

Audit Committee 29th July 2019 – Appendix 1 (Internal Audit Programmes and Transformation Management Letter)

Date: July 2019
Our Ref: LBI1819
Enqs To: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

CAMDEN & ISLINGTON SHARED INTERNAL AUDIT SERVICE

FINAL MANAGEMENT LETTER

To:
Roger Dunlop, Head of Strategy and Change

Copies to:
Corporate Management Board (CMB)

Dear Roger

Internal Audit Review - Programmes and Transformation

Introduction and background

This management letter presents outcomes of our review of the design of controls and governance arrangements surrounding Programmes and Transformation within the Council.

In 2018/19, the Council's Audit Committee resolved to conduct an annual deep dive into an area of assurance that would have a positive impact Council-wide. It was agreed that, in 2018-19, this review would focus on programme governance arrangements given the level of transformation currently underway across the Council.

The Council currently has a focus on transformation, to enable the authority to continue to operate as a well-run council. The Council has a number of transformation and change initiatives planned, which will be delivered as cross cutting ventures as well as within individual Council departments. It is anticipated that the Council's newly created Programme Management Office (PMO) will enhance programme and project governance and so support wider transformation and change initiatives. The main objectives of the PMO are to:

- Provide the senior leadership team with clear oversight of key programmes and how they are progressing;
- Help senior leaders to prioritise change initiatives, by providing a more structured approach to project initiation;
- Provide scrutiny and challenge to key programmes, ensure that they are managing key risks and are on track to deliver the expected outcomes / benefits; and
- Develop tools, templates and guidance to help drive quality and consistency.

Audit Approach

The primary purpose of this review was to advise the PMO during its initial creation and assess the adequacy of the design of controls to be introduced by the PMO. As the PMO is at development stage, we were unable to provide assurance surrounding the effectiveness of the implementation of controls. Our review focussed on

the design of the controls and governance arrangements introduced by the PMO in order to achieve its objectives. A detailed Terms of Reference, outlining the scope of our work, is attached at **Appendix D**.

Summary of findings

The aim of the PMO is to improve how the Council approaches and manages its programmes, projects and change activities and therefore supports the Council to achieve its overall objectives. The scope of the PMO will encompass all change projects across the Council. Currently work has focussed on outcomes-based budgeting for projects / programmes and work is underway to determine additional departmental projects. According to the PMO update provided to the CMB in December 2018, the PMOs remit currently includes:

- 97 Business cases totalling £40m;
- 52 Management Actions totalling approx. £10m; and
- 45 Projects, either cross cutting or departmental totalling approx. £30m.

Areas of good practice

Internal Audit worked with the PMO team in an advisory capacity to provide input into the design of controls during its initial phase of operation and observed the following areas of good practice controls introduced by the team:

- **Business Case Process** - The team's initial efforts have rightly focussed on the Council's case for change. This has included the introduction of a formal process for business case development and assessment. Proposed business cases are validated at the Design & Compliance Authority board meeting, which includes cross Council representatives, including Finance, HR, Procurement, ICT and Legal, to provide technical sign off of proposed business cases prior to formal approval at the Programme Delivery Board. This process is supported by a suite of templates for initial project Mandate, Outline and Full Business Case, which include fields to capture all the required information and allow management to make fully informed decisions.
- **Governance / Delivery Process** - The team have introduced a full governance structure for projects and programmes to provide management oversight and challenge throughout the delivery lifecycle. The PMO have determined the level of governance and sponsorship to be applied to a project or programme, based on its profile of benefits, risk and complexity. This uses the SCOT model (Strategic, Critical, Operational and Transactional). All boards have clearly defined remits and roles and this is accompanied by a gateway process for major cross cutting and departmental programmes. An overview of this structure can be found at **Appendix B**. Governance processes will be supported by the introduction of Microsoft Project Online software, which will allow management to have full oversight of the Council's change portfolio.
- **Supporting Projects** - A programme of work is underway to develop the project / programme management capability across the Council. This has included access for all Council staff to online training for best practice qualifications, such as Prince2 and Managing Successful Programmes, until May 2020. Those delivering and overseeing projects and programmes will also have the opportunity to attend a series of masterclasses delivered by subject matter experts. Details of the training available to staff is included at **Appendix C**. This will be supported by the planned creation of good practice templates for project/programme managers to utilise.
- **Cross Council Presence** - The PMO team currently consists of five change programme leads embedded within Council directorates and aligned to specific programmes (for example Children's or Adults services), and three PMO analysts. This is supported by dedicated Council subject matter experts aligned to directorates for areas such as Finance, HR, Procurement, ICT and Legal. The PMO team will provide support to programmes in the initial development of a programme's business case and plans, and has oversight of the programme's ongoing delivery. This covers areas such as progress against the plan, financial monitoring, and risk management; effectively acting as an embedded assurance function.

