

ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	30 June 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2118 – Capital Project Management
<b>REPORT NUMBER</b>	IA/AC2118
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on Capital Project Management.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the attached report which relates to an audit of Capital Project Management.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## 7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 9. APPENDICES

- 9.1 Internal Audit report AC2118 – Capital Project Management.

## 10. REPORT AUTHOR DETAILS

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## **Internal Audit Report**

### **Governance**

## **Capital Project Management**

**Issued to:**

Steven Whyte, Director of Resources  
John Wilson, Chief Officer – Capital  
Roddy MacTaggart, Programme Manager  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
External Audit

## EXECUTIVE SUMMARY

### Background

The Council's non-Housing (General Fund) Capital Programme and Housing Capital Programme budgets for 2021/22 are £214.39m and £147.88m respectively, as approved by Council in March 2021, at the annual budget meeting. The Capital Board, chaired by the Chief Officer – Capital is responsible for considering new Capital Project proposals in principle, for Capital Projects recommended for addition to the Capital Programme outwith the annual budget meeting and for referring these to the City Growth and Resources Committee for approval where appropriate. In addition, the Capital Programme Committee is responsible for monitoring the development and delivery of the council's capital programme and scrutinising related outcomes. Capital Project and Programme Managers are responsible for monitoring their respective budgets in accordance with the Council's Scheme of Governance; and the Chief Officer – Capital is responsible to the Corporate Management Team for monitoring the overall Capital Programme. General Fund and Housing Capital Programmes expenditure is scrutinised on a quarterly basis by the City Growth and Resources Committee.

### Objective

The objective of this audit was to provide assurance that the management and reporting of on-going Capital Projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.

### Assurance

The Council's Procurement Regulations, Powers Delegated to Officers and Capital Project Management procedures are comprehensive and clear in relation to Capital Project Management requirements. Capital Projects under review had been reviewed by Committee or the relevant delegated officer and progress was monitored at meetings with contractors. However, documentation evidencing compliance with some aspects of the Council's detailed Capital Project Management governance requirements were absent.

Assurance over this area could be improved by: ensuring business cases and checklists are completed as required for all Gate stages of Capital Projects; documenting the outcome of six monthly reviews; and reporting Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

### Findings and Recommendations

Full Business Cases were not approved, as described in Appendix 1, for a sample of Capital Projects reviewed. Also, with the exception of the Early Learning and Childcare expansion projects reviewed, Project Gate Checklists, for all stages of Capital Project Management, were not completed. Where checklists detailing necessary governance considerations are not considered, and business cases are not approved as required, there is an increased risk of inappropriate progression of Capital Projects or project slippage, benefits not being realised, and unintended financial pressures. A recommendation graded 'Significant within audited area' was raised with the Service to ensure all required Capital Project gate Business Cases and Checklists are completed and necessary approvals are obtained and recorded prior to progressing beyond each Capital Project gate.

Evidence of six-monthly reviews of Full Business Cases, Project Plans, Risks and Issues Logs, and Lessons Learned Logs by the Capital Board was absent. The Service is in the process of developing a template six-monthly review document that

will include requirements to send a revised business case, risks and issues log, project governance documentation and the Gate 5 Review Checklist to the Capital Programme Board. In addition, the Service has advised the current online dashboard made available to the Service for Capital Project Management purposes is not used as it is deemed unfit for purpose and that work is ongoing to develop a replacement online monitoring system. However, until these arrangements are in place, there is a risk that required six-monthly considerations might not be covered, increasing the risk to project outcomes. Recommendations graded 'Significant within audited area' were raised with the Service to ensure that the six-monthly reviews outcomes are formalised and supporting documentation retained and to develop an online Capital Project monitoring system in consultation with all relevant stakeholders.

