

Lessons Learned from two ‘Test Runs’ on single completed projects in the UK and Tanzania

Objective 1. To identify the resources (of time and money) required: to obtain the information, verify whether the information is correct and assess the implications of the information.

1.1 **Tanzania:** 15 days was involved at a total cost of US\$ 8,000, around £5,000.

The contract was not tendered (or negotiated) and it required working over the holiday period so unit rates were very high for Tanzania (\$US 550 per day). In more normal times a unit rate of \$US300 might be expected, bringing the cost down to US\$4,500 or £3000.

Also the consultants reported that 40% of the time was spent on obtaining the information, so if the required information was already available, the cost might be as low as US\$2,700 or £1,800.

1.2 **UK:** 35 days were involved at £600 per day, giving a total cost of around £22,000. Again, much of the time was spent in obtaining the information (which was obtained through interviews rather than documents presented for inspection). Much of the consultants report was also irrelevant – addressing issues other than those in the TOR. The consultants estimated that, if information was already obtained, the cost to assure the project might have been around half, i.e. £11,000. In general they estimate the cost at 0.05 to 0.1% of project cost.

Conclusions:

- With the possible exception of the UK, the assurance process, as envisaged in the CoST design document, would seem to be affordable provided that information is obtained in advance. For example, the cost of assuring 20 projects to be included in the Tanzanian pilot, at an individual cost of £1,800, would be £36,000. Of course as the scope of CoST widens to bring in many more projects assurance will only be possible on some – but then we are talking beyond the pilot when the whole approach might change.

To ensure information is available the following steps are recommended:

- A reputed body (e.g. NCC) to request release of the information in advance

- MSG to get the agreement of client, consultant and contractor to cooperate in information release as a precondition to including the project in CoST . For projects not yet tendered, the requirement to release project information to be included as a condition of tender and written into contract documents

Objective 2. To assess whether the disclosed and verified project information is sufficient to make informed judgements about the cost and quality of the built infrastructure and to detect possible instances of corruption.

2.1 **Tanzania:** The information obtained included actual contracts (for contract supervision and the main contract for works), progress reports, variations and claims. This information allowed the team to make informed judgements on the cost of the project and to detect irregularities. However, the disclosed project information was not sufficient for the consultant to judge the quality of the completed projects.

2.2 **UK:** The client released very little information (only the minimum to comply with EU procurement legislation). The consultants supplemented the limited information released by interviews with key stakeholders and were still able to note some 'causes for concern' in the management process.

Financial progress reports are produced on a monthly basis on highways projects in the UK and these are a good source for identifying changes to specifications and cost. However, it is not clear if these reports were made available to the consultants in the test run.

Conclusions:

- Actual contracts, variation orders, claims and progress reports should be added to the list of materials project information to be released.
- Site visits may be necessary to verify quality: such visits by the Assurance Team might be authorised by the MSG where the disclosed information suggests concerns.

Objective 3. To identify any modifications to the assurance process that might be needed to achieve the aims of CoST

3.1 **Tanzania:** No modifications are required apart from the additional items of information noted above.

3.1 **UK:** has procurement routes that are very different from the traditional route, including framework contracts and 'early contractor involvement' with open book accounting. When payment to the contractor is based on actual cost (as opposed to contractors' prices) the terms and conditions of the appointment and management of first and second tier subcontractors

becomes important in assessing value for money. However there may be an issue of commercial confidentiality in disclosing this information. The baseline study will address this issue.

Objective 4. To test ways to report on information in a clear and informative way, suitable to CoST's multi-stakeholder audience

4.1 **Tanzania:** The first draft of the consultant's report in Tanzania was criticised by the MSG for expressing opinions which could be libellous. It was concluded that the assurance teams should report only the facts, without comment.

4.2 **UK:** The client of the test run project (the Highways Agency) objected to publication of the consultant's report on the grounds that it contained some slight criticism of the Agency.

Conclusions:

- The test run has shown that the project reports compiled by Assurance Teams are not likely to be readily accepted by clients if they contain any hint of criticism. But publication cannot be avoided if the objectives of CoST are to be achieved. The client (Procuring Entity) responsible for the project should be given the opportunity to comment on the reports but should not be allowed to prevent publication.
- To avoid the possibility of libel action the reports should be factual and avoid passing any opinions.

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