



Guidance Note: 7

Designing an Assurance Process

Introduction

The aim of CoST is to increase the transparency and accountability of publicly funded construction projects. As Guidance Note 6 explains, core to CoST is the disclosure of information from publicly financed construction projects into the public domain. For enhanced transparency to be effective in achieving better accountability in government, stakeholders need to be able to understand the disclosed information and to identify issues of interest or potential concern. CoST's Assurance Process helps to achieve this by interpreting the disclosed information, and delivering key messages to the public.

This Guidance Note provides a step by step guide to designing an Assurance Process that can then be adapted to suit the local context – see Box 1 for an example from Guatemala. It consists of a series of core steps that are essential to the Assurance Process and a number of optional steps to consider.

Box 1: Guatemala Assurance Manual

The Guatemalan Assurance Team has produced a manual for disclosure and assurance requirements designed to suit the Guatemalan context. The manual is based on the assurance team taking the following steps on a sample of projects:

- Check Guatecompras (the Government's e-procurement website) to see if the procuring entities have disclosed the information required.
- Request the additional information CoST requires for disclosure from the procuring entities.
- Carry out a site visit to interview the contractors' staff to verify the disclosed information and observe the physical progress of construction against the specification, programme and financial progress.
- Analyse the disclosed information to identify issues of concern for the public.
- Draft a report that summarises the coverage of the disclosure, identifies broad performance issues across the sample of projects and highlights points of interest specific to the individual projects.

The CoST Assurance Process has three objectives:

- To monitor the compliance of participating procuring entities with the Interim Disclosure Requirement (IDR)/Formal Disclosure Requirement (FDR)¹ in terms of the completeness and accuracy of the disclosed information.
- To highlight issues of potential concern that are revealed by the disclosed information. This relates to individual projects as well as common performance concerns across the participating procuring entities.
- If appropriate, to carry out a more detailed review of a sample of projects or refer projects of concern to an independent authority.

The Assurance Process will be designed, and usually tested, during the inception period. The Assurance Process is usually undertaken by an independent Assurance Team appointed by the Multi-Stakeholder Group (MSG). However, to avoid duplication, the design process should identify whether any of the above objectives is already the responsibility of existing organisations or can



Photographs courtesy of Engineers Against Poverty and the World Bank.

¹ Formal Disclosure Requirement (FDR) is the administrative or legal basis that establishes the requirement for procuring entities to disclose construction project information into the public domain. An Interim Disclosure Requirement (IDR) is a ministerial directive or government policy that provides sufficient authorisation for participating procuring entities to disclose project information for a limited period of time.

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be achieved within existing government systems. This could be identified in the Scoping Study (see [Guidance Note 5](#)).

Either way, as CoST becomes mainstreamed within government systems, the assurance role should be handed over to the organisation that will take long-term responsibility for it.

Figure 1 provides a flowchart of the Disclosure and the Assurance processes. The Disclosure process is described in [Guidance Note 6](#).

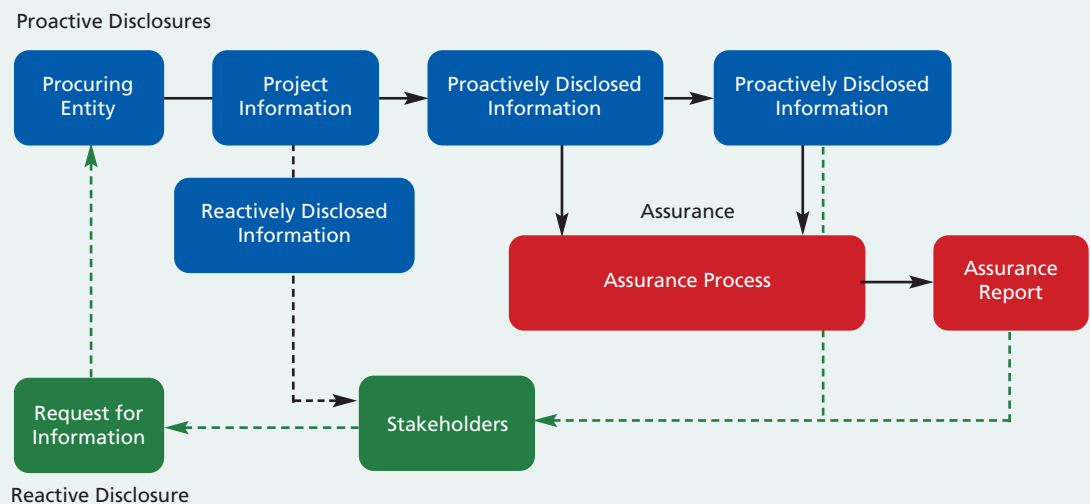


Figure 1
Schematic of
Disclosure and
Assurance
Processes

Step 1: Identify the Assurance Team

The MSG has the responsibility for identifying and appointing the team that will carry out the Assurance Process.

