

# GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

## GLASGOW CITY REGION CABINET REPORT

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**Title of the Audit:** Glasgow City Region City Deal – PMO Governance and Operations

### 1. Introduction

1.1 As part of the 2017/18 audit plan, we carried out a review of the governance and operational arrangements within the Project Management Office (PMO). The PMO was established to support the Glasgow City Region Cabinet (the Cabinet) through undertaking the administrative role for the Cabinet, its subcommittees and portfolios. The formal remit of the PMO is documented in the Assurance Framework. The purpose of the audit was to review the roles and responsibilities within the PMO and seek assurance that the functions are being carried out effectively and in line with the Assurance Framework.

1.2 The scope of the audit included:

- Considering the various posts and responsibilities within the PMO structure;
- Ensuring that officers are aware of their formal roles and responsibilities;
- Reviewing a sample of the activities carried out by the PMO;
- Checking that the Cabinet is provided with the support required

### 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 and seven recommendations which management should address.

### 3. Main Findings

3.1 We found that the PMO had developed a City Region Economic Strategy along with an action plan to ensure that there is consistency in relation to strategic economic and related issues. We also confirmed that a process is in place for identifying and following up on overdue Project Status Reports (PSRs) and Member Authority Reports (MA Reports).

3.2 However we found that although there is a process in place for scrutinising the information within the PSRs and MA Reports submitted to the PMO, some staff were uncertain of their role in the process.

3.3 The documented PMO organisational structure was updated in December 2017 but is not reflective of the current structure. The 2017/18 PMO budget is based on a previous structure, dating back to March 2015.

3.4 We found during a review of the monthly PMO report submitted to the Chief Executive Group in October 2017 and individual PSRs and MA Reports that there were inconsistencies on how the “RAG” status was being used. We also found that one member authority was not using the PSR template for their projects on the agreement that the relevant information would be contained within the MA Report. From a review of the member authority’s MA Report submission, we confirmed that key information relating to finance was not included.

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3.5 The City Deal Programme Business Case has not been formally reviewed since November 2015 and as previously advised to Cabinet following an exercise carried out by EKOS, the Programme Business Case does not take into account the HM Treasury Green Book requirements. Nor does the business case appraisal table, used to assess business cases submitted to the PMO by member authorities before being presented to Cabinet. Furthermore, all parts of the current appraisal table should have been assessed as fully compliant prior to the PMO recommending to Cabinet to approve the funding and allow the project to proceed to the next stage, but from reviewing the appraisal table for two final business cases, there were a number of areas that were marked as non-compliant or partially compliant.

3.6 While a benefits realisation strategy is in place, within this strategy it is stated that a benefits realisation plan for member authorities' projects will be produced, however these have not yet been developed. A process has been introduced to monitor the benefits identified for each project, however the information is incomplete and there are projects where no benefits have been identified and provided to the PMO.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made seven recommendations 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.	3
Medium	Less critically important controls absent, not being operated as designed or could be improved.	4
Low	Lower level controls absent, not being operated as designed or could be improved.	0

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

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

3.10 It is recommended that the Head of Audit and Inspection submits a further report to Cabinet on the implementation of the actions contained in the attached Action Plan.

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### 4. Action Plan

**Glasgow City Region - PMO Governance and Operations**

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> The technical functions of the PMO (as defined in the Assurance Framework) are carried out.				
1	<p>The City Deal Programme Business Case has not been formally reviewed since November 2015 and as previously advised to Cabinet following an exercise carried out by EKOS, the Programme Business Case does not take into account the HM Treasury Green Book requirements. Nor does the business case appraisal table, used to assess business cases submitted to the PMO by member authorities before being presented to Cabinet.</p> <p>The consultant is currently assisting the PMO in reviewing previously approved outline business cases to identify areas where augmentation is required to ensure full Green Book compliance. Any changes made will be presented to the Chief Executive Group and Cabinet for consideration.</p> <p>We were also advised that all parts of the appraisal table should be fully compliant prior to the PMO recommending to Cabinet to approve the funding and allow</p>	<p>The City Deal Programme Business Case and corresponding documents, including the business case appraisal table should be updated to reflect current HM Treasury Green Book requirements.</p> <p>Thereafter business cases should not normally be recommended to the Cabinet for approval until all relevant sections are fully compliant. Where a business case is presented to Cabinet without all sections being fully compliant this should be made clear and explanations provided for each area.</p>	High	<p>Agreed. Since the fieldwork was carried out, a revised business case template has been agreed with both Governments and issued to all Member Authorities. This is now fully compliant with HM Treasury Green Book. All Business Cases are currently being reassessed against this revised template to ensure they comply with Green Book</p> <p>Following completion of the Cumulative Assessment work through the Transport Portfolio and the revision of all project Business Cases, a revised Programme Business Case will be developed over Summer 2018.</p> <p><b>Officer Responsible for Implementation:</b> Director of Regional Economic Growth</p>