Post Occupancy Evaluation and Benefits review should take place 12 months after the entry/go live date. The realisation of the agreed benefits in the Business Case should be reviewed, as should the performance of the facility, with recommendations made to operational management on changes / improvements to maximise benefits and performance. These reviews have not taken place due to the impact of COVID-19. Whilst it is understood COVID-19 has had an impact on delivery by the Service and the use of Council buildings, there is a possibility that the impact of the pandemic will be longer lasting than initially anticipated. The Service has advised that design review meetings capture post project evaluation key information. However, in the absence of Post Project Evaluation and Post Occupancy Evaluation and Benefits Review documentation, there is an increased risk lessons will not be fully documented for future reference, prior to new Capital Projects being commenced. A recommendation graded 'Significant within audited area' was raised with the Service to report Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

#### Management Response

The Chief Officer – Capital was able to explain and justify any omissions of Strategic Outline Cases and Outline Business Cases, such as the fit of specific projects within a wider programme of projects, for example demolition of 29-31 Queen Street (McKays) in the broader Queen Street City Centre Masterplan. Nevertheless, the Service will reinforce the need for Strategic Outline Cases across all other Clusters and monitor compliance at the Capital Board. The Service is satisfied with the current governance arrangements related to Business Cases (Strategic, Outline and Full) however accepts Project Gate Checklists, for all stages of Capital Project Management, were not completed for the sample under review and will review the current arrangements related to the completion of Gate Checklists.

The Service will develop and introduce an online dashboard and formalise six-monthly review outcomes and related documentation for Capital Project performance reporting. In addition, the Service will formalise Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews reporting.

## INTRODUCTION

- 10.1 The Council's non-Housing (General Fund) Capital Programme and Housing Capital Programme budgets for 2021/22 are £214.39 million and £147.88 million respectively, as approved by Council in March 2021.
- 10.2 The Capital Board, chaired by the Chief Officer – Capital is responsible for considering new Capital Project proposals and for referring these to the City Growth and Resources Committee for approval where appropriate, whilst the Capital Programme Committee is responsible for monitoring the development and delivery of the council's capital programme and scrutinising related outcomes.
- 10.3 In line with the Council's Financial Regulations, Capital Project and Programme Managers are responsible for monitoring their respective budgets in accordance with the Council's Scheme of Governance, using relevant financial systems; and the Chief Officer – Capital is responsible to the Corporate Management Team for monitoring the overall Capital Programme. Expenditure to date and forecast expenditure for the General Fund and Housing Capital Programmes are scrutinised on a quarterly basis by the City Growth and Resources Committee.
- 10.4 The objective of this audit was to provide assurance that the management and reporting of on-going Capital Projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.
- 10.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Roddy MacTaggart, Programme Manager, and John Wilson, Chief Officer – Capital.

# 11. FINDINGS AND RECOMMENDATIONS

## 11.1 Written Policy and Procedures

- 11.1.1 Comprehensive written policies and procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff, important in the event of an experienced employee being absent or leaving.
- 11.1.2 The control of Capital budgets is clearly covered within section 8.6 of the Financial Regulations, including: capital budget preparation; capital monitoring; and capital virements.
- 11.1.3 Capital Projects must also follow the requirements set out within the Council's Procurement Regulations. As Capital Projects are "works", where the contract is below £250k the Chief Officer – Capital, has the delegated authority to approve this expenditure, provided the necessary consultation under the Council's Scheme of Governance has taken place; above this value projects should be listed on a procurement workplan by the relevant Director or Chief Officer for approval by the City Growth and Resources Committee (formerly the Strategic Commissioning Committee). In addition, where Capital Projects are added outwith the annual budget process, the City Growth and Resources Committee (formerly the Strategic Commissioning Committee) must approve the associated Outline and Full Business Case. Business cases can only be submitted to the City Growth and Resources Committee on the approval of the Chief Officer – Capital following consultation with the Director of Resources and the Chief Officer – Finance.
- 11.1.4 Additionally, under the Council's Powers Delegated to Officers, business cases that relate to a Capital Project that is already part of the Capital Programme approved by Council as part of the budget process, may be approved by the Director of Resources following consultation with the Chief Officer – Capital, Head of Commercial and Procurement and Conveners of the Capital Programme Committee and the City Growth and Resources Committee.
- 11.1.5 Further detailed instructions on the procurement process are covered within the Procurement Manual. This includes the expected procedures if a contract is likely to go over budget, expectations for quotations and competitive tendering, scoring of quotations, awarding of contracts and contract management.
- 11.1.6 Procedural documentation on Capital Project Management is available through the Project Management toolkit on SharePoint which has been in use since 2015. These procedures are based on the Royal Institute of British Architects (RIBA) Plan of work and the principles of Prince2 project management methodology, with progression of a project through the RIBA stages required to be recorded on a project log sheet. The 8 stages are:
- 0: Strategic Definition.
  - 1: Preparation and Briefing.
  - 2: Concept Design.
  - 3: Spatial Coordination.
  - 4: Technical Design.
  - 5: Manufacturing & Construction.
  - 6: Handover and Close Out.
  - 7: In Use.
- 11.1.7 The Council's standard project management process for Capital Projects consists of four identified project stages, alongside eight review stages (Gates). These help ensure a

project has been properly defined and managed and is still viable. The Council's four Project Stages are:

- 1. Define - Agree the Change
- 2. Implement - Plan and Make the Change
- 3. Close - Close the Project
- 4. Measure - Measure the Benefits

11.1.8 The 8 Project Review Points (Gates) are:

- Gate 1 - Approve Strategic Outline Case (Stage Define)
- Gate 2 - Approve Outline Business Case (Stage Define)
- Gate 3 - Approve Full Business Case and Tender Documents (Stage Implement)
- Gate 4 - Approve Selected Tender (Stage Implement)
- Gate 5 - Six Monthly Reviews (Capital Project reviews go to the Capital Programme Committee) (Stage Implement)
- Gate 6 - Project Close (Stage Close)
- Gate 7 - Post Project Evaluation (Stage Measure)
- Gate 8 - Post Occupancy Evaluation and Benefits (Stage Measure)

11.1.9 The Project Management Toolkit (toolkit) procedures are extensive and cover all relevant areas of project management at a high level.

## 11.2 Project Stage - Define

### Gate 1 – Approve Strategic Outline Case

11.2.1 The first stage a Capital Project goes through is the Strategic Outline Case. The purpose of this is to determine if it is appropriate to explore the proposed project further and take it to the Outline Business Case stage. The Strategic Outline Case should include details of any costs required to develop the business case. The decision on whether to proceed should be based on whether the project aligns with the Local Outcome Improvement Plan (LOIP) and the Council's key strategies, will bring worthwhile benefits, and whether the investment is justified in terms of time, money, and the disruption and risk involved. It should also ensure that the required funding and staff resources can be made available to take the project to the next step and beyond.

11.2.2 For Capital Projects, the Strategic Outline Case should be reviewed by the following: Directorate Senior Management Team (SMT); appropriate Programme Board; and Capital Board. Where Capital funding is required to fund the development of the Business Case, further Committee approval may be needed to approve funding; beyond this, Committee approval of the Strategic Outline Case is not necessary. The outcome of the review can be either to approve; modify/rework the proposal for resubmission at a later date; request a pilot exercise to test assumptions; put on hold for now; or reject. According to the toolkit, a proposed project can only progress to the next review gate, regardless of gate stage, if it is approved at the earlier gate stage.

11.2.3 For the sample of projects under review (see appendix 1), evidence of Strategic Outline Cases being completed was not available. The Service advised that the requirement for Strategic Outline Cases was introduced in September 2019, meaning it was not required for 2 (Torry Academy demolition and Northfield Academy replacement of flat felt roofs) projects detailed in appendix 1 based on their commencement date. In addition, a Strategic Outline Case was not required for the 2 Early Learning and Childcare expansion projects as they were based on a Scottish Government commitment.



- 11.2.4 However, there was a requirement for an Outline Business Case for the remaining 2 projects (Demolition of Aberdeen Journals Building and Demolition of 29-31 Queen Street). The Service advised that the Queen Street demolition was required to achieve the City Centre Masterplan and as such a Strategic Outline Case was not needed. The Service has advised that the decision to demolish the Aberdeen Journals Building pre-dated the requirement for a Strategic Outline Case also. Separately the Service advised not all Capital Projects require to follow Toolkit requirements, including in relation to the Condition and Suitability Programme projects; this increases the risk alternative project governance requirements will not be followed.

**Recommendation**

The Service should ensure all the Capital Project Management procedures cover approval requirements for all Capital Projects.

**Service Response / Action**

Agreed. The requirement for a Strategic Outline Case was added to the project management process 11 September 2019. In general, most new projects are complying with this. It is noted that a large proportion of the chosen projects for audit were already instructed by Council (prior to the introduction of the need for a SOC) or were directed by the Scottish Government in the case of Early Learning and Childcare provision. The Service will reinforce the need for SOCs across relevant Clusters and ensure compliance at the Capital Board.

The Toolkit will be reviewed to ensure it is appropriate for application to all Capital Projects.