Where there is an institution such as a national audit office that is trusted by the public and has the capacity to undertake any or all of the above objectives, then the MSG may request that this institution takes on the role of the Assurance Team (see Box 2). The advantage of this is that the Assurance Process becomes mainstreamed within government systems at an early stage of the CoST programme. The risk is that it may compromise the perceived independence of the Assurance Process.

Box 2: Commission on Audit

The CoST Philippines MSG appointed the Commission on Audit (CoA) as the Assurance Team to leverage the CoA's existing data gathering processes and mandate for ensuring the effectiveness and efficiency of government. During the pilot the CoA examined 10 construction projects from the Department of Public Works and Highways, (DPWH), Department of Transportation and Communications (DOTC), and the Light Rail Transit Administration (LRTA). It initially examined the information disclosed on the Philippines Government Electronic Procurement System (PhilGEPS) before requesting additional information in order to identify specific issues that would be of interest to stakeholders. The MSG intends to work with the CoA to develop an assurance manual as a step towards mainstreaming the Assurance Process within government systems.

² The Assurance Process during the CoST pilot (2008 to 2011) examined 100 projects across the 8 participating countries.

Where only some or potentially none of the objectives can be undertaken by an existing organisation, the MSG should appoint an independent team. The team usually consists of highly experienced construction professionals who are typically contracted by the CoST host organisation or the CoST independent legal entity (if it has been established). Experience from the CoST pilot²

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indicates that it is preferable to recruit individuals through a tender process and then form a small team or teams, as there were several problems managing conflicts of interest when recruiting a consultancy firm (see Box 3). As CoST is mainstreamed, the MSG should work with government to institutionalise the various aspects of the Assurance Process within government institutions.

Whether the MSG opts for a trusted institution or an independent team, it should ensure that there is sufficient management capacity, including a quality control process to deliver high quality Assurance Reports.



Box 3: CoST Ethiopia identifies individual experts for assurance team

For the CoST pilot the CoST Ethiopia MSG originally decided to tender for a consultancy firm to take on the role of the Assurance Team. However, it was found that there were very few firms with the capacity and expertise to take on the role and that one or two firms who did submit a proposal had potential conflicts of interest. The MSG cancelled the tender process and decided to recruit individual experts, from which two person teams were formed to examine 25 projects. Recruiting a pool of individual Assurance Team members potentially allows the MSG to quickly identify the right expert to analyse a project. Key to this approach is appointing an Assurance Team leader who draws together the general findings from the Assurance Process.

Step 2: Survey completeness of the disclosed information

Completeness means the percentage of actual disclosure by procuring entities (based on the 38 items of project information for each project that are required for disclosure by CoST). Where the information is disclosed from a central database, this statistic should be easily generated from all the participating procuring entities at least on an annual basis. Where the information needs to be aggregated across a variety of sources it may be more appropriate to carry out a survey on a sample of procuring entities. Figure 2 shows the completeness of disclosure from the first three Assurance Reports published by CoST Guatemala.

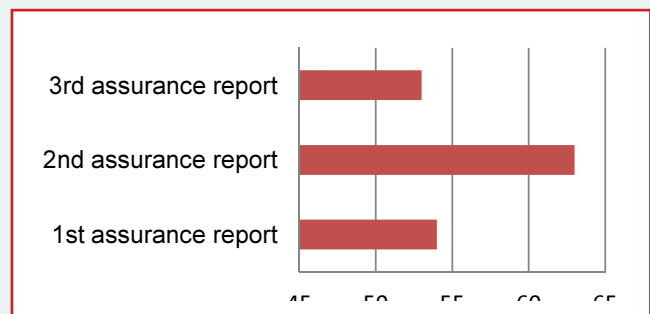


Figure 2
Completeness of disclosure in Guatemala as a percentage

Step 3: Assess the accuracy of the disclosed information

Accuracy of the disclosed information will be assessed by validating the information that has been publicly disclosed as complete and correct against the original records. This will require that the information disclosed by the procuring entity is checked against other sources (for example, records of the consultant and/or contractors). It will probably also require closer scrutiny of other documents (including variations, claims, payment records, progress reports) in order to verify the reasons for any increase in cost or time – which is the one item of disclosed information that is not purely factual. During the inception period it is likely that this process will cover all the participating procuring entities on a sample of projects.

