

Item 6

2nd June 2020



Glasgow City Region – City Deal

Cabinet

Report by Head of Audit and Inspection, Glasgow City Council

Contact: William Hart, Chief Auditor Extension: 74303

INTERNAL AUDIT REVIEW

Purpose of Report:

To advise members of the main findings of the following audit report issued recently, together with a summary of action taken:

- Compliance with Assurance Framework – Business Case Submission and Appraisal

Note:

In most cases one of four opinions is expressed:

- The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
- A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
- A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
- The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations :

The Cabinet is asked to:

- 1) note the content of the report, and
- 2) instruct the Head of Audit & Inspection to provide follow up reports showing progress towards achievement of the Action Plan arising from the audit undertaken.

1. Introduction

- 1.1 As part of the agreed Internal Audit plan we have carried out a review of compliance with the Assurance Framework, specifically the submission and appraisal of business cases for infrastructure projects.
- 1.2 The purpose of the audit was to gain assurance that member authorities submit business cases in accordance with the Assurance Framework and that the Project Management Office (PMO) appraise them in accordance with appraisal guidance. The audit also involved reviewing whether business cases were taken to the correct Group for approval.
- 1.3 An Assurance Framework was initially developed for the City Deal programme and approved by the Glasgow City Region Cabinet (the Cabinet) in March 2015. It was then updated and approved for operational use by the Cabinet in October 2019. A Project Management Toolkit (PMT) was also been developed by the PMO to provide clearer guidance and templates.
- 1.4 A sample of four infrastructure project business cases were selected for review:
 - Inchgreen Strategic Business Case (SBC)
 - Larkhall Community Growth Area Augmented Outline Business Case (OBC)
 - M77 Strategic Corridor (Balgraystone Road) Final Business Cases (FBC) and
 - Collegeland Calton Barras Junction Improvement FBC.
- 1.5 The scope of the audit included reviewing:

- The guidance available for the production and appraisal of business cases and communication of this to relevant officers;
- A sample of business cases submitted to the PMO by member authorities to ensure compliance with member authorities' responsibilities per the Assurance Framework;
- The appraisal process for this sample, to ensure the PMO undertook their responsibilities in accordance with the Assurance Framework;
- The reporting and approval arrangements for this sample of business cases; and
- Monitoring arrangements to ensure approved business cases progress.

The audit was limited to reviewing business cases for infrastructure projects and did not review arrangements for the City Deal programme business case or skills and employability programme projects.

2. Audit Opinion

- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed on 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 a number of key controls are in place and generally operating effectively. We noted that:
 - a detailed Assurance Framework and associated business

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Compliance with Assurance Framework – Business Case Submission and Appraisal

- case appraisal template has been developed;
- a Project Management Toolkit, based on the principles included in the HM Treasury Green Book, has been developed which includes guidance on development and appraisal of business cases;
- a series of training events have been undertaken which focussed on improving skills and knowledge of relevant officers to develop and appraise business cases in line with Green Book requirements;
- a timetable is produced and circulated to member authorities by the PMO which provides details of agreed dates for submitting business cases;
- appraisal processes have been developed to ensure business cases are reviewed by officers with appropriate knowledge and skills and to enable issues arising to be raised and resolved with member authorities prior to business cases being submitted for approval;
- business cases are presented to the Chief Executives' Group (CEG) and Cabinet for approval in line with the expectations of the Assurance Framework, and
- appropriate arrangements have been developed to ensure ongoing monitoring of progress, expenditure and delivery of approved projects against approved business cases and for regularly reporting progress to CEG and Cabinet.

3.2 However we noted a small number of areas where there is scope for improvement. There is currently no requirement for business cases submitted for appraisal to the PMO by member authorities to be submitted either by lead officers or by officers with similar levels of authority.

3.3 For the one of the business cases in our sample, the consolidated appraisal document which records the outcome of the appraisal and any issues which need to be followed up and resolved within subsequent business cases, could not be located.

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.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	1
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.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Compliance with Assurance Framework – Business Case Submission and Appraisal

- 3.7 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.

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Compliance with Assurance Framework – Business Case Submission and Appraisal

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Member Authorities produce and submit business cases in accordance with the Assurance Framework and supporting governance documents, and within the scheduled timeframe.				
1	The Assurance Framework states that all business cases should be approved by member authorities' internal governance processes, before being submitted to the PMO for assessment. However unlike grant claims, there is currently no requirement for business cases put forward for appraisal to the PMO by member authorities to be submitted by lead officers or officers with similar levels of authority. Where business cases are not submitted by approved officers within member authorities there is an increased risk that business cases could be submitted for appraisal which have not been fully agreed or approved through the member authority's internal governance structures.	The PMO should ensure that a list of officers within each member authority who have sufficient authority to submit business cases for appraisal is developed and maintained. Business cases should be submitted by one of these authorised officers and evidence should be maintained confirming that business cases were submitted by an approved officer prior to appraisals being undertaken.	Low	Response: The PMO will liaise with Member Authorities to agree a list of approved officers as per the recommendation. Officer Responsible for Implementation: Assistant Head of Glasgow City Region Programme Management Office Timescale for Implementation: 30th June 2020

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Compliance with Assurance Framework – Business Case Submission and Appraisal

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: The PMO appraise business cases based on the appraisal criteria detailed in the Assurance Framework.				
2	A process has recently been developed by the PMO which will ensure that any residual issues identified by CEG and/or Cabinet when business cases are discussed are recorded within a Project Approval Update log. This will enable outstanding issues or questions raised by CEG or Cabinet to be more clearly and consistently recorded and also enable these to be more easily identified and resolved during the appraisal of subsequent business case stages for the project. For one of the business cases in our sample, the appraisal document supplied suggested that significant areas were not evident or only partly compliant, which would mean that the business case should not have been presented for approval. We were advised that the consolidated appraisal, which reflected the final outcome of the appraisal following revisions to the business case by the member authority could not be located. The covering report from the presentation of the business case noted that it had been assessed as being Green Book compliant. However without the consolidated appraisal document, details of any remaining issues	The PMO should ensure that the final appraisal documentation is retained for all business cases to confirm that any issues which need to be resolved or additional information which needs to be included in future business cases is identified, followed up and resolved.	Medium	Response: Recommendation accepted and to be fully implemented. Officer Responsible for Implementation: Assistant Head of Glasgow City Region Programme Management Office Timescale for Implementation: 31st May 2020

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Compliance with Assurance Framework – Business Case Submission and Appraisal

	identified which require to be followed up and reviewed at later stages of business case development stage are not currently available. The PMO did however advise that they intend to retrospectively recreate a copy of the documentation through liaison with the member authority. Without the consolidated appraisal document, there is an increased risk that outstanding issues or concerns raised during the appraisal of business cases are not accurately recorded and therefore may not be subsequently followed up or resolved.			
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