Internal Audit Report

Financial Management and Governance of Community Transport Project

12 May 2025

MP2403

Overall Assessment	Limited Assurance

Contents

Internal Audit Report: MP2403 – Financial Management and Governance of Community Transport Project

Executive Summary

Engagement conclusion and summary of findings

Significant gaps, weaknesses or non-compliance were identified in the adequacy of design and operating effectiveness of the key controls established for the monitoring and oversight arrangements to ensure there is adequate financial management and governance of the Community Transport Project.

The following improvement actions were identified which if not addressed may impact achievement of objectives:

- minute taking and action tracking should be improved for governance forum meetings

- all project plans should be fully completed, and should include expected completion date, actual completion date, and completion signoffs

- progress reports to the Strategic Programme Board on the implementation of Flexiroute should resume, and reporting should be up-to-date and accurate

- all project cost and benefits figures included in Project Initiation Documents should be fully quantified and validated prior to submission to the Strategic Programme Board

- contract management meetings with suppliers should be taking place at least every 3-6 months for contracts classified as tier 3

- initial and ongoing assessments of suppliers' financial viability should be performed more frequently when there are concerns about the financial health of suppliers. The Financial assessment policy and guidance should be strengthened and reviewed

- risk registers should be comprehensive and fully completed, with consideration of fraud risks and risks associated with serious organised crime

- RAID logs should be used to ensure there is adequate consideration of assumptions, issues and dependencies impacting projects as well as risks.

Areas of effective practice

- an appropriately detailed Project Initiation Document (PID) was in place and submitted to the Strategic Programme Board for subsequent approval

- business cases for the Flexiroute system were in place and approved by the Full Council in June 2022

- a detailed stakeholder engagement and communication plan was in place

- a closure report is expected for the Flexiroute implementation stage of the project

- senior officers are all suitably skilled and experienced in project management

- the project management team is adequately resourced and has sufficient capacity to support delivery of the project

- project expenditure is captured against dedicated cost codes, and the Senior Responsible Officer receives monthly Community Transport unit budget reports

- monthly progress reports were provided to the project management team by CGI during the Flexiroute implementation process.

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Project Governance	🟠	🟠	Finding 1 – Governance Forum Meetings and Action Tracking	Medium Priority
	🟢	🟠	Finding 2 – Project Plan Completion	Low Priority
	🟠	🟠	Finding 3 – Strategic Programme Board Progress Reports	Medium Priority
2. Project Skills and Experience	🟢	🟢	No issues identified	N/A
3. Financial Management	🟠	🟠	Finding 4 – Project Savings Validation	Medium Priority
4. Contract and Supplier Management	🟢 (light)	🟠	Finding 5 – Contract and Supplier Management	Medium Priority
	🟠	🟠	Finding 6 – Financial Viability of Suppliers	Medium Priority
5. Risk Management	🟠	🟠	Finding 7 – Risk Management	Medium Priority

See Appendix 1 for Control Assessment and Assurance Definitions

Background and Scope

Effective programme and project management is essential to ensure that the City of Edinburgh Council (the Council) can deliver on its pledges and strategic objectives whilst maintaining and improving the services it delivers at a lower cost and with less resources.

For each project/programme of change across the Council, it is expected that sound project management and governance practices are carried out and in line with the principles of the Council's project management guidance and toolkit, available on the Orb (the Council's intranet). The guidance aims to support Project Managers and Senior Responsible Officers (SROs) to successfully deliver projects in the Council.

The Council's project toolkit sets out project guidance, such as key roles and responsibilities, and what is required during the four project stages:

- Initiation – project justifications (such as strategic and financial), and includes documentation such as outline and full business cases
- Planning – including key milestones, objectives, and financial arrangements, and template documentation such as a project initiation document (PID) and a Risks, Assumptions, Issues and Dependencies (RAID) log
- Delivery – including monitoring and oversight arrangements, and template documents such as a benefit tracker and exception report
- Closure – including a review to determine if objectives were achieved, benefits realised and performing a lessons-learned exercise.

The toolkit also provides information on best practice methodologies such as PRINCE2, Agile, Managing Successful Programmes and LEAN Six Sigma.

In addition, the Scottish Government's Scottish Public Finance Manual and the HM Treasury Green Book provides guidance on how to appraise policies, programmes and projects.

