also pertained to earlier stages of the project cycle, notably project identification and design (26%) and procurement (28%) (Figure 3). Well over half pertained to contracts with consultants for design or supervision.

Figure 3: Distribution of causes for concern in AT reports
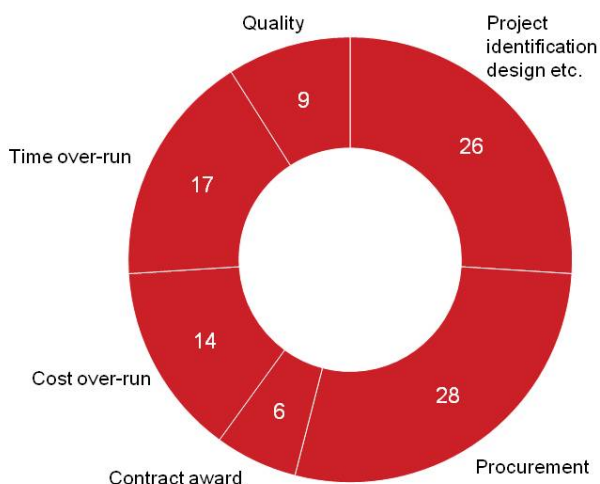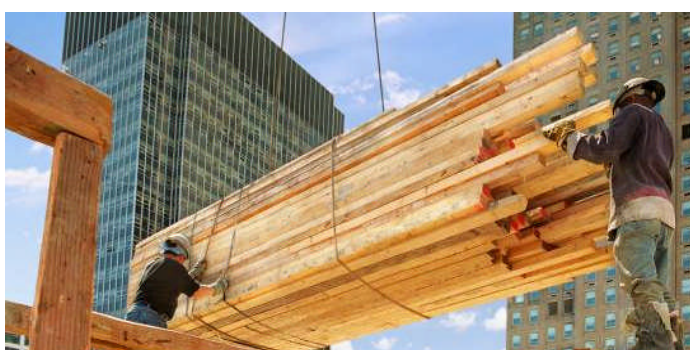

Reporting in plain language

Reporting complex details in plain language clearly intelligible to the non-specialist was not easy for the construction professionals in the ATs. With hindsight, it might have been wiser for an MSG to engage an experienced editor to re-draft the ATs' reports before disclosing them to the public. Reports need to be carefully worded to avoid subjectivity and to prevent informed judgement from being seen as mere opinion.

Looking ahead

Experience shows that the terms of reference set for the ATs in the pilot phase were unrealistic. Though the teams did a good job in compiling project information, future phases of CoST should focus on helping PEs to disclose MPI themselves (as occurred in Vietnam). The role of the AT would then be to verify the disclosed information for completeness and accuracy. How this might best be done will require further investigation.

If resources are available, ATs could be asked to analyse the information further to uncover other issues of concern and assess whether time and cost overruns were justified. This kind of information has the potential to inform stakeholders of PEs' performance in managing construction projects. It could be a useful tool for improving PE performance and was seen in this light in some of the pilot countries.

ATs should not be asked to assess project quality or judge value for money, as these tasks require a full technical and financial audit. The CoST design assumes that procuring entities are subject to a credible audit process and that, as far as practicable, projects are subject to credible, independent financial and technical audits. The task of the AT is to assess the adequacy of the audit process.