**Implementation Date**

March 2022

**Responsible Officer**

Programme Manager

**Grading**

Significant within audited area

**Gate 2 – Approve Outline Business Case**

- 11.2.5 The Outline Business Case provides a more detailed overview of the project’s objectives and business need and should provide enough information to determine that the project should be granted approval to go ahead in principle, in order to develop designs and plans, prepare tender documents and update the Full Business Case; or reject the idea; or rework it. During this stage all relevant parameters including resources and budget to develop the Full Business Case should be considered as well as the expected timescale for completion. It should also be determined if the Outline Business Case justifies the investment and is of a high enough priority to go ahead. Funding should also be approved at this stage. The Outline Business Case is considered by: the appropriate Programme Board; the Capital Board; Corporate Management Team (CMT); and approved or otherwise by the appropriate Committee.
- 11.2.6 For the sample under review, only the Torry Academy Demolition had an Outline Business Case approved by the Capital Board and Committee as required, despite all projects progressing to later stages as discussed below. Where Business Cases are not prepared and approved as required, there is an increased risk projects will progress which do not meet Council priorities, or which are unaffordable. The Service has advised the requirement for an Outline Business Case pre-dated all other projects under review; the Toolkit does not make reference to when an Outline Business Case is not required for a Capital Project. A recommendation has already been made at 2.2.5 to revise procedures.

**11.3 Project Stage - Implement**

**Gate 3 – Approve Full Business Case and Tender Documents**

- 11.3.1 The next step in the process is for designs to be agreed, tendering to begin, and to approve the Full Business Case for the project. It is a chance for the governance of the project to be formally reviewed and for approval of the proposed designs and plans which marks the start of implementation of the construction stage of the project. Procurement Regulations require that Committee approval is secured prior to tendering, except in cases where there is delegated authority to the Chief Officer - Capital (in the case of works this is anything under £250k).
- 11.3.2 At this point the project should have the project designs, project plan (which includes risks issues communications etc.), corporate procurement/tender documents and the Full Business Case. According to the Capital Project Toolkit, the Full Business Case should be approved by the following: Project Board (or where none exists the appropriate Programme Board); Programme Board; Capital Board; and where authority is not delegated to the Chief Officer – Capital, CMT and the appropriate Committee.
- 11.3.3 The Project Board is chaired by the Project Sponsor and is a regular meeting of the managers and other senior officers involved in managing the delivery of the project. Board members have responsibility and accountability for a particular area defined by their specific role in the project and support the Project Sponsor and the Project Manager in the delivery of the project. Programme Boards are similar to Project Boards, however instead of covering a singular project, cover a programme of works such as the Housing Programme.
- 11.3.4 The Capital Board leads on the development and delivery of the Council's Capital Programmes, such that they align with the Priorities as set out in the Local Outcome Improvement Plan (LOIP) and the Local Development Plan (LDP). The Board consists of the Director of Resources and the Chief Officers of Capital, Strategic Place Planning, Finance, Governance, Corporate Landlord, Commercial and Procurement, City Growth, Early Intervention and Community Empowerment, Operations and Protective Services and Digital and Technology. Additionally, Legal and Finance shall be represented at every Board meeting by one of their Officers; and other Chief Officers may attend when required for particular issues.
- 11.3.5 The outcome of the Full Business Case review may be that the project is approved, approved with recommended rework, or rejected for rework and resubmission at a later date. The decision should be based on whether the Full Business Case, plus accompanying plans and designs can adequately deliver the objectives, expected benefits and scope of the project within the agreed costs and timescales; whether the procurement is appropriate and has followed the required process, whether the tender documents are viable, and that all expected activities have been adequately addressed.
- 11.3.6 A Full Business Case is expected to give a detailed breakdown of expected costs of the respective project, including costings of alternative options, which includes not progressing the project. Of the 6 projects reviewed, only 1 of the 5 Capital Projects reviewed that required Committee approval had a Full Business Case approved as required by Committee (*Capital Programme Committee – May 2018*) (demolition of Torry and Kincorth Academies). Evidence of Business Case approval by the respective Directorate Management Team, Project Board, Programme Board or Capital Board was requested but not available.
- 11.3.7 Where Business Cases are not prepared and approved as required, there is an increased risk projects will progress which do not meet Council priorities, or which are unaffordable. Furthermore, for the sample under review (appendix 1), there was no evidence of Project Gate Checklists, available from the PMO toolkit, being reviewed, for all stages of Capital Project Management, with the exception of Gate 3 Checklists for the two Early Learning and Childcare expansion projects. Where checklists detailing necessary governance

considerations are not considered, there is an increased risk of inappropriate progression of Capital Projects or project slippage, benefits not being realised, and unintended financial pressures