Community Transport Project

The Community Transport project aims to realise cost savings and improve travel management and provision. The project is cross-directorate, involving Place, Children, Education and Justice Services (CEJS), and the Edinburgh Health and Social Care Partnership (HSCP) and includes:

- introduction of the Flexiroute system to improve travel management, through route scheduling, live vehicle tracking, and monitoring of driver training and compliance
- an organisational review of staffing community transport to reflect new requirements from HSCP and CEJS
- a revised procurement plan with all purchasing in a single framework
- revised Assisted Travel and Transport polices (for HSCP and CEJS respectively), with the aim of aligning with legislation.

The project aimed to achieve £2m in savings during 2024-25 with an overall savings target of £3.7m. The project has the following key milestones:

- March 2024 – organisation review engagement
- May 2024 – Passenger Transport purchasing framework approved
- June 2024 – framework applied to transportation for new school year
- August 2024 – roll-out of the Flexiroute system for Council colleagues
- February 2025 – start of the organisation review consultation
- August 2025 – roll-out of the Flexiroute system for external suppliers.

In November 2023 the Fleet workstream became a separate project and was approved by the Finance and Resources Committee. The Travel Policy workstream was no longer part of the scope of the Community Transport Project from October 2024. Both workstreams have become separate projects reporting into the Strategic Programme Board (SPB) which oversees governance and monitoring of Council Change Projects.

The Community Transport Project is now considered closed, with the closure report being prepared for submission to the SPB in May 2025. The ongoing elements outside of the project are:

- organisational review
- external implementation of Flexiroute
- Travel Policy.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established for the monitoring and oversight arrangements to ensure adequate financial management and governance of the Community Transport Project.

Alignment to risk and business plan outcomes

The review considered assurance in relation to the following Corporate Leadership Team (CLT) risk categories:

- Strategic Delivery
- Financial and Budget Management
- Programme and Project Delivery
- Supplier, Contracts and Partnership Management
- Governance and Decision Making
- Service Delivery
- Reputational Risk
- Fraud and Serious Organised Crime.

Business Plan Outcomes:

- The Council has the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost.

Reporting date

Testing was undertaken between 22 January and 8 April 2025 and covered the period 2022 to 2025.

Audit work concluded on 8 April 2025, and the findings and opinion are based on the conclusion of work as at that date.

Findings and Management Action Plan

Finding 1 – Governance Forum Meetings and Action Tracking

Finding Rating	Medium Priority

Meeting Minutes

Meeting minutes are a formal record of discussions, decisions and actions agreed upon during meetings and help to ensure effective accountability.

The Community Transport Project comprised several workstreams, however agendas were not produced, and minutes were not routinely taken for any of the related meetings. Minutes were taken as part of Community Transport Programme Board meetings. Community Transport Project Management advised that minutes were not taken at workstream meetings, and this is a typical approach for projects across Operational Services.

Action Tracking

Action tracking is a key governance process that ensures that tasks identified and assigned in meetings are recorded, monitored, and completed.

An action log for the Community Transport Project as a whole was maintained and discussed at Community Transport Project Board meetings. Actions had owners, due dates, and statements on whether actions were open or closed. The action log has a column for 'date closed', but only 6 (17%) of the 36 actions had the date closed entered, 31 (86%) of the 36 actions were marked as closed and 5 (14%) of the 36 actions were still open. The project ceased in August 2024, following implementation of Flexiroute for Council officers, but work has continued through individual workstreams since that date.

The Flexiroute workstream had a maintained action tracker, as did the CEJS workstream, whilst it was still a part of the project. However, the ongoing Organisational Review workstream does not maintain an action tracker. Community Transport project management advised that the actions arising from previous meetings were discussed at subsequent meetings, but this could not be confirmed due to a lack of meeting minutes or notes.

Risks

- **Strategic Delivery –** untracked actions may lead to missed milestones, causing to delays in delivering strategic goals and benefits realisation

- **Programme and Project Delivery** - key decisions are not recorded leading to a lack of project oversight by senior management and a lack of accountability. This could result in missed deadlines and impacts to the progress of the project

- **Governance and Decision Making** - minutes not being taken could lead to a lack of transparent decision-making, disputes, miscommunication, and project inefficiency. In addition, project management may not have oversight of complete and outstanding tasks.

