Glasgow City Council Internal Audit Section
Committee Summary
Corporate Review – Capital Project Management & Governance

Item 2 (b)

30th November 2022

1 Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of Capital Project Management & Governance arrangements.

1.2 The Council has an ongoing capital investment programme, comprised of investment in various asset classes across all Services, and funded from a variety of sources. This capital programme assists the Council in achieving statutory and policy objectives and the themes of the Council's Strategic Plan. Governance arrangements for the programme include oversight and approval by elected members through Committee reports, scrutiny by senior officers via the Capital Programme Board (CPB), and regular monitoring by the Capital Programme Governance (CPG) team.

1.3 A Project Management Toolkit (PMT) has been available since 2017, with the aim of providing a consistent methodology and a set of standardised tools that can be used to enhance the quality of projects and assist in the successful delivery of project objectives, on time and within budget. The toolkit is intended to ensure transparency and accountability of projects across the Council, and it should be applied proportionately according to the scale and significance of projects.

1.4 The purpose of the audit was to gain assurance that project officers make appropriate and proportionate use of the PMT to help ensure that capital projects are well managed and governed. This included reviewing:

- A sample of projects from the current capital programme.
- The application of, and adherence to, principles outlined in the PMT.
- Governance and scrutiny of projects and the overall programme.
- Recent revisions or changes to projects, and
- Lessons learned and arrangements for continuous improvement.

1.5 Three projects were selected for review. These are summarised in the table below.

Title	Asset Class	Approximate overall budget (£)
Seven Lochs Wetland Park (SLWP)*	Infrastructure	7m
Nursery Build – Victoria Road (VR)	Property and Land	4.25m
Wireless Access Network (WAN) **	Information Technology (IT)	27.32m
Total		**38.57m**

** The SLWP project is a partnership project where Glasgow City Council is a lead partner. Most of the overall project budget has been funded via external third parties.*

*** IT projects are delivered by the Council's IT service provider – CGI.*

2 Audit Opinion

2.1 Based on the work carried out a limited level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements, with three recommendations and two service improvements which management should address.

3 Main Findings

3.1 We found that some key controls are in place. Reports on the capital programme are regularly reported to the CPB for review and scrutiny by senior officers. Processes are also in place for detailed reporting to project boards and partnership groups in the SLWP and WAN projects.

3.2 However, some key controls are not operating effectively. We reviewed the application of the PMT within the sample of projects and found limited compliance with the toolkit's principles across all three projects.

3.3 Both the SLWP and VR projects received contributions from external funding sources, and we reviewed adherence to the terms, conditions and monitoring requirements attached to each source. For the SLWP project, the evidence received suggested that the conditions set by eight funders had not been fully complied with. In addition, we were unable to confirm the conditions set for a further two sources as source documentation had not been retained or could not be accessed. We also found that for the SLWP and VR projects, the monitoring reports submitted to the CPB contained several issues, including missing and inaccurate information.

3.4 In light of these findings, we reviewed the relevance and effectiveness of the toolkit and identified several areas for suggested improvement, including additional required detail, as well as opportunities to standardise key processes, invite feedback on the toolkit, introduce new templates/tools and tracking anticipated benefits.

3.5 We also noted that, whilst a number of templates have been reviewed and updated recently, the overall Toolkit has not been subject to formal review or update since April 2018

3.6 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendations and have identified two opportunities for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	2
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.	2

3.7 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.8 We would like to thank officers involved in this audit for their cooperation and assistance.

3.9 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 PMT is regularly reviewed and updated to ensure it is reflective of current operational practice.				
1	The PMT establishes the key principles of project management and governance to be used by the Council to establish a consistent, robust, efficient and effective approach to project management. Whilst we noted that a number of templates have been reviewed and updated recently, the overall Toolkit has not been subject to formal review or update since April 2018. This has resulted in some inconsistencies between the toolkit and current operational practice. Notably: • References to governance bodies which no longer exist – such as the Strategic Asset Management Planning Board. • The meeting frequency of the CPB is no longer accurate, having shifted from a four weekly to a quarterly meeting schedule, and • A new element added to the Red Amber Green (RAG) rating system is not reflected in the toolkit. Without an effective review process there is an increased risk that the toolkit contains irrelevant or out of date information, which may result in incorrect processes being followed.	The CPG should review the PMT to ensure that it is relevant and reflects current working practice. Thereafter, the CPG should ensure that the updated PMT is published on the intranet and communicated to all relevant parties. Moving forward, the CPG should ensure that the toolkit is reviewed and updated regularly to reflect current operational practices and reporting structures.	**Medium**	**Response:** Accepted. The Toolkit will be reviewed, updated as appropriate and communicated, and a suitable frequency for future review will be determined. **Officer Responsible for Implementation:** Head of Strategic Information, Innovation and Technology **Timescales for Implementation:** 31 March 2023