<b><u>Recommendation</u></b>		
The Service should ensure all required Capital Project gate Business Cases and Checklists are completed and necessary approvals are obtained and recorded prior to progressing beyond each Capital Project gate.		
<b><u>Service Response / Action</u></b>		
Agreed. The need for checklists and Business Cases (where applicable) will be highlighted across relevant Clusters and compliance will be ensured at the Capital Board.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2022	Programme Manager	Significant within audited area

- 11.3.8 Planning permission should also be sought at this stage where required. Whilst a Design Team Request for Service form and Project records the expected date planning permission will be obtained for construction and demolition projects and the Service has advised Project Log Sheets cover Planning Consent, Listed Building Consent, Conservation Area Consent and Building Warrant approval, the Gate 3 checklist does not specifically cover planning permission increasing the risk that this could be missed.

<b><u>Recommendation</u></b>		
The Gate 3 checklist should be revised to cover planning permission.		
<b><u>Service Response / Action</u></b>		
Agreed. All professional staff are already aware of this requirement for the delivery of a project (where required) but agree that this can be added to minimise the risk of planning approval impacting on any given project. The Gate 3 checklist shall be revised to cover planning permission.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2022	Programme Manager	Important within audited area

- 11.3.9 Projects are put out to tender which includes publishing on Public Contracts Scotland tendering site where appropriate. Tendering may be by open competition, a mini-competition using framework suppliers, or a call-off from a framework supplier. Each tender is then scored against criteria shared with bidders. All sampled projects had evidence of appropriate tendering procedures, i.e. the tender with the highest aggregate score for quality and price was selected and the contract opportunity and award had been appropriately advertised on the Public Contracts Scotland website where required.

- 11.3.10 Of the 6 projects reviewed, 5 did not require planning permission (Torry Academy demolition, Aberdeen Journals demolition, Queen Street demolition, Northfield Academy replacement roofs, and remodelling of Loriston Nursery). Planning permission was approved as required, prior to the commencement of the Cults Nursery extension, undertaken as part of the Council's Early Learning and Childcare expansion.

Gate 4 – Approve Selected Tender

- 11.3.11 Gate stage 4 takes place at the end of the tendering process, once procurement timescales have elapsed and tenders have been received, reviewed, and the most appropriate contractor identified. The selected tender will then require authorisation before the contract is awarded. The decision to approve the selected tender should be based on whether the selected tender has been properly and fully evaluated against the tender specification – including costs, resources required and the role of the supplier in delivery, and that procurement has followed the correct process. The tenders may be either approved, rejected or re-evaluated following decisions from: the Project Board, the Programme Board, the Capital Board, CMT, and Committee or Chief Officer where that power has been delegated. For each of the six projects reviewed, tenders had been appropriately scored and selected.
- 11.3.12 In line with the Council's Procurement Regulations, procurements shall only be undertaken by Delegated Procurers who have been designated as such by the Head of Commercial and Procurement Services and who hold relevant Delegated Procurement Authority (DPA) – this is achieved by completing the associated DPA training to the required level needed for the procurement being undertaken. The Commercial and Procurement Service maintain a Register of Delegated Procurers and their DPA level. Whilst contracts reviewed were awarded appropriately, the Service advised that a review of training completion would be beneficial to ensure compliance. A recommendation is included to track progress.

**Recommendation**

Capital Cluster staff involved in procurement activity should ensure they have completed the necessary Delegated Procurement Authority training.

**Service Response / Action**

Agreed.

**Implementation Date**

May 2022

**Responsible Officer**

Chief Officer – Capital

**Grading**

Important within audited area

**Gate 5 – Six-Monthly Reviews**

- 11.3.13 This gate provides an opportunity for regular reviews of a project to establish how it is performing against its agreed milestones and objectives. The Project Management Toolkit requires a Full Business Case, Project Plan, Risks and Issues Log, and Lessons Learned Log to be reported to the: Project Board; Programme Board; Capital Board; CMT; and the Capital Programme Committee. The Service advised this depends on the project in question and in the absence of a Project Board this should go through the Capital Board; the Toolkit is under review in terms of where reporting is required. Evidence of consideration of these documents by the Capital Board, where applicable, was unavailable as indicated in appendix 1 below; such documentation should be retained to support project management continuity in the event of key individuals leaving or being absent.
- 11.3.14 The Service has advised a template six-monthly review document is currently being developed. The six-monthly review documentation will include requirements to share relevant project governance documentation and the Gate 5 Review Checklist to the Capital Board. This will establish if the project remains within scope, within budget, and within expected timelines, as well as determining whether or not project deliverables, risks and any related issues have changed and remain acceptable. Until this is in place there's a risk of variation in practice and that required elements might not be covered, increasing the risk to project outcomes.