Recommendations and Management Action Plan: Governance Forum Meetings and Action Tracking

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1	Agendas should be produced for key project meetings (unless the project delivery mode dictates otherwise) and minutes.	As of April 2025, there are only two remaining workstreams within Community Transport Unit (CTU) governance. They are Flexiroute and	Interim Executive	Head of Operational Support,	30/11/2025

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
		Organisational Review. An agenda, action and decision tracker will be used for both until their completion.	Director of Place	Performance and Improvement	
1.2	The Organisational Review workstream should use an action tracker to ensure that actions are recorded, tracked, and monitored.	An agenda, action and decision tracker was implemented for the organisational review workstream in March 2025. This will continue to be updated and monitored until the review has been completed.		City Wide Services Manager CEC Travel Hub Operations Manager	30/11/2025
1.3	All action trackers should be fully complete, ensuring that action opening dates are entered, actions are assigned an owner and close dates are recorded once actions are complete.	The agenda, action and decision trackers for Flexiroute and the organisational review will be fully complete, ensuring that action opening dates are entered, actions are assigned an owner and close dates are recorded once actions are complete.			30/11/2025

Finding 2 – Project Plan Completion

Finding Rating	Low Priority

A project plan outlines the timeline, tasks dependencies and key deliverables of a project. The project management guidance on the Orb emphasises the importance of detailed planning, including clear progress tracking mechanisms. The absence of the completion status of key tasks hinders the ability to monitor progress effectively and increases the risk of delays and mismanagement.

Project plans were developed for the Community Transport project and its workstreams. The Flexiroute workstream, for example, has a project plan and each activity on the plan has a RAG rating, defined ownership, dependencies, and timeframes for all deliverables. Community Transport Project Management advised that they were ultimately responsible for the Flexiroute project plan and that it was updated at regular workstream meetings with CGI. Although minutes were not taken at these meetings, the plan has some revised dates which suggests that it was frequently updated.

The project plan does not have a column for recording a completion date, therefore the completion of tasks within the Flexiroute Plan could not be verified.

Risks

- **Strategic Delivery –** project milestones may not be reached on time, meaning the project will not meet its strategic objectives and benefits realisation will not be achieved
- **Programme and Project Delivery –** there is an inability to track progress leading to missed deadlines and unclear accountability
- **Governance and Decision Making –** senior management and project leads cannot effectively monitor or intervene if milestone and task completion is not tracked.

Recommendations and Management Action Plan: Project Plan Completion

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	All project plans should be fully complete. For example, every aspect of the plan should have an expected completion date, actual completion date, and completion sign-off from the assignee, once complete.	The Project Plan for Flexiroute is in place. This will be reviewed, updated accordingly and monitored until completion of its implementation.	Interim Executive Director of Place	Head of Operational Support, Performance and Improvement City Wide Services Manager CEC Travel Hub Operations Manager	30/11/2025

Finding 3 – Strategic Programme Board Progress Reports

Finding Rating	Medium Priority

Progress reports provide project governance forums with updates on key milestones, risks, financials and overall project health. Project boards rely on accurate and timely progress reports to make informed decisions and provide strategic oversight.

The Community Transport Project was approved by the Strategic Planning Board (SPB), and progress was reported to it on a monthly basis. A section of these reports is dedicated to savings targets, the actual amount saved, variations, corrective actions to address variations, and non-financial benefits.

In November 2024, information on savings reported to the SPB was not updated to reflect changes to the project. For example, the planned update to the Travel Policy was still included in both the narrative and the expected savings target even though the planned update had been removed from the scope of the project in October 2024.

The rationale stated in the progress reports to the SPB on the variance between the savings target and the actual amount saved was that savings would start to be realised following the full external implementation of Flexiroute, and the variance should start to narrow then. According to the November 2024 progress report, this is scheduled for August 2025.

Risks

- **Strategic Delivery –** outdated progress reports may not reflect actual project progress leading to decisions being made that do not align with strategic objectives
- **Financial and Budget Management –** lack of up-to-date and accurate reporting may result in a failure to highlight budget risks and benefits not being realised
- **Programme and Project Delivery –** if progress reports are outdated or discontinued before key workstreams are complete, stakeholders may lose visibility on key milestones, causing delays. This could also lead to project risks and dependencies being overlooked and full benefits not being realised
- **Governance and Decision Making –** a lack of up to date and accurate project progress reporting may lead to a lack of transparency for stakeholders, un-informed decision making and ineffective oversight.