Areas for continued development

Aside from continuing to embed the above processes, we have identified some specific areas where management may wish to further develop controls to ensure the successful delivery of the Council's change portfolio, particularly as the programmes move into delivery phases. These include:

- **Agreed Minimum Standards** – Whilst the PMO have set parameters around the way in which projects and programmes will operate they have not specified the level of information or documentation managers would be expected to produce and maintain, appropriate to the scale and complexity of each project and programme. This may mean that projects and programmes inconsistently apply control processes, leading to delivery issues or inconsistent reporting through governance forums. Once minimum standards have been agreed management should determine an appropriate approach to providing assurance over project and programme delivery.
- **Clear Escalation Criteria** - The governance structure references the requirement for escalation, however we found that programmes were not yet supported by tolerances or escalation criteria for key project / programme areas, such as risk, issues, time, cost, benefits, quality or scope; defining the point at which an escalation is required. Without agreed tolerances or escalation criteria in place, project and programme managers may be unclear what would warrant escalation and it may be difficult for the governance structures to make effective decisions.
- **Wider PMO Publication** – To date publicising of the PMO across the Council has focused on the Senior Leadership Team and initial meetings with Corporate Directors. Management intend to publicise the PMO's role and available training materials to all staff across the Council, however this had not yet taken place at the time of our review. The Council may fail to realise the full benefits from the introduction of the PMO if the wider Council are not aware of their existence or fully engaged.
- **Departmental Management Team (DMT) Project Monitoring** - The scope of the PMO will encompass all change projects across the Council. Work is underway to determine additional departmental projects, however this had not yet completed at the time of our review. Once departmental projects have been determined the PMO should agree the key projects which require regular DMT oversight and monitoring and introduce appropriate highlight reporting to DMT meetings.

Conclusion

Overall, whilst areas of good practice have been identified in terms of the design of the PMO, we have identified areas where further development is required in order for the PMO to successfully achieve its objectives.

An action plan is attached at **Appendix A** to assist with the ongoing design of controls and includes recommendations to address the identified risks; as well as management's response to each recommendation. A follow up review, to assess the level of implementation of recommendations, will be conducted in Q3/4 2019/20.