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	<p>the project to proceed to the next stage, from reviewing the appraisal table for two final business cases this was not the case and there were a number of areas that that were marked as non/partially compliant.</p> <p>Where business cases are not being scrutinised effectively, either because the assessment criteria does meet current industry standards or because project teams have failed to complete business cases sufficiently, there is an increased risk that the Cabinet is being asked to approve projects which have not met City Deal programme requirements.</p>			<p><b>Timescale for Implementation:</b> September 2018</p>
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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b>	A work plan has been developed and is adhered to by the PMO, ensuring that agreed actions are undertaken, and that the Cabinet and other stakeholders or groups receive all reports and information as required or requested throughout the year.			
2	<p>The annual implementation plan for 2017/18 has been approved by Cabinet, and while items from the plan are included in the four weekly PMO report which goes to the Chief Executives' Group on a quarterly basis, this report is not directly aligned with the Annual Implementation Plan. The progress of the actions within the plan is also not subject to a regular review.</p> <p>We also found that the Annual Performance Report had not been drafted for 2016/17, meaning that the PMO has not reported on their performance against that year's plan. This document is also expected to be provided to the Scottish Government per the conditions outlined in the Glasgow City Region City Deal grant offer letter for 2017/18.</p> <p>As the progress of the Annual Implementation Plan is not being monitored regularly, there is an increased risk that actions may not be addressed. The PMO has failed to comply with the</p>	<p>The PMO should ensure that a regular review of the Annual Implementation Plan is carried out to monitor the implementation of the actions noted. This should tie in with the quarterly reporting of the Annual Implementation Plan to the Chief Executive Group.</p> <p>The Annual Performance Report should be produced on an annual basis, with a copy provided to the Scottish Government as per the conditions of grant.</p>	<b>High</b>	<p>Agreed. Since the fieldwork was carried out, the Annual Performance Report for 2016/17 has been completed and will be presented to Cabinet in April 2018 for approval.</p> <p>The Annual Implementation Plan for 2018/19 will also be presented to April 2018 Cabinet and will be regularly reported through the Chief Executives' Group. It will be made clearer in reports that these updates refer to the actions agreed through the Annual Implementation Plan.</p> <p><b>Officer Responsible for Implementation:</b> Director of Regional Economic Growth</p> <p><b>Timescale for Implementation:</b> April 2018</p>

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	terms and conditions of the Government grant in failing to produce a 2016/17 performance report.			
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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b>	Benefits realisation of projects and the overall City Deal programme is measured by the PMO in accordance with the Assurance Framework.			
3	<p>While a benefits realisation strategy is in place, within this strategy, and within the Assurance Framework, it is stated that a benefits realisation plan requires to be produced by member authorities for each of their projects. Further work is being carried out to ensure that the existing project benefits realisation plans are enhanced to reflect the requirements that have recently been put in place by the National Evaluation Panel for Gateway Review 1. As part of the grant conditions from the Scottish Government a copy of the plan is due to be provided annually.</p> <p>A process has been introduced to monitor the benefits identified for each project, however the information is incomplete and there are projects where no benefits have been identified and provided to the PMO.</p> <p>Without a benefits realisation plan for the City Deal Programme there is an increased risk that expected project benefits are not identified, monitored and reported by the PMO.</p>	<p>The PMO should ensure that all future projects have benefits identified as part of the business case review prior to being recommended Cabinet. Thereafter the realisation of these benefits should be reported on a quarterly basis to the relevant groups.</p> <p>Furthermore the PMO should ensure that a benefits realisation plan for the City Deal Programme is drafted and taken to the Chief Executives' Group and Cabinet for approval. Thereafter a copy of the plan should be provided to the Scottish Government as per the grant conditions, with annual updates.</p>	<b>High</b>	<p>Agreed. The draft Local Evaluation Plan will be submitted to the CEG on 29/3/18 and to Cabinet on 10/4/18. This document has been shared with the Scottish &amp; UK Governments at the Programme Liaison Group meeting of 6/3/18 for comment. Once agreed by Cabinet, the Local Evaluation Plan will set out how the benefits of the City Deal will be monitored and evaluated for Gateway Review 1.</p> <p><b>Officer Responsible for Implementation:</b> Legacy and Evaluation Manager</p> <p><b>Timescale for Implementation:</b> April 2018.</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> There is an established organisational structure for the PMO, with clear reporting lines.				
4	<p>The documented PMO organisational structure was updated in December 2017 but is not reflective of the current structure. The 2017/18 PMO budget is based on a previous structure, dating back to March 2015. In addition, although there were role profiles for some (but not all) of the posts, we were advised that the roles and responsibilities detailed within these are out of date.</p> <p>Furthermore through discussions with staff and a review of the work undertaken by the PMO there are areas such as legal and procurement, which could benefit from additional support within the PMO structure. This has impacted on tasks such as reviewing the business cases submitted by member authorities. We were told that other tasks such as the preparation of the Annual Performance report have also been delayed due to resource constraints.</p> <p>Without an up to date and complete organisational structure there is an increased risk that staff are unaware of their responsibilities and reporting lines to</p>	<p>The PMO should review and update the organisational structure to reflect the current structure and any unfilled posts. This should include clear reporting lines for all officers.</p> <p>Where gaps have been identified in resources or expertise, consideration should be given as to how these can be addressed. Amendments to the structure, including any budgetary implications, should be approved by the appropriate group.</p> <p>Thereafter role profiles should be created for all posts within the structure to ensure that staff are aware of their roles, responsibilities and reporting lines.</p>	<b>Medium</b>	<p>Agreed. This process is underway and a revised draft structure will be presented to Chief Executives' Group for consideration in June 2018. This will include clear role profiles and identify gaps which need to be addressed.</p> <p>This revised draft structure will include the new wider remit for the team which includes the implementation of the Regional Economic Strategy and Action Plan.</p> <p><b>Officer Responsible for Implementation:</b> Director for Regional Economic Growth</p> <p><b>Timescale for Implementation:</b> June 2018</p>