**Recommendation**

The Service should ensure that the six-monthly reviews outcomes are formalised and supporting documentation retained.

**Service Response / Action**

Agreed. The Service Senior Management Team monitor regularly the projects which they have responsibility to deliver. Any developing issues will already be being raised at monthly progress meetings. Having noted that, as already advised, having a formal 6-monthly review template would be beneficial going forward for performance monitoring purposes and identifying risks/issues/trends impacting on project delivery.

**Implementation Date**

April 2022

**Responsible Officer**

Programme Manager

**Grading**

Significant within audited area

- 11.3.15 The Service has advised that an early version of an online dashboard was provided for monitoring Capital Projects however the Service do not use it as they deem it to be unfit for purpose. The Service also advised that the dashboard does not provide the level of detail required to ensure appropriate oversight and that information shows up in small fonts that are difficult to read. Work is ongoing to develop a bespoke dashboard that works well for Capital Projects. If it can be made sufficiently comprehensive and relevant stakeholders are able to update the system regularly, live performance information via an online system has the potential to increase accountability for Capital Project progression and improve performance. A recommendation is included to track progress.

**Recommendation**

Online dashboard Capital Project performance reporting should be developed in consultation with all relevant stakeholders.

**Service Response / Action**

Agreed. A proposed form of dashboard has been developed and consideration has been given to how it is best implemented to provide best value. Consultation will be carried out prior to implementation.

**Implementation Date**

August 2022

**Responsible Officer**

Chief Officer – Capital

**Grading**

Significant within audited area

- 11.3.16 Committee progress updates had taken place for 5 Capital Projects under review in appendix 1 that required such updates. Progress updates on the Condition and Suitability Programme to City, Growth and Resources are annual rather than six monthly. The Northfield Academy flat felt roof replacements was part of the Condition and Suitability Programme; the Capital Project was approved originally by the Finance, Policy and Resources Committee in September 2017. Early, Learning and Childcare Expansion Programme reporting was of a high standard, giving site progress and budget monitoring updates at a Capital Project level (two nursery projects reviewed), and the Torry Primary School and Community Hub progress updates were at the Programme level.
- 11.3.17 Monitoring of contractor performance should take place throughout the duration of contracts. In the case of the demolition of the Aberdeen Journals Building reviewed, only an initial meeting prior to work commencing had occurred at the time of the audit as expected due to the current stage of the project. Minutes of meetings, between senior Council officers and contractor representatives, or progress update reports, were maintained where required as indicated in appendix 1.

- 11.3.18 Schedules of works detail timelines for all required jobs within a project and help monitor job progression and sources of delay which require to be mitigated. These were in place for all six projects reviewed.
- 11.3.19 Budget monitoring should take place throughout the duration of a Capital Project by the named Contract Administrator Payments are made through self-billed invoices; these are based on third party Quantity Surveyor (QS) valuations of completed works, approved by the Contract Administrator if in agreement, and authorised for processing by the Council's QS team. A sample of invoices for the Capital Projects described in appendix 1 was reviewed, and appropriate approval had been recorded.

#### **11.4 Project Stage - Close (Gate 6)**

- 11.4.1 Once a project has achieved its agreed milestones and objectives it should be formally closed by passing through Gate 6 – Project Close. At this stage project managers should ensure that a transition to operational management has taken place, that all outstanding work, risks, issues, and actions are catered for and that arrangements have been put in place for the post project Measure Gates, which are further described in section 2.5.
- 11.4.2 To close the project the Business Case should have been delivered as far as is feasible and transition to operational management should be completed. There should be no risks, issues or changes outstanding that are unacceptable to operational management and contract management processes and responsibilities should be in place. The closure of a project must also be approved by the following: Project Board; Programme Board; Capital Board; CMT; and Capital Programme Committee, or other appropriate Committee.
- 11.4.3 Capital Project completion was only reported to Committee for three of the five projects under review; the Service advised completion is not required for Condition and Suitability projects meaning there was only one exception (Demolition of 29-31 Queen Street). Furthermore, completion had not been approved as required by the Project Management Toolkit for four projects under review, by the Project Board, Programme Board or Capital Board, as required (see appendix 1). A recommendation has already been made at paragraph 2.3.7 above to ensure all required Capital Gate checks are completed.
- 11.4.4 A formal declaration of practical completion is required at this stage. This was in place for all five Capital Projects reviewed as required.