Yours sincerely,

Nasreen Khan

Head of Internal Audit, Investigations and Risk Management

Action Plan

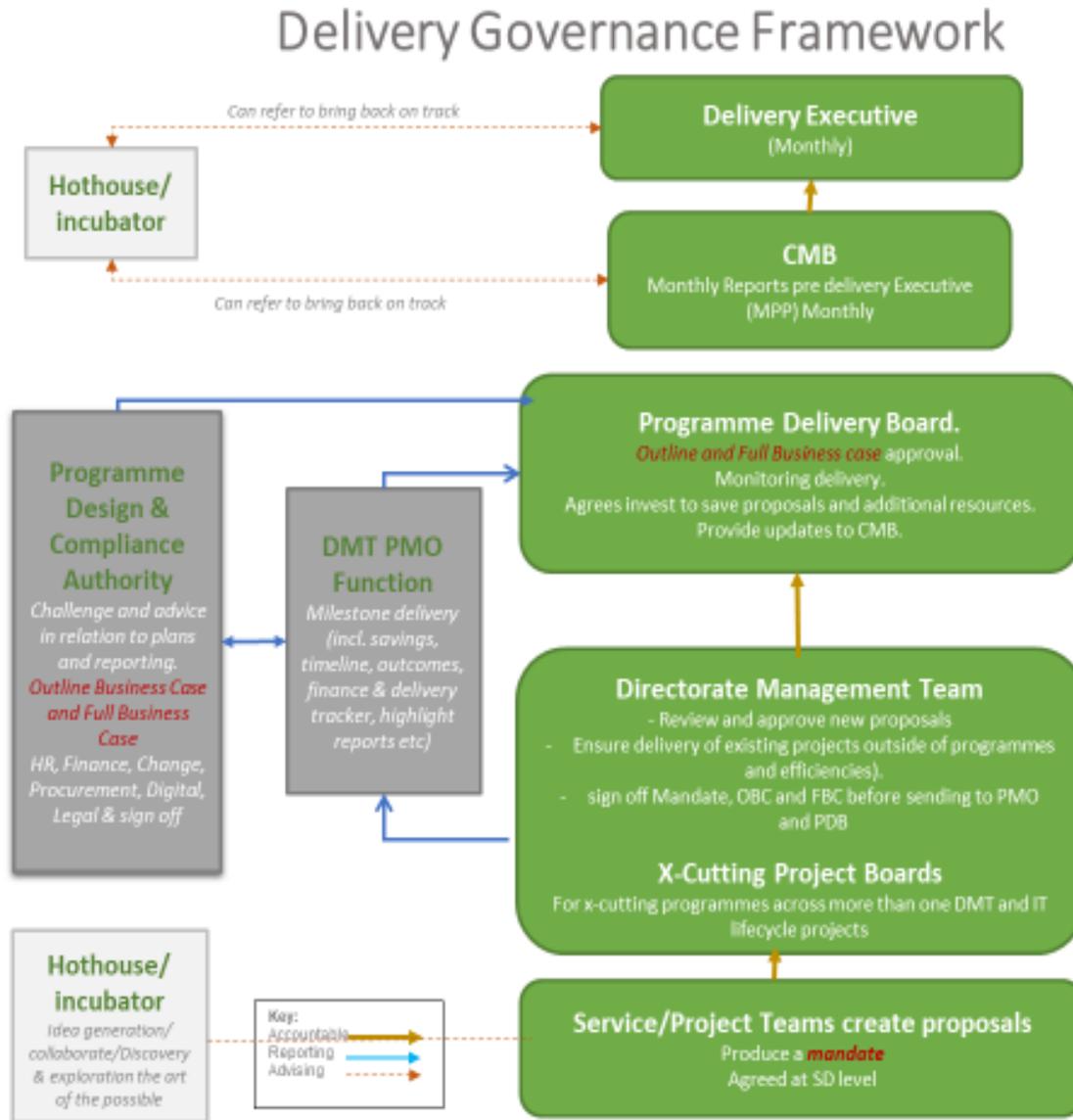
Appendix A

Ref	Audit Findings	Risk	Recommendations	Priority	Management Responses
1.	<p><u>Agreed Minimum Standards</u></p> <p>The PMO have determined the level of governance and sponsorship to be applied based on a project or programmes profile of benefits, risk and complexity, using the SCOT model (Strategic, Critical, Operational and Transactional).</p> <p>Whilst parameters around the way in which projects and programmes will operate have been agreed, the PMO have not specified the level of information or documentation project / programme managers would be expected to produce and maintain, appropriate to the scale and complexity of each project/programme.</p> <p>This may mean that projects and programmes inconsistently apply control processes which lead to delivery issues and or inconsistent reporting through governance forums.</p> <p>Once minimum standards have been agreed management should determine an appropriate approach to providing assurance over project and programme delivery. Management may wish to focus on inflight projects and programmes to ensure that controls in place are fit for purpose.</p>	<p>Project teams may be unsure of the level of information / documentation they are expected to produce and maintain.</p> <p>This may mean that projects and programmes inconsistently apply control processes which lead to delivery issues and or inconsistent reporting through governance forums.</p> <p>Reporting may not provide management with accurate and up-to-date information and ensure decisions are taken based on all the required information. This may lead to reputational damage or operational inefficiency.</p>	<p>1) It is recommended that management specify the level of documented information projects and programmes are required to produce and maintain, in relation to the following areas:</p> <ul style="list-style-type: none"> ○ Risk and issue management; ○ Benefits management; ○ Financial monitoring; ○ Detailed project and programme planning and resourcing; ○ Highlight reporting; ○ Stakeholder analysis and engagement; ○ Change control; and ○ Supplier management. <p>2) Management should determine an appropriate approach to providing assurance over project and programme delivery.</p>	<p>Medium</p> <p>●</p>	<p>Agreed: Partly.</p> <p>Several of these are clearly documented, including the RAID log, financial monitoring, highlight report and change controls.</p> <p>Action to be taken:</p> <p>Complete the outstanding project management documentation standards</p> <p>Responsible Officer: Roger Dunlop, Head of Transformation</p> <p>Target Date: 31 August 2019</p>