As the number of procuring entities participating in CoST increases (and the number of projects on which information is disclosed also increases, potentially reaching into the 100s and 1000s), the MSG is likely to identify a random sample of procuring entities and projects to assess accuracy. The way procuring entities and projects are selected will be determined by the MSG. For example, it could include two or three procuring entities per year and a range of large, medium and small projects. A procuring entity would only be targeted in successive years if there was a need to check on remedial actions.

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Step 4: Identify project specific issues

The process of assessing the accuracy of the disclosed information is the first step in scrutinising individual projects. When validating the disclosed information, the Assurance Team should identify issues of concern on individual projects that are likely to be of interest to stakeholders.

These concerns may relate to the cost and quality of the construction and whether project changes are justified. Each point made should contain the observation and a brief explanation, in non-technical language, of why it is of special interest or concern. The explanation should be objective in tone and avoid speculation or judgement on the cause or responsibility. Examples of issues of concern from the CoST pilot are highlighted in Box 4. These issues could potentially lead to a more detailed review as described in the optional steps 7 to 9 and should be included in the Assurance Report as described in step 6.

Box 4: Examples of issues of concern from pilot Assurance Reports

- 41% increase in price due to change in building cladding.
- £4.1m cost increase due to delay in third party providing access to road site.
- Volume of retaining wall in the bills of quantity exaggerated for rural road and the volume of excavation unimaginable.
- Inappropriate use of emergency procurement procedures for road bridge scheme.

Step 5: Identify common performance issues

“The MSG should consider which issues are of importance to the different stakeholder groups and ensure that the Assurance Team is directed to capture these in their terms of reference”

Periodically the Assurance Process will aggregate the data from the project information disclosed by the procuring entities, for analysis. This analysis will focus on the content of the project information with the aim of highlighting common performance issues amongst the participating procuring entities. The MSG should consider which issues are of importance to the different stakeholder groups and ensure that the Assurance Team is directed to capture these in their terms of reference.

As the amount of information disclosed during the inception period is limited, the initial statistics generated will be indicative rather than forming comprehensive performance data. As disclosure is scaled-up, then the performance data will become more reliable. There is also the potential for the results to be aggregated by procuring entity, region, project type and/or across a sector.

The specific areas of focus are likely to vary depending on the preferences of the MSG. They are also likely to evolve over time. Areas that seem to be of universal interest include, for example:

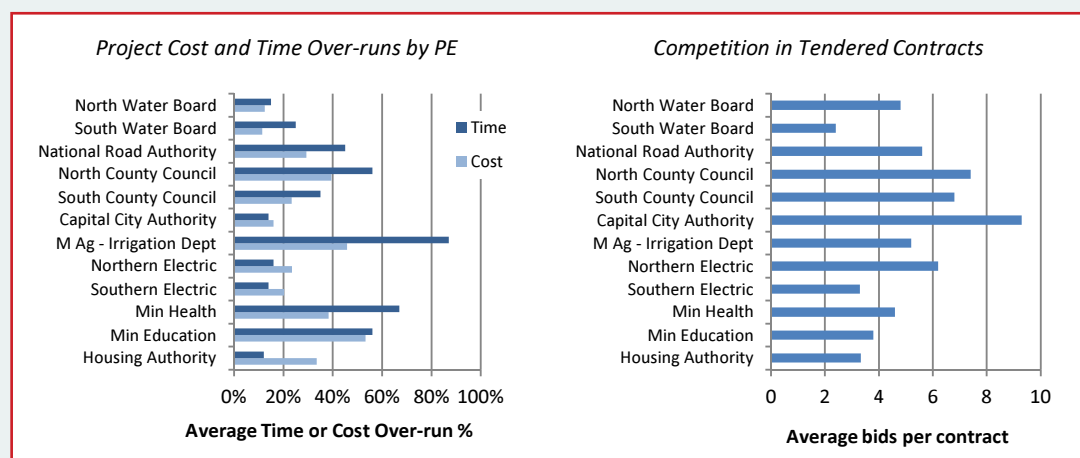


Figure 3
Examples of performance statistics

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procurement process and levels of competition; time and cost overruns; average cost trends and comparisons; number and value of defects; and distribution of projects and spending activity. Examples of charts that could be produced from this analysis are shown in Figure 2.