#### **11.5 Project Stage - Measure**

- 11.5.1 Following on from formal closure of the project, two review stages take place. Due to the impact of the Covid-19 pandemic, at the time of writing the Service advised that these have not yet been completed for any projects. While projects, such as the renovation of the Aberdeen Art Gallery, may have reached the time periods for these reviews to take place, the Service advised it is not possible to fully evaluate project key performance indicators against previous levels due to the ongoing impact of Covid-19 on the way services are delivered.

##### Gate 7 – Post Project Evaluation

- 11.5.2 Gate stage 7 consists of a post-project evaluation which normally takes place around six months after entry, or the project go live date. This evaluation should evaluate the success of the project against its original business case, evaluate how well the project adhered to project standards and agree any lessons learnt. This review is then passed to the appropriate Programme Board, the Capital Board, CMT, and Capital Programme Committee (or other appropriate Committee).

## Gate 8 – Post Occupancy Evaluation and Benefits Review

- 11.5.3 Gate Stage 8 consists of the Post Occupancy Evaluation and Benefits review. This would normally take place 12 months after entry/go live date. The realisation of the agreed benefits in the Business Case should be reviewed, as should the performance of the facility, with recommendations made to operational management on changes / improvements to maximise benefits and performance. The review is then sent to the appropriate Programme Board, the Capital Board, CMT, and the Capital Programme Committee (or other appropriate Committee). Review recommendations can lead to further realisation of benefits, other improvements to the facility, or lessons learned for similar projects. Additionally, a further post occupancy evaluation can take place after another 12 months if required by the Board or Committee.
- 11.5.4 Whilst it is understood Covid-19 has had an impact on Service delivery and the use of Council buildings, there is a possibility that the impact of Covid-19 will be longer lasting than initially anticipated. In the absence of Post Project Evaluations and Post Occupancy Evaluation and Benefits Reviews, there is an increased risk lessons will not be formalised for future reference prior to new Capital Projects being commenced.

### **Recommendation**

The Service should report Post Project Evaluations and Post Occupancy Evaluations and Benefits Reviews as required.

### **Service Response / Action**

Agreed. Whilst post project reports have been delayed as a result of the Covid -19 pandemic the Service continues to take cognisance of risks/issues encountered in past projects to inform the development of future projects.

To formally record these lessons, a review will be carried out to collate and assess lessons for sharing across the organisation and if applicable incorporation within the project management toolkit.

### **Implementation Date**

March 2022

### **Responsible Officer**

Programme Manager

### **Grading**

Significant within audited area

**AUDITORS:** C Harvey  
A Johnston  
C Johnston

## Appendix 1 – Capital Project Sample Gate Controls

Capital Project	Date of Practical Completion	Gate Control	Control in Place (Yes/No)
Torry Academy Demolition  (required for Torry Primary School and Community Hub new build)	8/11/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>Approval by Directorate Management Team</li> <li>Approval by the appropriate Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>Approval by Directorate Management Team</li> <li>Approval by the appropriate Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee / Delegated Officer</li> </ul> <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> <li>Review by Project Board / Programme Board</li> <li>Review by the Capital Board</li> <li>Review by CMT</li> <li>Review by Committee</li> </ul> <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>Review by Programme Board</li> </ul>	<p>N/A N/A N/A N/A</p> <p>N/A N/A N/A N/A N/A</p> <p>N Y N/A Y</p> <p>N/A N/A N/A Y</p> <p>Y N N/A Y</p> <p>N N N N</p> <p>N/A</p>