Ref	Audit Findings	Risk	Recommendations	Priority	Management Responses
2.	<p><u>Clear Escalation Criteria</u></p> <p>The governance structure references the requirement for escalation, however we found that programmes were not yet supported by tolerances or escalation criteria for key project / programme areas, such as risk, issues, time, cost, benefits, quality or scope; defining the point at which an escalation is required.</p> <p>Good practice would suggest defining proportionate tolerance levels, at which each project or programme is required to escalate issues to the next level within the governance structure. This should be aligned to scale and complexity of each programme and may for example include slippage of overall timescales of one month, or exceeding approved budget within 5%, as a trigger for exception reporting and escalation. This would enable project / programme teams to be clear on what would warrant escalation throughout the governance structure and senior leaders to ensure they were made aware of potential issues as they arise.</p>	<p>Without agreed tolerances or escalation criteria in place, it may be difficult for the governance structure to make effective decisions regarding the projects / programmes.</p> <p>The teams may also be unsure what would warrant escalation to the programme boards or beyond.</p>	<p>It is recommended that management introduce and clearly document tolerances or escalation criteria for key project /programme areas, including (but not limited to) risks, issues, time, cost, benefits, quality and scope for each of the projects and programmes.</p>	<p>Medium</p> <p>●</p>	<p>Agreed: Partly</p> <p>Action to be taken:</p> <p>Tolerance levels have been set and included in the RAG status reporting framework. However this will take some months to embed and refine and work will continue through the PMO to support this.</p> <p>Responsible Officer:</p> <p>Roger Dunlop, Head of Transformation</p> <p>Target Date:</p> <p>Complete</p>
3.	<p><u>Wider PMO Publication and engagement</u></p> <p>To date publicising of the PMO across the Council has focused on the Senior Leadership Team and initial meetings with Corporate Directors.</p> <p>Management intend to publicise the PMO's role and available training materials to all staff across the Council, however this had not yet taken place at the time of our review. For example there was not a formal communications plan in place to ensure that the wider Council was aware of the PMOs objectives and remit and fully engaged in the process.</p>	<p>The Council may fail to realise the full benefits from the introduction of the PMO if the wider Council are not aware of its existence or fully engaged.</p>	<p>It is recommended that management develop a plan to formally publicise the PMO and engage the wider Council. For example this could include:</p> <ul style="list-style-type: none"> ○ Attendance at DMTs to ensure members are aware of the PMOs aims and objectives: ○ The activities required to agree the project / programme universe with DMTs; 	<p>High</p> <p>●</p>	<p>Agreed: Partly</p> <p>CMB are in full support of the PMO process and are embedding it through their departments</p> <p>Action to be taken:</p> <p>We will develop a fuller comms plan as we move the PMO to the next stage</p>

Ref	Audit Findings	Risk	Recommendations	Priority	Management Responses
			<ul style="list-style-type: none"> ○ Periodic attendance at DMTs to encourage continued engagement; ○ Periodic support to relevant projects and programmes; and ○ A Schedule of publicising events for the wider Council staff. 		<p>Responsible Officer: Roger Dunlop, Head of Transformation</p> <p>Target Date: 31 August 2019</p>
4.	<p><u>Departmental Management Team (DMT) Project Monitoring</u></p> <p>According to the PMO update provided to the CMB in December 2018, the PMO aims to be a single point of reference for all Council change projects and programmes.</p> <p>Work is underway to determine additional departmental projects, however this had not yet completed at the time of our review.</p> <p>Once departmental projects have been determined the PMO should agree the key projects which require regular DMT oversight and monitoring and introduce appropriate highlight reporting to DMT meetings.</p>	<p>Reporting may not provide management with accurate and up-to-date information and ensure decisions are taken based on all the required information. This may lead to reputational damage or operational inefficiency.</p>	<p>It is recommended that management agree key department projects and develop highlight reporting for key projects to DMT meetings. Providing information on key project areas, such as scope, risks, issues, time, cost, benefits and quality for each key projects.</p>	<p>High</p> <p>●</p>	<p>Agreed: Agreed</p> <p>Action to be taken:</p> <p>Include the non-savings related projects into the PMO</p> <p>Responsible Officer: Roger Dunlop, Head of Transformation</p> <p>Target Date: 30 September 2019</p>