Recommendations and Management Action Plan: Strategic Programme Board Progress Reports

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	The submission of progress reports or updates to the Strategic Programme Board on the implementation of Flexiroute should resume until the Flexiroute workstream is fully complete.	The Strategic Programme Board (SPB) will be considering the Community Transport Project close report in June 2025. Whether the implementation of Flexiroute progress reports should resume, until it is fully complete, will be considered at this point.	Executive Director of Corporate Services	Change and Delivery Manager Projects Management Office Manager	31/07/2025

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.2	Progress reports should be up-to-date and reflect the current position of project workstreams, and savings figures should be accurately stated.	Should the SPB request reporting to resume for the Flexiroute workstream, the progress reports will be accurate and up to date reflecting the latest position of workstreams.	Interim Executive Director of Place	Head of Operational Support, Performance and Improvement City Wide Services Manager CEC Travel Hub Operations Manager	30/11/2025

Finding 4 – Project Savings Validation

Finding Rating	**Medium Priority**

A key principle of financial management within projects is ensuing that projected benefits are based on robust analysis and validation.

The Project Initiation Document (PID) that was submitted to, and approved by, the Strategic Planning Board (SPB) in May 2023 highlighted an overall project savings target of £3,000,000, and a savings target for the 2024/25 financial year of £2,000,000. Community Transport project management advised that an economic consultant was brought in to determine these figures for the project as part of the wider development of the Council's Medium-Term Financial Plan.

However, no validation exercise was undertaken by the Council to verify the accuracy of these figures before they were submitted to the SPB. Instead, a validation exercise was undertaken in August 2023, three months after the figures were provided to the SPB, with a revised total of £1,550,000 for 2024/25 being reported.

Risks

- **Strategic Delivery –** projects may be prioritised incorrectly, or benefits may not be realised if cost savings are inaccurate or overstated

- **Financial and Budget Management –** overestimated savings figures may lead to budget shortfalls, resulting in gaps, requiring additional resources and a failure to meet strategic objectives

- **Service Delivery –** overstated or inaccurate savings costs may lead to budget shortfalls, negatively impacting service delivery.

Recommendations and Management Action Plan: Project Savings Validation

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	All project cost and benefits figures included in Project Initiation Documents should be fully quantified and validated prior to submission to the Strategic Programme Board for consideration.	Community Transport was a historical project inherited by SPB, when the board come into existence in May 2023. The Project Scoping Document was written retrospectively, to align with SPB processes, which were not fully formalised at that time. All projects reporting to the Board now follow the project management methodology. Where Project Scoping Documents are submitted at the scoping stage of the project, cost and benefit figures are estimates only. At that stage, each project has a Finance Officer assigned and project managers work with finance teams to seek	Executive Director of Corporate Services	Change and Delivery Manager Projects Management Office Manager Senior Change and Delivery Officer	30/11/2025

| | | pathways to benefits delivery. Once a project enters the delivery stage it is required by the SPB to submit a business case for approval, where the cost and benefits are fully quantified and validated.

Recently in Finance, the Best Value Review Team has been established to further support this work. Increasing the Boards maturity to review and rescope or close projects that are not adding value or where targets have not been viable. This has improved smarter decision making and targeting of project resource. | | | |
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Finding 5 – Contract and Supplier Management

Finding Rating	Medium Priority

Contract monitoring meetings with suppliers help to ensure that agreed deliverables, performance standards and compliance requirements are being met, whilst also identifying and addressing issues early.

In May 2024, the Full Council approved the Passenger Transport Framework Agreement for the provision of passenger transport services, and the serious implications for service users if this was not agreed were noted. This procurement framework resulted in 42 awarded tier 3 contracts for a period of two years in June 2024. The contracts commenced in August 2024.

Community Transport Project Management advised that from April 2025, contract monitoring meetings would take place on a 6-12-monthly basis for each supplier. An email was circulated to all awarded suppliers with a proposed agenda that included contract performance against objectives, continuous improvement and financial monitoring. The Contract Classification Tool (October 2023), in the contract management toolkit, states for tier 3 contracts (less than £1m) meetings should be held every 3-6 months.

However, no contract monitoring meetings took place between August 2024 and April 2025 (8 months). Community Transport Project management advised that there were insufficient resources within the Travel Hub to hold contract monitoring meetings with each awarded supplier. Any meetings with individual suppliers prior to April 2025 had been on an exception basis, for example if complaints were filed or late submission of invoices.