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Project officers proportionately apply the PMT to projects and retain all relevant project records.				
2	The PMT delivers a principles-based approach for all types and sizes of projects. These principles reflect good practice in project management and should be applied by all projects, with arrangements tailored to suit the size, scale and complexity of the project. For each of the projects in our sample we assessed adherence to these good practice principles. We identified several instances of non-compliance during our testing. The explanations for non-compliance included: • Oversights by project managers; • Lack of awareness of the PMTs requirements, and • Lack of understanding of roles/responsibilities in relation to certain processes. If services do not comply with the PMT, there is an increased risk that any significant issues, such as overspends or delays may not be appropriately managed.	Service SMTs must remind all project officers that they are obliged to adhere to the principles outlined in the PMT. Where services believe that it would not be appropriate to comply with some element of the PMT (e.g. if they felt it was disproportionate), they should discuss this with the CPG.	**High**	**Response:** Accepted **Officer Responsible for Implementation:** ES: Head of Resources NRS: Head of Consultancy Services FS: Head of Service Development SWS: Head of Finance For ICT projects – Head of Strategic Information, Innovation and Technology **Timescales for Implementation:** ES: Immediate. A reminder will be sent round all Heads of Service to remind all project officers that they must adhere to the principles outlined in the PMT. NRS: 30 November 2022 FS: 30 November 2022 SWS: 31 March 2023 SIT: 31 December 2022

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Management fully comply with any terms, conditions and monitoring requirements attached to external funding.				
3	The majority of the SLWP project was funded by external grant giving bodies. External funding usually has specific terms, conditions and monitoring requirements, with a risk that funding may be clawed back should these not be adhered to. The project received funding contributions from nine external funders, under ten separate funding pools. We reviewed source documentation to confirm the Council complied with conditions attached to each funding source: • For two funders, the grant award letters had not been retained or could not be accessed, meaning we could not identify the terms and conditions attached to the funding, and • For eight sources of funding, management could not provide sufficient evidence to demonstrate compliance with the monitoring requirements. Failure to fully comply with conditions of funding increases the risk that funding may be subject to recovery or clawback, which would result in financial loss for the Council.	The SLWP Project Co-ordinator (PC) and Senior Responsible Officer (SRO) must review each instance of non-compliance and take appropriate action. Moving forward, the PC and SRO should ensure that all terms, conditions and monitoring requirements attached to external funding are identified, documented and fully complied with. All funding documentation must be retained and stored securely to ensure a full audit trail is maintained.	**High**	**Response:** NRS: Accepted **Officer Responsible for Implementation:** Group Manager Parks Development & Bereavement Services **Timescales for Implementation:** 31 March 2023

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No.	Observation and Risk	Recommendation	Priority	Management Response
Service Improvement				
1	We reviewed the relevance, effectiveness and proportionality of the PMT in light of our findings and identified several opportunities for improvement. We noted: • A project management e-learning course is available via GOLD. There is no reference to the course throughout the PMT. • Standardised templates for some processes would be beneficial to promote consistency across projects, including the documentation of tolerance/escalation thresholds. • The template for the BRP is included as an appendix to the Business Case template. This means that projects which do not follow the business case model (for example IT related projects) cannot readily access the required documentation. • The PMT requires that separate risk, issues and interdependencies registers are maintained. A consolidated Risks, Actions, Issues and	CPG should review the potential improvements identified in the audit and consider if these can be incorporated where appropriate, into the PMT to increase its relevance, effectiveness and proportionality.	**Service Improvement**	**Response:** Accepted. To be considered as part of Recommendation 1. **Officer Responsible for Implementation:** Head of Strategic Information, Innovation and Technology **Timescales for Implementation:** 31 March 2023

No.	Observation and Risk	Recommendation	Priority	Management Response
	Dependencies (RAID) register could improve efficiency. • A checklist or principles document would allow self-assessment of compliance with the toolkit and could also serve as a reminder for required processes which have been overlooked. This could be completed and submitted to CPG as part of the quarterly monitoring process. • The project highlight reports do not currently capture any lessons learned during the project. Inclusion in reports could promote the capture of lessons throughout the project lifecycle, and • CPG do not currently invite formalised feedback on the PMT, which means there is no mechanism to capture potential improvements. Introducing a feedback survey could contribute to ensuring continuous improvement in project management and governance.			

No.	Observation and Risk	Recommendation	Priority	Management Response
2.	The PMT states that a key role of CPG is to monitor and report on benefits arising from capital investment. It is also good practice to track anticipated benefits, however these are not currently reported in the Annual Performance Report.	CPG should consider including a section in the Annual Capital Programme Performance Report which outlines details of anticipated project benefits.	**Service Improvement**	**Response:** Accepted. To be considered as part of Recommendation 1. **Officer Responsible for Implementation:** Head of Strategic Information, Innovation and Technology **Timescale for Implementation:** For consideration as part of planning for the 2022/23 APR.