

Glasgow City Council Internal Audit Section

Committee Summary

Financial Services – ERP Replacement Project Management and Governance

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of the project management and governance arrangements in place for the Enterprise Resource Planning (ERP) Replacement project being undertaken by Glasgow City Council (the Council).
- 1.2 The Council's current ERP solution is provided by SAP; however, system support will no longer be available after 2027 and it is crucial that a replacement system is established prior to this, to ensure the Council can fulfil its statutory duties and carry out its business-critical functions. The project will be delivered in four phases: (1) Solution Definition, (2) Procurement, (3) Implementation and (4) Close Out, with the new system expected to be implemented by December 2027.
- 1.3 Phase one of the project is complete, and the internal project team is now well established with officers from across the Council being brought on board according to their area of expertise. A Client-Side Advisor (CSA) was contracted to provide specialist guidance which included defining the Council's requirements for the procurement of a suitable software replacement and the delivery of an Outline Business Case (OBC). An external consultant has been appointed to the role of Payroll Subject Matter Expert (SME) to provide specialist knowledge and experience.
- 1.4 The project is currently in phase two, which focuses on procurement, with the award of the software solution to Oracle being approved by the Contracts and Property Committee in February 2025. Work is now progressing to appoint a System Integrator (SI); this is an externally appointed partner who will provide expert guidance, as the Council moves through the changeover and launch of the new system, over the next two phases.
- 1.5 The ERP Replacement project has an approved capital budget of £23m. Therefore, it is required to follow the Council's corporate guidance, including the Capital Project Management Toolkit (CPMT), Risk Management Policy and Framework (RMPF), Corporate Procurement Manual and Toolkit and the Records Retention and Disposal Schedule.
- 1.6 We carried out a review of the arrangements in place for the project management and governance arrangements for the project. The scope of the audit included the key controls in the following areas:

- Business Case and project plans;
- Roles and responsibilities;
- Project Reporting;
- Risk management;
- Budgetary control and monitoring arrangements;
- Change controls processes;
- Approvals and decisions, including audit trails;
- The use and management of external consultants;
- Lessons learned exercises;
- Stakeholder Engagement;
- Quality assurance processes, and
- Record keeping arrangements.

2 Audit Opinion

- 2.1 Based on the audit work carried out assurance can be taken that the control environment is satisfactory. However, the audit has identified some scope for improvement in the existing arrangements and one recommendation which management should address.

3 Main Findings

- 3.1 We found that key controls are in place and generally operating effectively. A Strategic Business Case and Outline Business Case have both been developed and approved in line with the CPMT. A Project Initiation Document (PID) has also been developed and approved as required, along with a revised second version, which was updated to reflect the project moving into phase two. Adequate audit trails were evidenced for all the approvals. We were advised that once the appointment of an SI has concluded, the Full Business Case can be developed which will confirm the final cost and benefits of the project.
- 3.2 We are satisfied that project plans have been developed, in accordance with the CPMT. Given the current stage of the project, a strategic high-level roadmap has been developed which sets out the milestones across the project's four phases and indicates the critical path and dependencies on other projects and business as usual activities. A 'Procure and Prepare' Plan was also developed relating to all the activities required to complete phase two of the project. We were advised that the main project plan and detailed work stream plans will be developed following appointment of the SI.
- 3.3 Documented evidence was provided to confirm the governance structure in place, including the responsibilities of all key roles, ERP organisational charts showing the internal and external teams for phases two and three, a breakdown of the workstreams, and a terms of reference for each group including the Steering Group and Co-Ordination Group.
- 3.4 We found that the project's risk management arrangements are compliant with the Council's RMPF. The project maintains a risk register as part of its overall Risk, Assumptions, Issues and Dependencies (RAID) log. We evidenced that the risks are reviewed and updated by the Programme Manager on a quarterly basis and reported to the Steering Group. Work has recently been completed to transfer the risk register to the Pentana system, which provides greater functionality, including the ability to assign responsibility for managing and reviewing the risks to specific risk owners and increasing the frequency of review for higher level risks.
- 3.5 Adequate budget monitoring arrangements were found to be in place and operating effectively. Project specific cost centres have been created to allow expenditure to be tracked

on the ledger and Finance officers carry out budget monitoring every period. We reviewed a sample of three periods from 2024/25 and found that all financial information was reported accurately. A budget monitoring report is presented on a four-weekly basis to the Steering Group, and to the Capital Programme Board and the project is also incorporated into the corporate budget monitoring presented to the Finance and Audit Scrutiny Committee.

