Glasgow City Region City Deal

Change Control and Contract Management

Final Report

Internal Audit

April 2022

Glasgow
CITY COUNCIL

Glasgow City Region City Deal
Change Control and Contract Management

Table of Contents

FS 57095
Management System Certification

Glasgow City Region City Deal
Change Control and Contract Management

1. Introduction

1.1 As part of the 2021/22 Internal Audit Plan, we have undertaken a review across the Glasgow City Region City Deal Programme Management Office (the PMO) and member authorities of the arrangements in place for change control and contract management in relation to capital projects.

1.2 While project business cases will have incorporated optimism bias and contingencies for timing and costs, as a result of Covid-19 and other external factors, it is anticipated that there will be an increase in member authorities submitting change control requests for projects. The Assurance Framework and Programme Management Toolkit provides guidance for member authorities on the processes to be followed for proposed changes to project scopes, timescales, costs and benefits which have already been agreed as part of the business case approved by the Chief Executives' Group (CEG) or Cabinet, or as part of an earlier change control request.

1.3 The purpose of the audit was to seek assurance that member authorities have adequate change control processes in place internally, and that they comply with local tolerances and delegated authority levels. We also sought to confirm that prior to submitting these to the PMO for consideration, these requests contain sufficient detail and have been appropriately authorised. In addition, we reviewed contract management arrangements within member authorities to ensure these are effective. The scope of the audit included a review of:

- Scanning and anticipation of factors likely resulting in change control requests;
- Change control requests and associated supporting documentation;
- Record keeping arrangements;
- Roles and responsibilities of key officers and teams;
- Tolerance, delegated authority and approvals/ rejections,
- Monitoring, reporting and governance of change controls and the impact on the wider programme
- Contract management arrangements, and
- Lessons learned.

1.4 The sample of projects that were selected for review were:

- Glasgow City Council – Clyde Waterfront and West End Innovation Quarter (CWWEIQ) Govan-Partick Bridge
- North Lanarkshire Council – Motherwell Interchange
- Renfrewshire Council – Clyde Waterfront and Renfrew Riverside (CWRR)
- South Lanarkshire Council – Hamilton Community Growth Area FBC4.

The remaining four member authorities will be reviewed in the second phase of this audit in 2022/23.

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 three 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. There are adequate governance and record keeping arrangements in place within the PMO. Change control requests are considered and either approved or rejected at an appropriate level, with this process being recently updated to enable the PMO to rank each received request as *Minor*, *Moderate* or *Significant*.

3.2 There are adequate monitoring arrangements in place by both the PMO and member authorities to ensure that external factors that may have an impact of City Deal projects are managed and shared both internally and between relevant City Deal stakeholders. In addition, as a result of the pandemic, issues relating to supplier and material costs are monitored and escalated to the relevant groups in a timely manner.

3.3 Additionally we found that contract management arrangements were in place for those projects in the sample which had progressed to an appropriate stage.

3.4 However we noted that there are some areas where improvements could be made. We identified that two of the member authorities do not hold documented policy or procedural documentation which outlines their tolerance levels or escalation routes for City Deal projects.

3.5 In addition, we observed that one of the member authorities does not maintain a change control register, with change control requests being saved solely onto the authority's network system. However, in line with the City Deal Project Management toolkit and as a matter of good practice, each member authority should hold a change control register, which details all change control requests that are forwarded to the PMO for City Deal projects.

3.6 Lastly, we found that although it is common practice for lessons learned exercises to be conducted by member authorities at the end of a project or at key milestones during a project's lifespan, three of the member authorities do not retain a lesson learned log throughout the duration of a project.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three 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.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	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.

4. Action Plan

Title of the Audit: Glasgow City Region City Deal – Change Control and Contract Management

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Member authorities have established proportionate project tolerances and escalation routes, within which the day-to-day delivery of projects is managed.				
1	The Assurance Framework states that defined tolerance levels and escalation routes for changes to project scopes, timings, benefits and costs should be in place within each member authority and these should be appropriately documented and approved. However, we identified that two of the member authorities do not hold documented policy or procedural documentation which outlines their tolerance levels or escalation routes for City Deal projects. Failure to hold a documented policy or guidance of defined levels or values, increases the risk that decisions are made outwith appropriate tolerance levels.	The PMO should remind member authorities to document their defined tolerance level and escalation routes in relation to any changes in scope, timing benefits and costs of City Deal projects. Thereafter, each member authority should ensure that this is approved by senior officers and communicated to relevant staff and reviewed at appropriate intervals.	**Medium**	**Response:** Recommendation accepted. Issue will be raised at Lead Officer Group (LOG) meeting before end April 2022. Confirmation will be sought that Member Authorities have completed required actions as per the recommendation. **Officer Responsible for Implementation:** Head of City Region Programme Management Office **Timescale for Implementation:** Discussed at April LOG Meeting Follow Up with Member Authorities mid-May 2022

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Change Control requests are developed by member authorities and appropriate record management arrangements for these are in place.				
2	In line with the City Deal Project Management toolkit and to promote good practice, each member authority should hold a change control register, which details all change control requests that are forwarded to the PMO. We identified that one of the member authorities does not maintain a change control register, with change control requests being saved individually onto the authority's network system. Failure to hold a change control register increases the risk that changes are not adequately managed or recorded, and the context of previous changes may be unclear.	The PMO should advise member authorities of the importance of retaining and managing a register of all change control requests that are submitted to the PMO for consideration.	**Low**	**Response:** Recommendation accepted. Issue will be raised at Lead Officer Group (LOG) meeting before end April 2022. Confirmation will be sought that Member Authorities have completed required actions as per the recommendation. **Officer Responsible for Implementation:** Head of City Region Programme Management Office **Timescale for Implementation:** Discussed at April LOG Meeting Follow Up with Member Authorities mid-May 2022

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Lessons learned exercises have been undertaken and actions are being implemented and adequately recorded.				
3	We observed that lessons learned exercises are conducted by member authorities at the end of a project, or additionally, as is the case within one authority, at key milestones during a project's lifespan. However, we found that three of the member authorities do not maintain a lessons learned log throughout the project. The City Deal Project Management Toolkit requires that a lessons learned log is maintained. This is particularly important for long term projects and those with a high volume of sub-projects, therefore without documenting these at key milestones and recording in a log, there is an increased risk that key points or factors that could be classed as a lesson learned are missed.	The PMO should advise member authorities to put arrangements in place to ensure that lessons learned are captured throughout the duration of a project to document these.	**Medium**	**Response:** Recommendation accepted. Issue will be raised at Lead Officer Group (LOG) meeting before end April 2022. Confirmation will be sought that Member Authorities have completed required actions as per the recommendation. **Officer Responsible for Implementation:** Head of City Region Programme Management Office **Timescale for Implementation:** Discussed at April LOG Meeting Follow Up with Member Authorities mid-May 2022