



Project Management (overall arrangements)

City of York Council

Internal Audit Report 2018/19

Business Unit: Corporate and Cross Cutting

Responsible Officer: Director of Customer and Corporate Services; Director of Economy and Place

Service Manager: Corporate Project Assurance Lead; Principal Accountant

Date Issued: 20 June 2019

Status: Final

Reference: 19120/022

	P1	P2	P3
Actions	0	4	1
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The council undertakes a large amount of programme and project management and there is a necessity to ensure an ongoing drive to maintain standards.

The council's approach to project management is strengthened by the All About Projects (AAP) guide, its project management system (Verto) for storing project information and the Introduction to Project Management training delivered by the Workforce Development Unit. It has also developed a project assurance function which is designed to decrease risk in terms of project visibility and interdependencies.

In 2016, the council's management team agreed to act as the corporate programme board, meeting every two months. This work is supported by programme leads from each directorate.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Effective project management guidance is in place and has been adopted by those involved with projects.
- Project information is available and retained to support decisions.
- Projects have adequate governance and risk management processes embedded into them.

Key Findings

Overall, the council's approach to project management has seen significant improvements since the arrangements were last fully audited in 2015/16 but there are still some weaknesses to address and improvements that can be made.

The guidance on the council's AAP framework is readily available to all staff via the council's intranet site and is largely up to date. However, the guide would benefit from version control and a review schedule to ensure that it is updated with suitable frequency. In addition to the AAP guide, a user guide tailored to the council's Verto setup and to its project management framework has been produced and covers the key functions that need to be performed by project managers to progress through the gateways in the system. It could also be confirmed that all project managers within the recent intake of new Verto projects were given user orientation training by Project Assurance and there is clear evidence, through the two PRINCE2 training courses delivered during 2018, that the council is committed to equipping its major project managers with the necessary

skills to be able to successfully run large, complex and high-profile projects. Review of Verto user activity confirmed that each of the council's major project managers has a Verto account and they had all had recent interaction with the system at the time of audit testing. Each month the major project managers submit a highlight report through Verto. These reports are presented to the Council Management Team (CMT) which convenes on a monthly basis as the Programme Board, and consolidated versions are published on the Open Data Platform.

The Verto system currently supports five of the seven gateways within the AAP framework, from 2 to 6, and there is largely good alignment between the Verto gateway documents and the equivalent templates in the AAP guide. Verto does not support discovery (gateway 1) because there is not a project during this phase. It also does not support the closure report which corresponds to gateway 7 within the closure phase. While it is possible to upload the AAP template document to Verto for these gateways there is no tailored template as there is for the mandate and during business case development. To date the council has not formally moved a project to full closure through the AAP framework and so this issue has not had an impact. Nonetheless, there should be support for this important stage in the project lifecycle.

The majority of key gateway documentation was available on Verto for all projects reviewed. However, there was no evidence that the projects had been subject to the appropriate gateway approval process and it was found that, while approvals had been correctly sought from Executive, large projects had not always progressed through Verto in synchronisation with the approvals being sought from members during business case development. The completion of the project assessment matrix, a key process in determining the size of a project and the control and governance it requires, was also not in evidence on Verto.

All current large projects across the council, as per the directorate project registers maintained by the Programme Assurance Group (PAG), are held on Verto and there is good agreement between the projects recorded on Verto and the directorate project lists. Reasonable explanations could be provided for projects held on Verto for which there was no representation on the directorate project list and this was generally because the Verto projects were no longer active. This has highlighted the need for the information held on Verto to be reviewed so that it reflects the current corporate programme. Directorate project lists were reconciled to service plans and again there was generally good agreement between these sources of project information. Examples were identified whereby projects were recorded on the directorate project list for which there was not a corresponding entry in the relevant service plan but there are structures provided through the corporate performance management cycle and through the efforts of the PAG to achieve alignment. However, it was found that Health, Housing and Adult Social Care and Children, Education and Communities directorate lists had either no or outdated information on project status and deliverability. This has affected the level of oversight of the corporate programme.