A potential challenge for a national programme is the capacity for collating the data required to identify the performance issues. To generate comprehensive statistics on the performance of the public sector, project information needs to be disclosed through a standardised information management system. Where there is low capacity, such as when the information is collated from paper based systems, the scope of this objective should be more limited. For example, it may be that only a sample of procuring entities is included.

As the number of procuring entities participating in CoST increases, it will only be necessary to include a sample of these.



“Fundamental to a good Assurance Report is writing in language that can be easily understood by the public.”

Step 6: Produce an Assurance Report

The Assurance Team is then tasked with producing a report for the MSG that includes:

- Assurance on the completeness and accuracy of the disclosed information
- Performance issues common across projects, and the issues of concern on specific projects
- An evaluation of the emerging key issues and common themes
- Recommendations to the MSG on the key findings and projects for further review.

Fundamental to a good Assurance Report is writing in language that can be easily understood by the public. The Assurance Team should use non-technical language as a first principle and only use technical terms where plain language is inappropriate or inaccurate. A glossary of technical terms should be included in the report. It may also be useful to engage an editor to assist in the editing of the reports for the public.

The MSG may invite clarification and confirmation from the procuring entity on the findings and the highlighted issues. The MSG may then ask the Assurance Team to incorporate factual corrections and additional information into the report. Where the MSG disagrees with the procuring entities' comments, it may wish to publish those comments as a separate document.

The MSG will ensure public disclosure of the final Assurance Report. When appropriate the MSG will refer the report to the relevant authorities, such as a national audit office, anti-corruption commission or procurement authority, for a decision on further action.

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Optional Step 7: Identify whether a detailed review of a sample of projects is required

Using the findings and recommendations from the Assurance Report, the MSG will assess whether a more detailed review of a sample of projects should be carried out. If this is not required, then optional steps 8 to 10 do not apply. In making this assessment the MSG may use indicators that flag issues of concern, in order to select a sample of active projects in which one or more of these indicators are poor. Examples of possible indicators include: excessive time or cost overrun; market competition; contract award price; incomplete disclosure compliance; or failure to satisfactorily explain increases in cost. Alternatively, the detailed review could focus on procuring entities where there is a concentration of poor performance. Over a period of time the sampling should cover different projects and procuring entities in order to ensure a broad rolling coverage.

On occasion there may be pressure to target a specific project due to concerns raised by the Assurance Team and/or other stakeholders. It is important that the MSG considers whether the concerns are genuine, the pros and cons of subjecting the project to a detailed review, and the option of referring the project to the audit authority, an anti-corruption commission or another relevant investigatory authority.

During the inception period, where the Assurance Process is tested on a limited number of projects, the sample of projects for detailed review is likely to range from 15 to 30%. As information disclosure expands this percentage sample will generally decline. Once disclosure has been mainstreamed, the sample could be reduced to 1 to 5% of projects. Focusing on two to three procuring entities each year will help to ensure that good coverage is both possible and practicable. There is a case for including recently completed projects in the sample, because these would show a complete record of the changes that occurred during implementation.

Optional Step 8: Refer the sample of projects to the Assurance Team or an independent authority

When the MSG has identified the sample of projects, it should initially consider whether some or all of the projects should be referred to a relevant authority such as those described above. The authority should have the independence, capacity and relevant procedures to be undertake the review. The MSG should then engage with the relevant authority to discuss whether it will take on the review and the investigation process. Where there is no relevant authority or the authority declines to take carry out the review, then the task can be referred to the Assurance Team.

Box 5: Tasks for the detailed project review

- Identify focus and scope of review
- Request additional project information when necessary
- Potentially undertake a site visit
- Summarise and highlight issues of concern
- Publish a report on each sampled project

Optional Step 9: Agree the tasks for the detailed review

Where the Assurance Team is appointed to undertake the detailed review of the selected projects it should follow a prescribed approach that reflects the country context. This will ensure achievement of a consistent and appropriate analysis, and findings that highlight the issues of concern to stakeholders. The tasks for the detailed review are likely to include the following:

- **Identifying focus and scope of review.** If the focus is general, the scope would include the whole project and all contracts under it, with general analysis of the key information based on only a few additional documents. If the focus is on a specific aspect or phase, the analysis may be more detailed and require all the additional information available on that aspect.