Risks

- **Service Delivery –** poor supplier performance may go unnoticed, leading to delays, reduced quality, or failure to meet contractual obligations

- **Supplier, Contracts and Partnership Management –** without regular oversight, suppliers may not feel compelled to meet agreed standards, and opportunities for improvement could be missed.

Recommendations and Management Action Plan: Contract and Supplier Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
5.1	In line with the Council's requirements, contract monitoring meetings with suppliers should be held on at least a 3-6 monthly basis to discuss supplier performance and to address ongoing issues. Meetings should include use of the fixed agenda template from the Contract Management Manual, actions from previous meetings or correspondence should be discussed, and minutes should be taken and retained.	In recognition of the number of suppliers (42) regular 6-12 monthly contract monitoring meetings will be held with suppliers to discuss performance and any issues depending on the size of their business. The standard contract management template will be used to record meetings. Random spot checks will be undertaken on monthly basis to monitor compliance and where issues found additional performance meetings held.	Interim Executive Director of Place	Head of Operational Support, Performance and Improvement\n\nCity Wide Services Manager\n\nCEC Travel Hub Operations Manager	31/05/2026

Finding 6 – Financial Viability of Suppliers

Finding Rating	Medium Priority

Financial assessments help to ensure that suppliers have the financial stability and capacity to deliver contracts without risk of failure, service disruption, or insolvency.

The Council developed a Passenger Transport Framework Agreement in April 2024 where suppliers were invited to submit tenders to be considered for a contract award for the provision of transport services. A financial assessment of the suppliers considered criteria such as the annual contract value, suppliers' turnover, current ratio, and financial capacity calculations. Suppliers were then assigned an overall assessment of 'pass' or 'poor'. It was noted that 21 (50%) of the 42 awarded suppliers had an overall rating of 'poor' and 1 supplier did not have an overall assessment listed. Of these 22 suppliers:

- 18 (82%) did not have the required turnover for the contracts, per Council guidance
- 5 (23%) were assessed as having an '*Overall moderate-high business risk re stability and likelihood of business failure'*
- 1 (5%) had an assessment of '*NEGATIVE balance sheet. Moderate risk of severe financial stress. Incorporation 24/5/22'*
- 11 (50%) did not, or could not, provide sufficient information to perform a complete finance check.

The UK Government's Assessing and monitoring the economic and financial standing of suppliers guidance note and the Public Contract Regulations 2015 (Regulation 58.9) suggest that contract value should not exceed twice the supplier's annual turnover, 200% or 2:1. Ratios above 300% or 3:1 indicate a high financial risk. The financial assessment revealed the following:

- only 4 (18%) of the 22 suppliers with a 'poor' rating, or no rating, met the recommended financial capacity ratio threshold of 200%

However, Procurement advised that annual contract value figures are an estimate of spend based on overall lot value, so it is spread across all awarded suppliers in the lot. Therefore, they advised that there would be limited financial risk to the Council and, should a taxi or minibus supplier cease operations due to financial instability, the work would be allocated to another provider within the framework. The main risks to the Council would be reputational and a disruption to service provision.

Community Transport project management advised assessment of the financial health and viability of awarded suppliers has not taken place since the financial assessment as part of the Passenger Transport Framework Agreement in May 2024. Additional controls, such as more frequent financial health checks for suppliers that received an overall assessment of 'poor' during the financial assessment stage of the procurement framework, have also not been considered.

The Instructions to Tenderers guidance as part of the Framework states that where suppliers do not meet financial criteria '*may exclude the tenderer from the competition or may apply discretion seeking supporting evidence to determine the tenderer's suitability to proceed'*.

Corporate Finance advised that there is Financial Assessment Policy, however this has not been reviewed since March 2016; a review of the document is planned for June 2025. Finance carries out financial checks on suppliers and then provides the results to Procurement and, in the majority of cases, decisions on eliminating a supplier from the process lies with Procurement and project management.

The Policy does not differentiate between types of projects or suppliers, however. Corporate Finance advised that separate guidance based on the nature of projects, or the market, is one of the areas being discussed as part of the Financial Assessment Policy review.

- 6 (27%) of these 22 suppliers had a financial capacity ratio threshold of over 1000%. The highest supplier ratio was 9,289% and the average ratio across all 22 suppliers was 1,519%.