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	be followed. Insufficient resources or support in areas could result in delays and inconsistencies in tasks undertaken by the PMO.			
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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> The PMO reviews and scrutinises the project status reports submitted by member authorities.				
5	Although there is a process in place for scrutinising the information within the PSRs and MA Reports submitted to the PMO, some staff were uncertain of the role they played in the process. This increases the risk that the information submitted is not being scrutinised thoroughly and that key information is not included in the PMO report.	The process for scrutinising the PSRs and MA Reports should be documented and communicated to all relevant staff. This should include who is responsible for reviewing the various sections within the reports and the threshold beyond which information should be included in the PMO report.	<b>Medium</b>	Agreed. Revised written procedures will be developed and included within staff roles and remits and communicated to all staff within the PMO team.  <b>Officer Responsible for Implementation:</b> Director for Regional Economic Growth  <b>Timescale for Implementation:</b> June 2018

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No.	Observation and Risk	Recommendation	Priority	Management Response
6	<p>We found during a review of the monthly PMO report and individual PSRs and MA Reports that there were inconsistencies on how the status was being reported in the PMO report. There were projects reported in the PMO report that had been given an “F” for future under the benefits realisation section, even though the project had submitted an Outline Business Case and should have identified the expected benefits as part of this. Furthermore we found that one of the member authorities was no longer submitting PSRs for their projects on the agreement that the relevant information would be contained within the MA Report. From a review of this member authority’s MA submission, we confirmed that although estimated and actual spend information was provided, there was some key information relating to finance that was not included.</p> <p>Additionally there is no process in place to ensure that the submissions made by member authorities have been signed off by the appropriately senior officers. The auditor was advised that a clause will be included in the updated Assurance</p>	<p>The PMO should ensure that all member authorities are aware of the information required as part of their regular returns. Where a member authority does not submit the relevant information, the PMO should return for completion. Thereafter the information should be reported consistently throughout the PMO report.</p> <p>The PMO should ensure that the Assurance Framework is updated to reflect that a senior officer from the member authority is expected to approve the content of the MA Report and PSRs prior to submission to the PMO.</p>	Medium	<p>Agreed. The Assurance Framework will be revised and include specific clauses to ensure that senior officers from Member Authorities approve the content of both the MA Report and Project Status Reports prior to submission to the PMO.</p> <p><b>Officer Responsible for Implementation:</b> Director of Regional Economic Growth</p> <p><b>Timescale for Implementation:</b> August 2018</p>

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	<p>Framework verifying that the PMO will accept that this step has taken place when the information is submitted.</p> <p>Inconsistent reporting formats and a failure to ensure submissions are approved by a senior member authority officer increases the risk that the information being reported in the PMO report is not fully accurate, up-to-date, or complete.</p>			
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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b>	The PMO maintains good relationships with stakeholders and other groups in the City Deal governance structure.			
7	<p>While there is a Communication, Marketing and Stakeholder Engagement Strategy in place, it has not been updated since May 2016. Due to the evolving nature of City Deal and new structures and plans in place for the City Region and Economic Action Plan, the strategy requires to be updated.</p> <p>Without an up to date stakeholder engagement strategy there is an increased risk that regular and meaningful engagement with all relevant stakeholders does not take place.</p>	The PMO should review and update the Communication, Marketing and Stakeholder Engagement Strategy to reflect the current arrangements. This should include a review and update of the meeting plan and map which form part of stakeholder engagement activities.	<b>Medium</b>	<p>Agreed. The Communication, Marketing and Stakeholder Engagement Strategy will be updated in September 2018. Recognising the evolving nature of the City Deal as well as new plans and structures being established to deliver the regional economic strategy, updated drafts of the Meeting Plan and Meeting Map have already been developed. These are currently under review. Work is also planned to revisit existing group Roles and Remits. Once this has been completed, the Meeting Plan and Maps can then be finalised, approved and shared with relevant stakeholders.</p> <p><b>Officer Responsible for Implementation:</b> Communication and Marketing Manager</p> <p><b>Timescale for Implementation:</b> September 2018</p>