



Project Management City of York Council Internal Audit Report 2021/22

Business Unit: Customer and Communities
Responsible Officer: Director of Customer and Communities, Corporate Director of Place
Service Manager: Head of Programmes and Smart Place
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| | P1 | P2 | P3 |
|-----------------------|----------------------|----|----|
| Actions | 0 | 1 | 2 |
| Overall Audit Opinion | Reasonable Assurance | | |



Summary and Overall Conclusions

Introduction

Projects and programmes form a significant amount of the operations undertaken by the council each year. All programmes and projects contain an inherent level of risk (both threats and opportunities). By proactively identifying and managing these risks, the likelihood of achieving a project's objectives is increased.

The requirements in respect of project risk management are set out in the council's project management guide, the 'All About Projects' (AAP) framework. The project management system, Verto, is used for storing key project documents, including project risk registers. Oversight of programmes and projects and their associated risks is provided by a combination of individual project boards, Directorate Management Teams, a corporate programme board, and through the council's committee structure.

The Coronavirus (Covid-19) pandemic has had a significant impact on the council. Many of the council's project managers were redeployed from their existing projects or programmes to aid in the Covid-19 response, necessarily diverting focus from existing projects. The unprecedented economic challenges presented by the pandemic have also elongated procurement timescales and required most medium and large projects to review their existing business case and financial models.

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:

- The council's project management framework and risk management policy is complied with and project risk management activity aligns with best practice;
- Risk management is embedded throughout the project lifecycle;
- Governance arrangements are in place that offer effective support and challenge to project risk management.

This audit included a review of a sample of the council's major projects at different stages in their lifecycles:

1. Castle Gateway
2. Children in Residential Care Commissioning (suspended in March 2020)
3. Future Focus (project completed in September 2020)

The audit was started during the previous audit year. However, due to the Covid-19 pandemic, audit work was temporarily suspended in March 2020. This year's audit reviewed changes made to processes within the system that were tested in 2019/20 and involved completing the remaining audit objectives that were unable to be covered prior to the pandemic.

Key Findings

A number of council projects have been significantly affected by the impact of Covid-19. Responsible officers across the organisation were redeployed and work was either paused or delayed for most existing project and Project Assurance functions while resources were diverted to the pandemic response. Consequently, all findings discussed in this report should be considered in light of the challenges presented by the pandemic.

The council's 'All About Projects' (AAP) Framework is a comprehensive guide to project management. Both the Framework and the council's overall risk management policy broadly align in narrative approach and the Framework regularly refers back to the council's corporate risk management policy and strategy. It was noted during the audit that neither the Framework nor the council's risk management policy require officers to document target risk levels. Target risk level is a key concept for articulating the amount of risk the council is prepared to accept in its projects when making a decision or taking a particular course of action¹. Nevertheless, there is a clear commitment in the Framework to embed risk management into the council's projects and provided the Framework is followed, it is likely that projects will meet most best practice project risk management standards.

During the audit it was not always clear which elements of the Framework were mandatory for project managers and which were optional. Differing attitudes about the extent to which the Framework should be followed were also noted among the sample of project managers interviewed and so it was not always possible to assess whether this was reasonable. For example, gateway reviews are intended to act as a series of checkpoints to monitor project progress, assess compliance with the Framework and resolve outstanding issues. When fully implemented the reviews should ensure projects continue to progress as expected and achieve their objectives. In some of the cases sampled evidence of gateway completion was not held by the project managers or did not involve use of the templates provided by the AAP framework. There may be valid reasons for not completing the gateway review as expected, and for other departures from the Framework that were noted, but authorisation of this approach by Project Assurance is not routinely documented in project files.

To enable effective project risk management governance, members rely on timely communication of all relevant risk information. Consequently, the communication of key risks to members and external stakeholders was also reviewed during the audit. Project risks are predominantly communicated via either committee reports or Highlight reports. During the pandemic, the publication of Highlight reports on the council's Open Data Platform was temporarily halted whilst key staff were deployed to respond to the pandemic but publication has now resumed. Review of the Highlight report's content found risk scores and associated RAG ratings were often static for significant periods, despite accompanying narratives indicating there might be justification for changes to some scores. Inconsistencies were also identified between the risks discussed in committee or Highlight reports and internal risk registers, including the discussion of risks in committee reports otherwise unmentioned in available internal documentation.

¹ A further explanation of target risk level is included in the findings outlined in detailed finding 1.

Overall Conclusions

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. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 The All About Projects Framework

Issue/Control Weakness

It is not clear which elements of the All About Projects Framework are mandatory and which elements are advisory in nature.

Risk

An inconsistent approach to risk management is taken across projects.

Findings

The purpose of the 'All About Projects' (AAP) Framework is to guide project managers through a consistent project pathway. When reviewing the AAP framework it was not always clear which elements of the Framework were mandatory for project managers to complete for all projects and which elements were optional best practice. Without this, it was challenging to assess whether inconsistencies identified in the application of the AAP framework by the projects sampled were reasonable.

These inconsistencies included an absence of risk assessments during option appraisals in some cases and varied approaches to the completion of risk registers. Most risk registers contained the key components of a risk register and the majority of the risks identified appeared to remain relevant to the project. However, risk, control or action owners were not always updated or included, and priorities or target dates for mitigating actions were consistently not identified. Gateway reviews, intended to offer independent challenge to projects at key stages of their progress, were also not always documented as expected by the AAP Framework.

During discussions, the project managers sampled confirmed that they incorporate the relevant elements of the AAP Framework's risk management approach into their projects, where appropriate. Where projects do not follow what might be considered the essential elements of the AAP framework there may well be valid reasons for this but, at present, project managers are not required to seek and record approval for these divergences from the Project Assurance function or any other project stakeholders.