CMT had met on a monthly basis during the 2018/19 financial year at the time of audit testing and had considered update reports both on specific large projects and on key areas of focus in embedding the project management framework. In this way, CMT has sufficient oversight of key risk areas relating to project management. There is evidence to support the fact that project management is also considered by the council's Directorate Management Teams (DMTs). This is not consistent across directorates but seems to be proportionate given that some projects specifically name a DMT as part of their governance structure and others do not. In addition to its DMT, the Economy and Place (E&P) directorate has a Major Project Interface Group which met regularly during 2018. This provides additional coordination between projects, ensuring that dependencies are managed. The PAG (which fulfils a second-line function within the council's project management framework in

providing oversight of the corporate programme) met on a monthly basis during the 2018 calendar year as at the time of audit testing (December 2018). However, for more than half of these meetings two or more directorate assurance leads were not in attendance.

All of the council's large projects tested had a risk register recorded on Verto. Overall, there was generally good alignment between what has been reported to CMT during 2018/19 through the highlight reporting process and the key risks recorded in the project risk registers but there was no evidence available on Verto that these risks have been effectively managed where risk exposures have changed over time. It is important to recognise that good project management will not always prevent risks from materialising as not all aspects of the council's projects are within its control.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Gateway approval review and synchronisation with the AAP framework

Issue/Control Weakness

Gateway approval reviews are not performed and the approvals sought from members are not synchronised with project gateway progression.

Risk

Projects are progressed through the council's gateway process without the necessary assurances or evidence that they are suitable to do so.

Findings

A sample of the council's major projects and of its other projects being managed through the Verto system were selected for review. Audit testing found that, in the majority of cases, the relevant gateway document was available on Verto and where it was not available links to reports in which these documents had been considered by Executive had been provided. However, no evidence was found to confirm that any of the projects had been subject to the appropriate gateway approval process, as per the requirements of AAP, prior to moving into the gateway they were in at the time of audit testing.

Each of the gateway approval reviews serves a different purpose but they are all designed to assess the viability of the project with a view to ensuring that it is suitable to progress to the next phase in the project lifecycle. For large projects, this review should be carried out by two independent assessors from CMT and, depending on the complexity of the project, by external assessors from another local authority within the region. Without the gateway approval review having been carried out there is no assurance, from a project management perspective, that the projects are suitable to have progressed to their current gateway. Furthermore, the approval review process should involve obtaining formal written approval to proceed and this is to be given by Executive for the council's large projects.

Audit testing also found that large projects had not always progressed in Verto in synchronisation with their progress in real terms as per the Executive approvals sought during business case development. It was observed that approvals had been correctly sought from Executive but these approvals had, in some instances, been given several months prior to the project passing the associated gateway as per Verto. It is recognised that placing a project within a given gateway can be complex in some circumstances but where progression through the gateway process only comes after approvals are sought and obtained from members it cannot be guaranteed that the project has been subject to the appropriate controls mandated by the project management framework.

Agreed Action 1.1

The first gateway approval review for the Older Persons Accommodation Programme took place on 15 February 2019 and a York Central gateway approval review took place on 30 April 2019.

A forward programme of gateway approval reviews will be produced to provide assurance to CMT that the council's major projects are receiving appropriate scrutiny with regards

Priority

2

Responsible Officer

Corporate Project Assurance Lead

Timescale

September 2019

their progression through the project management framework.



Agreed Action 1.2

The monthly report to CMT will be amended to include an update on the gateway position of each of the council's major projects.

Priority

3

Responsible Officer

Corporate Project Assurance Lead

Timescale

July 2019

2 Project risk management

Issue/Control Weakness

Project risk registers are not routinely reviewed and updated.

Risk

Adequate risk management arrangements are not embedded within projects, increasing the likelihood of negative events occurring.

Findings

According to the council's AAP guide, a risk register should be produced during the pre-project phase and should be updated as risks emerge through the life of the project or as risks are mitigated. For large projects the expectation is that these are recorded and managed through the Verto system. The highlight reporting process should provide an effective mechanism to encourage review of project risks on a monthly basis.

All of the large projects reviewed had a risk register on Verto and these risk registers were largely complete. It was, however, observed that there has been confusion between risk control measures and mitigating actions in some risk registers, with actions being recorded as controls on which reliance can already be placed and controls recorded as measures to further reduce risk exposure.