- 3.6 We found that the procurement exercises carried out to appoint the CSA and external contractors, were compliant with corporate and legislative requirements, utilising Scottish Government frameworks for the appointment of the CSA and external contractors and a Crown Commercial Services framework for the software solution exercise.
- 3.7 Project reporting arrangements in place were found to be in line with the CPMT. A monthly Highlight report is prepared by the Programme Manager, and presented to the Steering Group, which provides an update on the projects progress, outstanding and upcoming key milestones, top five significant risks and assigns a RAG status to the project overall.
- 3.8 A Lessons Learned log, has been developed using the corporate template and we evidenced that this has been populated to capture learning points for project stages already undertaken. The log is kept under review and is updated by the Programme Manager on a six-monthly basis, and we are satisfied, given the current stage in the projects lifecycle that this is adequate.

- 3.9 Stakeholder analysis has been carried out in accordance with the CPMT, and an ERP Replacement Project Communication and Engagement Strategy has been developed. We found the work undertaken so far to be adequate and were advised that the strategy will be kept under review and developed as required, to reflect the project's future requirements.
- 3.10 Record keeping and data sharing arrangements were found to be operating as required. Internal staff and consultants use EDRMS to store project data, with access being restricted as required. A Sharepoint site has been created to share data with external project officers, and access levels are controlled by Council officers. Officers advised that project retention schedules are aligned with the corporate policy.
- 3.11 We found that due to the relatively early stage of the project, change control arrangements and quality assurance processes have not yet been fully developed or implemented and we are satisfied this is reasonable and in alignment with the CPMT. Officers advised that these will be developed accordingly and implemented in the next phases of the project's lifecycle.
- 3.12 Arrangements have been developed to manage external contractors and consultants, to ensure they are delivering the services expected, including regular progress meetings with senior internal project officers. All claims are checked and authorised for payment by the Head of ERP Development Programme. No issues have been identified to date relating to external contractors and consultants, but officers advised these would be addressed and challenged if required. Although the arrangements are adequate, there was no

documentary evidence in place to confirm the arrangements discussed.

- 3.13 An action plan is provided at section four outlining our observations, risks and recommendations. We have made one recommendation for improvement. The priority of this recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.14 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.15 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.16 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: The arrangements for managing external contractors and consultants, including processing claims have been documented.				
1	<p>Through our fieldwork we were advised of the arrangements that are in place to manage external contractors and consultants, to ensure they deliver the services expected, however these arrangements have not been documented.</p> <p>Arrangements in place include regular meetings between contractors /consultants and senior Council project officers to discuss progress and performance, identify if there are any areas for improvement required, and to allow the monitoring and tracking of deliverables or outputs as required.</p> <p>Contractor and consultants' claims are all checked and authorised for payment by the Head of ERP Development Programme, in line with the Financial Services Scheme of Delegation. We were advised that no issues or discrepancies have been identified with any claims received to date, but if required these would be challenged accordingly with the relevant external Account Manager, prior to payment being made.</p>	ERP Replacement project management should ensure that the arrangements for managing external contractors and consultants, including processing claims, are documented and made available to all relevant staff.	Medium	<p>Response:</p> <p>Accepted. Work is underway to further develop the process for monitoring the performance of contractors and consultants utilised by the ERP Replacement project. This will include the development of written procedures and enhancing documentation for recording effort, delivery of agreed outputs, sign-off and payment approvals.</p> <p>Officer Responsible for Implementation:</p> <p>Head of ERP Development</p> <p>Timescales for Implementation:</p> <p>31 July 2025</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	However, the lack of documented procedures increases the risk that arrangements may not be carried out as expected and project staff are not fully aware of their associated roles and responsibilities.			