Appendix B – Project / Programme Governance Process Overview



Key Features

- **Delivery Executive Chaired by Leader, with Portfolio Holder for Finance, Performance & Community Safety, CEX, Director of Finance - s151**
- **Corporate & Service Directors report into the Delivery Board and Delivery Executive as appropriate** e.g. to expedite resolution of delivery of transformation and savings that are off track.
- **Programme Delivery Board chaired by CD Resources and nominated rep from each Directorate Management Team (DMT)** and supported by other colleagues to provide challenge of business cases and savings tracking (including S151, Director of HR). Delivery Board would provide:
 - Approval of financial commitment (investment) from Invest to Save pot
 - Tracking and ensuring accountability
 - Cross council (Corporate) new concepts/business case decisions
 - Resource allocation (to support the transformation)
 - Benefits realisation and tracking savings (all decisions subject to usual member/delegated officer approvals)
- **Programme Management Office (PMO) function will support the Delivery Board** to have all appropriate information to sign off and have full management of the programme.
- **Design & Compliance Authority** Finance, HR, Comms, Procurement, ICT, Legal reps to provide technical sign off on proposals and validate
- **DMT/PMO function** – a dedicate group of staff for each DMT/X-cutting programme providing specific advice and support.
- **No Project Boards except for approved Corporate Transformation Programmes & IT Lifecycle Projects (infrastructure/architecture/technology assets etc)** – DMT's are accountable for delivery of change and savings. DMT's will initially sign off mandate and outline business cases.
- All business cases for resources, funding, changes to IT/data, workforce, efficiencies, transformation etc. would follow this process

Appendix C – Support to Projects and Programmes

Project and Programme Masterclasses

Masterclass workshops to be provided to Project and Programme staff and the Councils Senior Leadership Team:

- Better Business Cases
- Managing Benefits
- The Project Sponsor Course
- The Senior Responsible Owner Course
- Vision and Blueprint
- Programme Management Overview
- Managing Projects Overview
- Risk Management
- Project Governance and Control
- Better Planning
- Stakeholder Management
- Resource and People Management

Project and Programmes training

Online training available to all Council staff until May 2020:

- Projects in a controlled environment (PRINCE2) Foundation & Practitioner
- Managing Successful Programmes (MSP) Foundation & Practitioner
- Managing Portfolio's (MOP) Foundation and Practitioner
- Management of Risk (MOR) Foundation and Practitioner
- Management of Project, Programme and Portfolio Offices (P3O)
- APMG International Change Management
- APMG International Managing Benefits
- APMG International Better Business Cases (Foundation Only)
- APMG International Agile Project Management (Foundation Only)
- APM Project Fundamentals Qualification (APM PFQ)

Appendix D

Internal Audit Shared Service Terms of Reference

Internal Audit Plan 2018/19

Programmes and Transformation

January 2019

Introduction and Ownership

The purpose of this Terms of Reference is to set out our work programme for the review of the design of controls and governance arrangements surrounding Programmes and Transformation within the Council. This audit was not included within the 2018-19 audit plan approved by the Audit Committee in March 2018, and is being undertaken as a special review at the request of the Audit Committee.

Councillor Nick Wayne (Chair of the Audit Committee) will take ownership of this review and will be responsible for agreeing the Terms of Reference. Roger Dunlop (Head of Transformation) will also be consulted.

Background

The Council's Audit Committee recently resolved to conduct an annual deep dive into an area of assurance that would have a positive impact Council-wide. It was agreed that, in 2018-19, this review would focus on programme governance arrangements given the level of transformation currently underway across the Council.

The Council currently has a focus on transformation to enable the authority to continue to operate as a well-run council. The Council has a number of transformation and change initiatives planned, which will be delivered as cross cutting ventures as well as within individual Council departments. It is anticipated that the Council's newly created Programme Management Office (PMO) will enhance programme and project governance and so support wider transformation and change initiatives.

The primary purpose of this review to advise the PMO during its initial creation and assess the adequacy of the design of controls to be introduced by the PMO.