		<ul style="list-style-type: none"> <li>Review by the Capital Board</li> <li>Review by CMT</li> <li>Review by Capital Programme Committee</li> </ul>	N/A N/A N/A
		<p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>Review by Programme Board</li> <li>Review by the Capital Board</li> <li>Review by CMT</li> <li>Review by Capital Programme Committee</li> </ul>	N/A N/A N/A N/A
Cults School – Nursery Extension (Expansion of Early Learning and Childcare (ELC))	20/8/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>Approval by Directorate Management Team</li> <li>Approval by the appropriate Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>Approval by Directorate Management Team</li> <li>Approval by the appropriate Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee / Delegated Officer</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee / Delegated Officer</li> </ul> <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> <li>Approval by CMT</li> <li>Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> <li>Review by Project Board / Programme Board</li> <li>Review by the Capital Board</li> <li>Review by CMT</li> <li>Review by Committee</li> </ul> <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>Approval by Project Board / Programme Board</li> <li>Approval by the Capital Board</li> </ul>	N/A N/A N/A N/A N/A N/A N/A N/A Y N/A N/A N N/A N/A Y N/A N/A Y N N

		<ul style="list-style-type: none"> <li>• Approval by CMT</li> <li>• Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul> <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul>	<p>N/A Y</p> <p>N/A N/A N/A N/A</p> <p>N/A N/A N/A N/A</p>
Loirston School – Remodel Existing Nursery (Expansion of ELC)	13/8/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee / Delegated Officer</li> </ul> <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> <li>• Review by Project Board / Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Committee</li> </ul>	<p>N/A N/A</p> <p>N/A N/A</p> <p>N/A N/A N/A</p> <p>Y</p> <p>N/A N/A N</p> <p>N/A</p> <p>N/A N/A Y</p> <p>Y</p> <p>N/A N/A Y</p>

		<p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul> <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul>	<p>N</p> <p>N/A</p> <p>N/A</p> <p>Y</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
<p>Northfield Academy – Replacement Felt Flat Roofs</p> <p>(Condition and Suitability Programme)</p>	6/7/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee / Delegated Officer</li> </ul> <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Y</p>

		<ul style="list-style-type: none"> <li>• Review by Project Board / Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Committee</li> </ul> <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul> <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Y</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
<p>Demolition of 29-31 Queen Street</p> <p>(part of Queen Street Redevelopment Programme)</p>	6/4/21	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee / Chief Officer</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee / Chief Officer</li> </ul> <p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> </ul>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N</p> <p>N</p> <p>N</p> <p>N</p> <p>N/A</p> <p>N/A</p>

		<ul style="list-style-type: none"> <li>• Approval by CMT</li> <li>• Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> <li>• Review by Project Board / Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Committee</li> </ul> <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul> <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul>	<p>N/A Y</p> <p>N/A N/A N/A N/A</p> <p>N N N N</p> <p>N/A N/A N/A N/A</p> <p>N/A N/A N/A N/A</p>
Demolition of Aberdeen Journal Building – Site 16 Lang Stracht	N/A Expected 24/6/22	<p>Gate 1 – Approve Strategic Outline Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by Committee (funding to develop business case)</li> </ul> <p>Gate 2 – Approve Outline Business Case</p> <ul style="list-style-type: none"> <li>• Approval by Directorate Management Team</li> <li>• Approval by the appropriate Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee</li> </ul> <p>Gate 3 – Approve Full Business Case and Tender Documents</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee / Delegated Officer</li> </ul>	<p>N/A N/A</p> <p>N/A N/A</p> <p>N/A N/A N/A N/A</p> <p>N N N N</p>

		<p>Gate 4 – Approve Selected Tender</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Approval by Committee (or Chief Officer where delegated)</li> </ul> <p>Gate 5 – Six-Monthly Reviews</p> <ul style="list-style-type: none"> <li>• Review by Project Board / Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Committee</li> </ul> <p>Gate 6 – Project Close</p> <ul style="list-style-type: none"> <li>• Approval by Project Board / Programme Board</li> <li>• Approval by the Capital Board</li> <li>• Approval by CMT</li> <li>• Reported to Committee</li> </ul> <p>Gate 7 – Post Project Evaluation</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul> <p>Gate 8 – Post Occupancy Evaluation and Benefits Review</p> <ul style="list-style-type: none"> <li>• Review by Programme Board</li> <li>• Review by the Capital Board</li> <li>• Review by CMT</li> <li>• Review by Capital Programme Committee</li> </ul>	<p>N/A</p> <p>N/A</p> <p>N/A</p> <p>Y</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>
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## Appendix 2 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.