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- **Requesting additional project information when necessary** to undertake more in-depth analysis of the issues of concern. The information requested will be based on the agreed focus and scope of the review and the issues identified in steps 5 and 6. Additional information can be requested from the procuring entity under the reactive disclosure provision.
- **Potentially undertaking a site visit** to check that actual construction progress is accurately reflected in the disclosed information. A visit will also allow the collation of additional documents that may only be available at the site office. Although it is not possible to draw firm conclusions on the quality of construction, the Assurance Team may be able to draw some general observations.
- **Summarising and highlighting issues of concern**, noting areas where the project is consistent or inconsistent with its aims, and highlighting key concerns that are likely to be of interest to stakeholders or should be brought to their attention. This process is very similar to step 5 but, in this case, the Assurance Team will have more information on each project so that firmer conclusions can be drawn regarding the issues of concern.
- **Publishing a report on each sampled project** on the CoST programme website. This will allow stakeholders to easily access the project they are interested in.



Where a sample of projects is referred to an independent authority, its own procedures will be used for the detailed review.

Optional Step 10: Survey the coverage of the Formal Disclosure Requirement (FDR) across the public sector

This optional step is aimed at monitoring the coverage of the implementation of a Formal Disclosure Requirement (FDR) across the public sector. 'Coverage' refers to the percentage of publicly funded construction projects (both in terms of number and value of projects) that are subject to the FDR.

This step is unlikely to be included during an inception period when the Assurance Process is being tested, or during the early stages of scaling up disclosure, as the number and value of projects will be extremely limited. However, as disclosure is mainstreamed, surveying coverage of the FDR may be of value to the national programme.

When this step is applied the Assurance Team will then collect data on project information disclosed by all procuring entities. This will be taken from the official public disclosure channels,

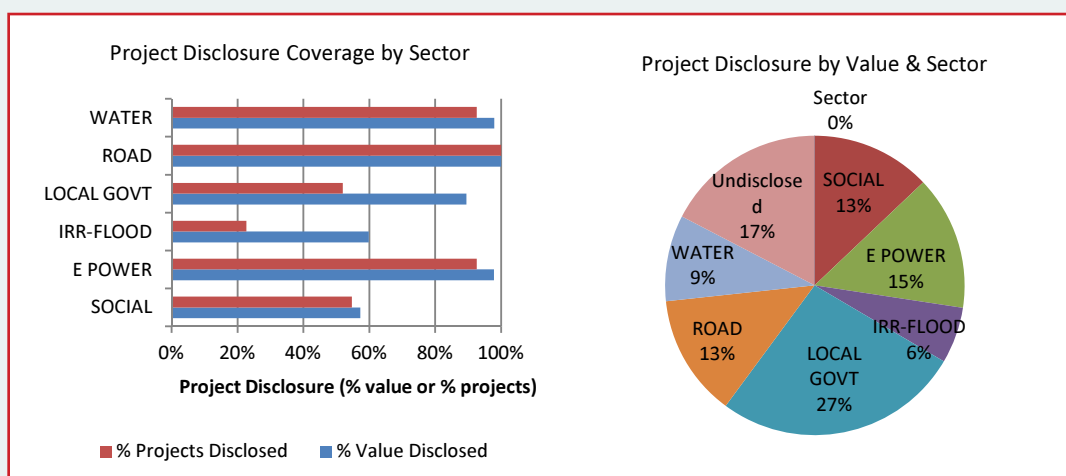


Figure 4
Coverage of a Formal Disclosure Requirement across the public sector

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such as websites, newspapers, community offices etc. The Assurance Team should refer to the MSG's and/or procuring entities' policy on disclosure in order to identify the different disclosure channels.

The data will be compared with the number of projects that should be complying with the FDR. Statistics will be generated on the count and potentially the value of projects for which information is actually disclosed, and on the frequency of updating the disclosed information. This information can then be compared with information on the total budget or project list from annual public expenditure programme(s). Figure 3 shows examples of charts that could be produced from such analysis.

Conclusion

This Guidance Note has outlined a number of core and optional steps to consider when designing the Assurance Process for a CoST country programme. This includes identifying whether any or all of the objectives for the CoST Assurance Process have a direct equivalent within existing government systems - such as a procurement oversight authority or national audit office. It is only when no equivalent is available, that the Assurance Process must be designed and developed for execution by a dedicated Assurance Team appointed by the CoST country programme. Key to a successful Assurance Process is reporting the key issues in language and format that is understandable and accessible to the public.

Guidance notes in this series:

1. Impact Stories
2. Joining CoST
3. Developing an Implementation Plan
4. Establishing a Multi-Stakeholder Group and National Secretariat
5. Completing a Scoping Study
6. Designing a Disclosure Process
7. Designing an Assurance Process

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