

Glasgow City Council Internal Audit Section

Committee Summary

Corporate Review – Capital Project Governance and Management

1 Introduction

- 1.1 As part of the agreed Internal Audit plan, we have carried out a review of Capital Project Management and 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. 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).
- 1.3 A Project Management Toolkit (PMT) has been developed, 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. As a result of a previous audit recommendation made, the PMT is currently under review, and may be subject to change going forward. However, the core principles of project management and governance will remain the same.
- 1.4 The purpose of the audit was to ensure there are sufficient and appropriate controls in place covering the Council's

project management and governance arrangements. The scope of the audit included a review of:

- Business cases and project plans.
- Roles and responsibilities.
- Project reporting.
- Risk management.
- Budgetary control and monitoring arrangements, including external funding.
- Change control processes.
- Procurement, contractual and external relationships.
- Lessons learned.
- Benefits realisation.
- Stakeholder engagement.
- Quality assurance processes

Item 5(a)

22nd May 2024

- 1.5 Three projects were selected for review. The Fleet Replacement project is managed by Neighbourhood Regeneration & Sustainability (NRS) and the two named property projects, are also managed NRS but on behalf of the service (client). These are summarised in the table below:

Title	Asset Class	Approximate overall budget (£)
Butterbiggins Childrens home, now Larkfield	Property	2.077m
Calton Gaelic Primary School	Property	22.838m
Fleet Replacement Phase 3	Fleet	9.636m
Total		34.55m

2 Audit Opinion

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

3 Main Findings

- 3.1 We are pleased to report that most of the key controls are in place and operating effectively. A summary of the capital programme is regularly reported to the CPB for review and scrutiny by senior officers. Financial performance is also reported to the Finance and Audit Scrutiny Committee (FASC). Processes are in place for reporting to project boards and external funders where relevant.
- 3.2 However, our audit testing found that there are some areas of non-compliance. We reviewed the application of the PMT within the sample of projects and found elements of non-adherence with the Toolkit's across all three projects (these issues are recorded in the Action Plan, and details have been shared with relevant service contacts).
- 3.3 The Calton Gaelic Primary School project is subject to external funding of up to £7.9m. Specific terms, conditions and monitoring requirements are attached to these funds, with a risk that funding may not be awarded or could be clawed back should these not be adhered to. We were satisfied that to date the project has met the requirements and requests from the external funder, however we noted that there are currently no formal monitoring arrangements in place to track funder requirements, such as key milestones, the achievements of targets, action taken/to be taken to achieve the targets and any dependencies.
- 3.4 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two 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.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
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

- 3.5 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.6 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.7 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: Project officers proportionately apply the core principles of the PMT to projects and retain all relevant records.				
1	<p>For each of the projects in our sample, we assessed adherence to the good practice principles outlined in the PMT. We identified some instances of non-compliance during our audit testing. The issues identified for each project have been shared with relevant service contacts. These include:</p> <ul style="list-style-type: none"> • Poor record keeping. • Lack of ownership over certain elements of the project, including misunderstood roles/responsibilities. • Resourcing issues/ changes to resourcing including turnover of project managers. <p>Project Managers are required to submit Highlight Reports quarterly to the Corporate Governance Officer (CGO) in respect of their respective projects. The information contained within these reports is used to produce the report for the CPB. The CGO reviews and challenges the information contained within the Highlight Report. We identified during our fieldwork instances where the reports had not been adequately completed or risks in the</p>	<p>Service management should ensure that project officers are aware of their obligations to adhere to the principles outlined in the PMT.</p> <p>Management should also remind project officers that Highlight reports must be complete and accurate before submission to the CGO.</p>	Medium	<p>Response:</p> <p>ES – Accepted. Highlight reports are now shared for sign off with the appropriate project lead. Project leads will be reminded of their responsibilities.</p> <p>SWS – Agreed. HSCP will review all highlight reports with NRS prior to submission.</p> <p>NRS</p> <p>Fleet Services – A member of staff has now been designated as the Project Officer. The intention is that a meeting will be arranged with Corporate Governance to discuss and better understand requirements, with the intention being all future reports will be completed to the standards required.</p> <p>Consultancy Services - The Head of Service will remind officers of the importance and requirements of the PMT via a service wide email and a</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	<p>report did not match the project risk register.</p> <p>If services do not comply with the PMT and ensure Highlight Reports are adequately completed, there is an increased risk that any significant issues, such as overspends, or delays may not be appropriately managed or scrutinised.</p>			<p>specific presentation at the next Practice wide quarterly meeting.</p> <p>Officer Responsible for Implementation:</p> <p>ES – Head of Resources</p> <p>SWS - Head of Finance</p> <p>NRS Head of Fleet Services / Engineering Officer</p> <p>Head of Consultancy Services</p> <p>Timescales for Implementation:</p> <p>ES – 31 May 2024</p> <p>SWS – 04 July 2024</p> <p>NRS Fleet – 31 May 2024 Consultancy Services – 31 September 2024</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Management fully comply with any terms, conditions and monitoring requirements attached to external funding.				
2	<p>The Calton Gaelic Primary School project is subject to external funding of up to £7.9m.</p> <p>External funding usually has specific terms, conditions, and monitoring requirements, with a risk that funding may not be awarded or be clawed back should these not be adhered to.</p> <p>We noted that to date, the requirements of the funder have been met. These include completion of returns, replies to requests for information received and the requirement for external specialists to be appointed to assist in the process.</p> <p>However, there is currently no formal monitoring carried out against the funders requirements to track key areas such as key milestones, the achievements of targets, action taken and to be taken to achieve the targets and any dependencies.</p> <p>A lack of robust and formal monitoring may result in targets linked to the conditions and key milestones being</p>	<p>ES management in conjunction with NRS should implement a formal monitoring process to track compliance with funder requirements and records of this should be appropriately retained.</p> <p>All services should consider if a similar monitoring process is required for any projects within their service which have a high level of external funding and complex reporting requirements.</p>	Medium	<p>Response:</p> <p>ES - Accepted. Highlight reports are being shared with the appropriate project leads and this process has been agreed between NRS and ES.</p> <p>These reports will pick up all of the requirements to track key areas including funding issues. LEIP meetings regarding funding are also attended by ES.</p> <p>SWS – Agreed.</p> <p>FS – Agreed.</p> <p>NRS Consultancy Services - will ensure Education Services receive copies of all regular progress monitoring documents already provided to the Scottish Futures Trust on key funding conditions and parameters.</p> <p>NRS Management - Consideration will be given at the next NRS, SMT</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	missed. Failure to fully comply with conditions of funding also increases the risk that funding may not be paid, or be subject to recovery or clawback, which would result in financial loss for the Council.			<p>meeting to the requirement for a similar monitoring process across NRS for externally funded projects.</p> <p>CED - will consider appropriate governance management arrangements for any future externally funded and / or complex programme to ensure the required reporting requirements are met. Within CED all sections are advised to approach Corporate Policy and Governance for any support, advice and guidance which may be required to support the management of project and programmes.</p> <p>Officer Responsible for Implementation:</p> <p>ES – Head of Resources</p> <p>SWS – Head of Finance</p> <p>FS – Principal Finance Officer</p> <p>NRS - Group Manager (Architecture) Divisional Director Finance and Transformation</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
				<p>CED - Corporate Governance and Planning Manager</p> <p>Timescales for Implementation:</p> <p>ES – 31 May 2024</p> <p>SWS – Effective immediately</p> <p>FS – Effective immediately</p> <p>NRS - Consultancy – 30 June 2024 Management – 30 June 2024</p> <p>CED – Implemented 10 May 2024</p>