Agreed Action 1.1

The Project Assurance function will review the All About Projects Framework and identify and document the key elements that all project managers are required to complete. The results will be communicated with project managers.

Priority

2

Responsible Officer

Project Assurance Officer

Timescale

December 2021

2 Approach to risk assessment

Issue/Control Weakness

The council's risk management policy strategy and All About Project's Framework does not require target risk to be documented.

Risk

It is unclear whether, at any one point in time, a project is carrying an unacceptable level of risk.

Findings

The process of risk assessment is made up of three stages. These are risk identification (where the risk profile is established), risk analysis (where the severity of risks are calculated), and risk evaluation where risks are prioritised for response. This response might be to tolerate, treat, transfer or terminate depending on the level of risk that stakeholders are willing the project to be exposed to at any one time in pursuing its objectives, and the tolerances around achievement of those objectives. Risk appetite is a key concept for project stakeholders to understand and apply to encourage management of risk within agreed tolerances.

During a risk assessment a risk should be articulated, scored and prioritised using a scoring matrix. Both CIPFA and the Institute of Risk Management expect a risk assessment to take place to determine: the gross risk level (before mitigating action has taken place); the current risk level (after mitigating actions have been taken to reduce the risk) and the target risk level (the level of risk the organisation is prepared to be exposed to). Efforts in managing risk should be focused on ensuring that current risk levels are regularly reassessed throughout the lifecycle of a project and, where reasonable and practicable, reduced to target levels.

Currently, the council completes risk assessments for both the gross risk level and the current risk level, but does not require officers to articulate the target risk level. There is no requirement to document target risk level assessments in the council's risk management policy and strategy. As the council's project management 'All About Projects' (AAP) Framework is aligned to the council's risk management policy, there is also no requirement for this to be completed for project risk management.

Setting target risk is something that individuals and organisations are likely to do instinctively when assessing the current risk level and deciding whether to treat or tolerate it. However, it is important to document this assessment because this enables a consistent approach to risk monitoring to be taken and allows individuals other than the risk owner(s) to see whether risk treatment is effectively reducing the risk to the target risk level.

Agreed Action 2.1

The corporate risk management policy will be updated to require those completing risk assessments to document their target risk levels and provide guidance on how to score the target risk levels for key corporate risk categories. Once updated, project managers will be notified that they should now document target risk level for their project risks, with Verto and AAP templates updated accordingly.

Priority

3

Responsible Officer

Project Assurance Officer

Timescale

September 2021

3 Communication of project risk status

Issue/Control Weakness

There is a lack of consistency in risk assessments between different committee reports and supporting project documentation.

Risk

Effective support and challenge by key stakeholders is not provided.

Findings

Members play an essential role in ensuring risks are adequately managed by officers by reviewing and challenging risk information provided to them. The ability to perform this role relies on all relevant risk information being communicated in a timely manner, particularly when decisions are required.

To assess whether project risks are sufficiently communicated to Members and external stakeholders the content of internal project risk registers, Verto risk registers and the narrative of Highlight reports for each of the three projects sampled was compared to committee reports on the projects. A total of eight committee reports were reviewed over a three-year period.

Testing found that, for the projects sampled, the majority of the committee reports reviewed provided a discussion of risks to the project that often reflected the risks discussed in Highlight reports, Verto and other internal risk registers. In some instances, however, the committee reports reviewed were found to discuss risks in more detail or risks that were not mentioned in other project documentation and, very occasionally, risks discussed internally were not recorded on external reports. It should be noted, however, that these differences in risk narrative have decreased over the last year across all projects sampled.

Agreed Action 3.1

The communication of project risk management across reports will be discussed at the Corporate Management Team (CMT). The Project Assurance function will run workshops with project managers to provide training on communication of project risks.

Priority

3

Responsible Officer

Head of Programmes and Smart Place

Timescale

December 2021

4 Highlight reports

Issue/Control Weakness

Risk scorings and RAG ratings in Highlight reports do not always provide an accurate reflection of the current status of the project.

Risk

Changes in the project risk profile may not be clearly communicated to project stakeholders.

Findings

The Project Assurance function publishes monthly status updates of all medium and large projects, known as the Highlight report. Information contained in the Highlight reports is provided by each project manager alongside a RAG rating for the project's overall status and each key project element, based on a risk assessment. Highlight reports are available for all project stakeholders to review on Verto or on the council's Open Data platform and are used to produce quarterly reports to the Corporate Programme Board.

Review of the sampled projects' Highlight reports found that two (Castle Gateway and Future Focus) out of three had recorded the same overall RAG ratings for over two years. During this period, significant changes and challenges in both projects were noted. These changes included delays in key work streams and completion of major project milestones. With the introduction of the new format of highlight reports in January 2020 increased variability was noted within project element RAG ratings, though often overall ratings remained consistent.

The Project Assurance function is already aware of the issues raised in the finding and has previously reviewed the RAG rating system. Where the Project Assurance function does not agree with the project manager's justification for the RAG rating provided they will highlight this to the project manager and relevant chief officer. However, responsibility for deciding the RAG ratings remains with the chief officers of the project's relevant directorate.

Management Response

The setting of the overall RAG rating and the project element RAG ratings (as recorded in the highlight reports) are a status agreed within the project's governance and approved by the project's senior responsible officer (SRO). The position is challenged on a monthly basis as part of the project assurance process. There may be project elements that differ from the overarching rating, but it is for the SRO to make the judgement as to whether this would significantly change the risk profile of the overarching project.

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

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|-----------------------|--|
| 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. |

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. |

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