There was no direct evidence on the Verto system that any of the risk registers for the large projects had been subject to recent review. Some project risk registers had clearly been added to over time but it is apparent that these risk reviews had not extended to the risks already recorded on the system. For two of the nine large projects reviewed there was not a clear link between what was being reported through the CMT highlight reports as 'at risk' elements and the content of the Verto risk register which would suggest that the risk registers were not reviewed at the point of submitting the report. For the remaining seven project risk registers tested it was found that there was generally good agreement between content of the highlight reports and the Verto risk register. However, while changes in risk exposure had been examined and discussed through the highlight reporting process, this had not resulted in the appropriate updates being made to the project risk registers on Verto to evidence the effective management of risk.

Agreed Action 2.1

The project assurance function is of the opinion that major project managers are reviewing risks on a monthly basis but that this is not always translated into risk register updates on Verto.

Project managers and the project assurance function will continue to review risks on a monthly basis as part of the highlight reporting process and it will be ensured that all risks to major projects are fully documented and updated on Verto by September 2019.

Priority

2

Responsible Officer

Corporate Project Assurance Lead

Timescale

September 2019

3 Project assessment matrix

Issue/Control Weakness

The project assessment matrix is not completed by key project stakeholders and not early enough in the project lifecycle.

Completed project assessment matrices are not retained.

Risk

Projects are not assessed and so it cannot be guaranteed that they are subject to the appropriate level of control and governance.

Findings

The expectation of the AAP framework is that the project assessment matrix is completed by key project stakeholders and then approved by the project sponsor as part of the project mandate. The assessment provides an overview of the probable risks associated with a project and the severity of their consequences to determine its size and therefore how much control and risk management it requires. As such, it is a key decision-making point within the council's project management framework. There was no evidence available on Verto that the council's projects have been assessed against the matrix by key project stakeholders as part of project mandate development. Evidence was provided by Project Assurance which showed that some projects had been assessed using the matrix but a completed matrix was not available for all projects and, in any case, these should be available on Verto to support progression through gateway 2 (where projects are not assessed as being corporately significant then these should be held in a central area so that they are available for review).

Between October 2018 and January 2019, the Project Assurance Group (PAG) undertook an exercise, in consultation with the project teams, to score all projects on the directorate project lists using the assessment matrix. This work was undertaken with a view to presenting an extended list of corporate projects to CMT for its consideration. This extended list was approved by CMT at its 16 January 2019 meeting and several additional projects have since been added to Verto. While it is positive to note that the PAG has sought to review project prioritisation in consultation the project teams, this process should be completed early on in the project lifecycle.

Agreed Action 3.1

All project assessment matrices will be uploaded to Verto. It will then be ensured that the matrix is completed by the appropriate project stakeholders and approved by the project sponsor during development of the mandate as required by the AAP framework.

Priority

2

Responsible Officer

Corporate Project Assurance Lead

Timescale

July 2019

4 Corporate programme assurance

Issue/Control Weakness

Not all directorate project lists are kept up to date.

Risk

The council does not have sufficient oversight of its corporate programme.

Findings

The Economy & Place and Corporate and Customer Services directorate project lists are largely up to date, showing evidence of review up to at least Q2 2018/19. However, there were several projects from within the Health, Housing and Adult Social Care (HHASC) and Children, Education and Communities (CEC) lists (making up the majority of both directorate programmes) for which no or outdated status information (i.e. the phase in the APP framework the project is currently in) or deliverability information (i.e. a RAG rating for the project calculated each quarter) was available.

Inspection of directorate service plans would suggest that some of the listed projects were in fact business as usual items whereas some appear to be genuine projects which should be recorded on the directorate list and monitored in this way.

The PAG had met on a monthly basis during the 2018 calendar year as at the time of audit testing (December 2018). However, at only two of these meetings were all four directorate assurance leads in attendance. The HHASC and CEC directorate assurance leads had not attended a PAG meeting since June and July 2018 respectively. Without the regular attendance of all directorate assurance leads it is difficult to envisage how the PAG can maintain effective oversight of the corporate programme and this appears to have manifested itself in the outdated directorate project lists.

Agreed Action 4.1

Directorate assurance leads and suitable substitutes will be identified and it will be ensured that there is representation from each directorate at all PAG meetings.

Priority

2

Responsible Officer

Corporate Project Assurance Lead

Timescale

September 2019

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.