Risks

- **Programme and Project Delivery –** if the awarded supplier cannot continue operations, the Council may struggle to find an immediate replacement and there could be additional costs for emergency alternatives or legal disputes

- **Financial and Budget Management –** the supplier does not have the financial capacity to sustain operations and will not be able to fulfil their contractual obligations

- **Service Delivery –** suppliers with a high financial capacity ratio and with limited resources may lack the vehicles, drivers, or infrastructure to meet contractual obligations, impacting overall service delivery

- **Reputational Risk –** financial mismanagement could lead to political scrutiny and raise concerns over poor procurement practices which could negatively impact the public's trust in the Council and cause issues when applying for public sector funding.

Recommendations and Management Action Plan: Financial Viability of Suppliers

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
6.1a	The Council should exercise caution when considering awards for contracts where tenders do not meet the Council's financial criteria and are considered to have a risk of financial failure, or where incomplete financial information is submitted. Where the decision is taken to recommend an award, then there should be a clearly documented approval process at an appropriate level with a clear rationale.	The current decision matrix will be updated to include recommendation and mitigation information, which will inform the service area on perceived risks, prior to approval of the executive director of their delegate.	Executive Director of Corporate Services	Commercial and Procurement Services Delivery Manager	31/03/2026
6.1b	Associated risks should also be recorded within relevant risk registers and reviewed regularly.	Associated risks will be recorded within the Passenger transport risk register and reviewed regularly.	Interim Executive Director of Place	City Wide Services Manager Head of Operational Support, Performance and Improvement	31/03/2026

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
6.2a	When the Financial Assessment Policy is reviewed, it should include review of the guidance provided to tenderers on the financial assessments of suppliers.	Finance will review the Financial Assessment Policy. Following review and update of the Financial Assessment Policy, CPS will update internal documentation to record the risk and any decision around mitigation/acceptance or management of risk recommended in order that the service area can effectively manage the contract.	Executive Director of Corporate Services	Senior Accountant	31/12/2025
6.2b	Following the Policy being reviewed, specifically, it should provide detailed guidance on the circumstances in which suppliers can be awarded contracts where they do not have sufficient financial capacity, and should differentiate between project types, financial values, and risks to service delivery and reputational damage.	Following review and update of the Financial Assessment Policy, CPS will update internal documentation to record the risk and any decision around mitigation/acceptance or management of risk recommended in order that the service area can effectively manage the contract.	Executive Director of Corporate Services	Head of Commercial and Procurement Services	31/03/2026
6.3	Suppliers considered financially at risk and awarded contracts by the Council, should have additional controls to assess their financial viability on a regular basis, based on risk. Financial health checks for all suppliers within the framework on an annual basis should be considered.	**Risk accepted.** Finance does not have the resource to undertake financial health checks on suppliers once the contract is awarded. Updated financial data may only be available annually on production of accounts but in the case of this type of supplier often accounts are not readily available, i.e. sole traders. There are no sanctions that can be applied to a supplier even if they did have a poor finance health check, post contract award.	N/A	N/A	N/A

Finding 7 – Risk Management

Finding Rating	Medium Priority

Risk Management

There is a risk register in place for the Community Transport Project, however fraud risks and the risk of serious organised associated with the delivery of projects is not considered. Further, no consideration has been given to risks surrounding the financial viability of awarded suppliers and the potential impacts to service delivery, and the Council's reputation, should those suppliers cease operations.

RAID Logs

The Council's project management guidance and toolkit includes a template for a Risks, Assumptions, Issues, and Dependencies (RAID) log. RAID logs are a fundamental component of effective project management, as they help to ensure that risks and issues are documented, monitored, and actively managed throughout the lifecycle of projects.

The Council's RAID Log Template was used for the Community Transport project but only the risks tab was completed, and the Assumptions, Issues, and Dependencies tabs remain incomplete.

This implies only the risks are being managed and not the assumptions, issues, or dependencies.

Risks

- **Programme and Project Delivery** - key assumptions, issues and dependencies may be unknown, exposing the project to unmanaged risks. Emerging risks may not be identified, and existing risks may not be effectively monitored or mitigated

- **Supplier, Contracts and Partnership Management** – contractual risks and dependencies with suppliers may not be adequately tracked, leading to disputes, service interruptions, and failure to resolve issues quickly with suppliers

- **Governance and Decision Making** – risks could be managed ineffectively or outwith the Council's risk appetite, leading to a failure to achieve strategic objectives

- **Fraud and serious organised crime** – potential fraud risks and risks associated with serious organised crime may not be identified, assessed, recorded, and managed.