Service Objective

The aim of the PMO is to improve how the Council approaches and manages programmes, projects and change activities and therefore support the Council to achieve its overall objectives. The main objectives of the PMO are to:

- Provide the senior leadership team with clear oversight of key programmes and how they are progressing;
- Help senior leaders to prioritise change initiatives by providing a more structured approach to project initiation;
- Provide scrutiny and challenge to key programmes and ensure that they are managing key risks and are on track to deliver the expected outcomes / benefits; and
- Develop tools, templates and guidance to help drive quality and consistency.

Scope

The review will focus on the design of the controls/governance arrangements that the PMO plans to introduce in order to achieve the objectives outlined above. To inform this, Internal Audit's twelve elements of project / programme management excellence will be utilised (see appendix 1) and will form the basis of the assessment of the PMO's proposed controls. The twelve elements represent good practice project and programme management controls and have been developed based on extensive experience of delivering and assuring projects and programmes and enables any weaknesses in controls to be identified.

Audit objective and approach

Internal Audit will work with the PMO team in an advisory capacity to provide input into the design of PMO controls during its initial creation. Our review will include the following activities:

- Consider the adequacy of the proposed design of the PMO;
- Consider the design of proposed controls introduced by the PMO for programmes to utilise;
- Offer input on good practice aligned to the twelve elements (see appendix A) and lessons learnt from other Councils and programmes;
- Consider how the PMO is publicised and reaches out to key programmes;
- Reviewing pertinent documentation, such as any governance documents created or standard templates introduced for programmes to utilise; and
- Interview key members of PMO staff.

Limitations of Scope

The scope of our work is limited to the procedures outlined in the scope section above. We will not undertake any additional detailed testing over specific programmes as part of this review.

Output

The principal output from this review will be a management letter summarising the activities undertaken and highlighting any activities where the PMO may wish to undertake further work to strengthen the controls.

Proposed timescales

Action	Date
Agreement of terms of reference	January 2019
Fieldwork start	Mid January 2019
Fieldwork complete	Mid February 2019
Draft management letter to client	Late February 2019
Response by client	Early March 2019
Final management letter	Early March 2019

Terms of Reference Appendix 1 – Twelve Elements of Project / Programme Management Excellence

Twelve Elements Model

Managed risks and opportunities

- Effective risk and issue management is based upon ensuring that the process is fit for purpose – i.e. it provides challenge and scrutiny to the project without placing excessive burden on the project team

Embedded life-cycle assurance and learning

- A project's assurance needs should be mapped over its lifecycle in order to ensure that the right assurance is provided at the right time
- Assurance activity should be prioritised according to the specific context, content and risk profile of the project

Focused benefits management

- Benefits management is one of the cornerstones of project success
- The diagnostic considers the following four key facets of benefits management: Benefits governance, Benefits identification and planning, Benefits management and realisation, and continuous improvement

Smart financing

- Project costs and budgets should be managed to ensure that the expected benefits accrue to the organisation within the specified financial constraints
- If costs become out of control or are significantly higher than expected, the project may no longer be viable or cost-effective

Active quality management

- This is the development and implementation of an approach and plan to monitor and evaluate the quality of the work performed within a project
- It ensures that individual deliverables are produced and project activities are conducted in line with requirements and expectations

Engaged stakeholders

- It is essential that stakeholders are identified, assessed and managed on an ongoing basis throughout the project
- It is important to work with key stakeholders as they are critical in driving success

Integrated suppliers

- Most projects involve a number of suppliers who work together to play a part in delivering the project
- It is important to consider the nature of each of these suppliers, their respective roles within the project and their relationships to each other

Clear scope

- It is important to have agreement on a clearly defined and documented project scope, as this provides the boundaries within which the project and its workstreams will deliver
- Undefined scope creates significant risk to delivering business outcomes and benefits on time and within budget

Agile change control

- Change control arrangements are used to manage changes to scope, requirements (business and technical), deliverables and intended benefits that impact the project baseline, timing or cost

Delivery-enabling plans

- Plans provide the foundation upon which good projects are successfully delivered
- They provide the base against which overall progress can be measured, showing in advance whether targets are achievable or not

Strong governance and reporting

- The primary focus of governance is on the achievement of business outcomes and benefits, although key project outputs should be reported to the steering committee as indicators that the project is on track

High-performing teams

- Resource management is the process of ensuring that the project has access to adequate numbers of resources with the correct skill sets and experience
- It also addresses the need to provide resources with all the necessary facilities to perform their roles, as well as motivation through performance management processes