Recommendations and Management Action Plan: Risk Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
7.1	Project risk registers should include consideration and identification of all risks associated with fraud and serious organised crime which may impact the project. All potential risks should be recorded, assessed, mitigating actions recorded, and regularly reviewed. The effectiveness of mitigating controls should also be reviewed regularly.	The revised Council risk register template has been shared with the PMO and has been implemented. All framework risks, which includes fraud and serious organised crime, will be considered where appropriate. All potential risks will be recorded, assessed, mitigating actions recorded, and regularly reviewed. The	Executive Director of Corporate Services	Change and Delivery Manager Projects Management Office Manager	30/09/2025

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
		effectiveness of mitigating controls will be reviewed regularly. The Passenger Transport risk register will be updated to reflect potential risk with fraud and serious organised crime.		Senior Change and Delivery Officer	
7.2	Management should consider the use of the full RAID log template to ensure that assumptions, issues, and dependencies are adequately considered alongside risks and periodically reviewed by the key workstreams and relevant governance forums for the project. If a decision is taken not to use the full RAID log, then a clear control should be established to ensure that assumptions, issues, and dependencies are identified, recorded, and managed throughout the programme and across the key projects.	Recommendation accepted. The community transport project close report will be presented to the SPB in June 2025 and will include this recommendation in the lessons learnt section.	Executive Director of Corporate Services	Change and Delivery Manager Projects Management Office Manager Senior Change and Delivery Officer	31/07/2025

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed	🟢	Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operate at optimum level of effectiveness.
Generally Satisfactory	🟢	Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity	🟠	Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity	🔴	Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	**N/A**	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Project Governance	• an appropriate project governance structure and forums (for example, a project board and workstream governance meetings) have been established with clearly defined remits which detail key members, and their roles and responsibilities • business cases have been prepared for the projects and approved by the relevant project board, Strategic Programme Board (where required) and the Council Executive Committee (where required) • the business cases are updated to reflect on any significant project changes and are re-distributed to all relevant governance forums for approval • clear project plans which detail timeframes, ownership, dependencies, and progress for all key project deliverables have been developed and are regularly updated throughout the projects • up-to-date risks, issues and dependencies (RAID) logs are in place with evidence that all existing and new and emerging risks, issues, and dependencies are appropriately owned and effectively managed. This includes consideration of fraud and serious organised crime related risks • complete and up-to-date highlight/progress reports (including an appropriate RAG status including benefits tracking, and risks, issues and dependencies reporting) are provided to relevant governance forums • actions from governance meetings are documented, appropriately delegated, and tracked through to completion • clear stakeholder engagement and communication plans have been developed and approved by the relevant governance forums with regular updates provided on progress and any issues • post-implementation reviews are scheduled / have been held to reflect on lessons learned and confirm that all anticipated benefits have been realised.
Project Skills and Experience	• projects are overseen by Senior Responsible Officers and delivered by Project Managers who are appropriately skilled with relevant project delivery experience • project teams are adequately resourced with appropriately skilled and experienced officers who have sufficient capacity to support delivery of projects alongside service delivery (where applicable) • the projects follow the Council's project management methodology, and relevant guidance from the Scottish Government and HM Treasury, and use the project management tool kit to ensure effective management and delivery • where required, project management training has been delivered to ensure consistent application of project management methodology and project tools.
Financial Management	• project costs and benefits have been quantified and validated (where possible) and are reflected in the project business case and are monitored throughout the life of the project through to post-implementation

	• financial management processes operate effectively including ongoing and accurate updates to the project financial model and associated assumptions • expenditure is captured accurately against cost codes, including costs for supplementary projects and additional works being delivered alongside the project and is subject to regular analysis and review • accurate cost reporting and forecasting is provided to the SRO and governance forums.
Contract and Supplier Management	• effective supplier management arrangements (including sub-contractor) are in place to monitor delivery progress against project timelines, terms and costs in line with contract terms and conditions, including delivery of community benefits • appropriate arrangements have been established to confirm the ongoing financial viability and workforce capacity for key contractors and suppliers in the current operating environment • the Council receives adequate assurance from contractors on health and safety incidents.
Risk Management	• risks related to financial management and governance of the Granton Waterfront and Community Transport projects are identified, recorded and managed within a service risk register, and regularly reviewed to ensure appropriate mitigating actions are in place and remain effective, with escalation to divisional and directorate level risk committees where required.