AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

Project Management 2016/17

January 2017

Contents

Audit Control:

Closing meeting:	25 November 2016
Draft report:	22 December 2016
Management responses:	12 January 2017
Final report:	30 January 2017

Auditors:	Maggie Gibb	Chief Internal Auditor
	Betty Davidson	Senior Auditor
Report Distribution:		
Draft Report	Anne-Marie Carter	BASI Project Manager
	Julian Parsons	Head of Service Development
	Lynne Swift	Director of People and Organisational Development
	David Sutherland	Director of Finance and Assets
Final Report as above plus:		
	Jason Thelwell	Chief Fire Officer
	Adrian Busby	Chair, Bucks and Milton Keynes Fire Authority
	Ernst and Young	External Audit

1. Executive Summary

1.1   Overall Audit Opinion

> In our opinion **reasonable** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2   The overall audit assurance is made up of three supporting judgements:

a)   Our assurance on the adequacy of the risk management techniques employed within the auditable area is reasonable. This relates to the extent to which relevant risks have been identified, monitored and managed.

b)   Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is reasonable.

c)   Our assurance on the adequacy of compliance with the existing control framework is reasonable.

1.3   The Project Management Audit reviewed the processes in place for the management of projects at the Fire Authority and how these have been applied to the management of the Business and Systems Integration Project (BASI). The business case for the BASI project was agreed by the Business Transformation Board in April 2015 to proceed with the purchase of an enterprise-wide software solution (ERP) and Finance system as opposed to multiple software packages to deliver Finance, HR, and Payroll to multiple software packages to deliver Finance, HR, Payroll, Premises Risk Management, Resource Management and Asset Management. BMKFA have employed a Project Manager who has been instrumental to the progression of the project.

Following a tender exercise which ran from December 2015 to January 2016 it was agreed to purchase a solution from Capita for Finance, Payroll and HR. It was decided to retender for Premises Risk Management and to put Resource and Asset Management on hold for future development as a solution that met the Fire Authority's requirement was not available.

Following a further tender exercise the contract for Premises Risk Management was awarded to Active Informatics Limited, the contract is currently in draft form.

1.4   In addition to the findings summarised below, we also found the following examples of good practice:

- The Project Manager is experienced in managing projects within a complex organisation and is driving the project forward to ensure that it is progressing to timescales and costs.

- Stakeholders have been involved in the project at all stages and are committed to its success.

1.5   Some areas for improvement were identified. These are detailed in Section 3 below. There are no high priority actions.

1.6   Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within Project Management.

Progress in implementing the management actions will be tracked and reported to the Overview & Audit Committee.

Business Area	Risk	Findings		
		High	**Medium**	**Low**
Project approval and link to strategic objectives	There is no clear link between the project and key strategic priorities, benefits are not clearly defined or monitored.	0	2	1
Project ownership	There is a lack of clear senior management ownership, support and leadership.	0	0	0
Stakeholder engagement	There is a lack of effective engagement with users and stakeholders.	0	0	0
Resources, skills and governance	Resources, skills and proven approach to project management are not in place.	0	1	1
Value for money	Value for money is not achieved.	0	0	0
TOTAL		0	3	2

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Head of Service Development and the Project Manager who have agreed all the findings and produced an action plan to implement them.

1.7   There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.

2. Background

2.1 The audit review of Project Management formed part of the agreed audit programme for 2016/17. The review was carried out during October and November 2016.

2.2 Project Management was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to ensure that projects are managed efficiently and effectively to achieve the desired outcome to required timescales and within budget. The objective of our audit was to evaluate the area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. A detailed summary of the scope of this review can be seen in Appendix A.

2.3 There has been no previous internal audit activity of this area.

3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Issues & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

High immediate action is required to ensure that the objectives for the area under review are met.

Medium action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.

Low action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Area		**Project Approval and Link to Strategic Objectives**			
1	There is a project plan in place for the entire duration of the project, which clearly states how benefits will be realised.	There are project plans in place for the Finance, HR and Payroll streams of the BASI project that were produced by the successful bidder in conjunction with BMKFA. The Project Manager confirmed that there is no overarching project plan that covers all aspects of the BASI project.

If there is no overarching project plan in place there is a risk that the project resources will not be used as efficiently as possible and the project will not meet timescales and/or budget. | Medium | The individual project plans will be completed by the suppliers in conjunction with BMKFA as this makes best use of resource.

A high level project plan will be put in place capturing key milestones for the outstanding elements. | Who to be actioned by:

Anne-Marie Carter, BASI Project Manager

When to be actioned by:

31 Jan 2017 |

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
2	Risks have been identified and there is a process in place for managing those risks, including escalation where appropriate.	Although high level risks are included in the project highlight reports and reviewed with Sponsors on a regular basis, the project risk register has not been updated since December 2015. Risk consequences and mitigating treatments are not recorded in the register. The risk register produced by CAPITA has not been updated since August 2016. If risks are not reviewed and updated on a regular basis they may not be managed effectively; new risks may not be identified and managed.	Medium	High level risks will continue to be captured on the highlight report and discussed at the sponsors meetings Detailed risks relating to the project will be updated on a regular basis; actions to manage the risks will be recorded and monitored.	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: 31 Jan 2017

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Area		**Resources, Skills and Governance**			
3	Project management methodology has been agreed.	There is a Project Management Handbook approved by 'Project Board' in May 2008, and updated in August 2013. This is not generally used for projects. The BASI Project Manager has developed a highlight report template that includes current activities, milestones and risk which has been used for other BMKFA projects. The governance process including Business Transformation Board is not reflected in the handbook. If there is not a clearly defined, documented and visibly managed process for project management there is a risk that projects may not be managed effectively leading to the project not being delivered within timescales or to cost.	Medium	The BMKFA Project Management methodology will be reviewed taking into consideration other guidance including - National Operational Guidance programme. - Thames Valley Collaboration programme This will ensure any methodology and templates put in place will support collaboration. The new methodology will be communicated to business	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: 31 July 2017

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Area		**Project Approval and Link to Strategic Objectives**			
4	The project plan is revised and checked for viability if changes to the specifications are made.	Following the first tender process it was decided that the delivery option agreed in the original business case would not be in the best interests of the Fire Authority. This was agreed by the Project Sponsors and the tender update was sent to Business Transformation Board members however the next BTB meeting was cancelled due to this being the only item on the agenda. The paper was taken to SMB, although the minutes show that it was discussed no formal approval was recorded. This is not compliant with the agreed project governance document.	Low	Any revisions to the specification of the project will be formally agreed at the appropriate Board and minuted.	Who to be actioned by: Julian Parsons, Head of Service Development When to be actioned by: Ongoing

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Area		**Resources, Skills and Governance**			
5	Project interdependencies have been considered and documented.	The BASI project covers various work streams; the Finance HR and Payroll have interdependencies. These are being supplied by CAPITA and Midlands HR. CAPITA have produced a risk, assumptions, issues and dependencies (RAID) document, the Project Initiation Document states that this is to be updated by both CAPITA and BMKFA. The latest version of the RAID was updated in May 2016 and August 2016, there are currently no dependencies shown under the relevant tab. If project interdependencies are not recorded and kept up to date there is a risk that potential problems may escalate and impact on the delivery of the project.	Low	Dependencies will continue to be worked on throughout the project. All project documentation will be kept up to date to ensure that the current dependencies of the project are known.	Who to be actioned by: Anne-Marie Carter, Project Manager When to be actioned by: Ongoing

Appendix A

AUDIT SCOPE AND FRAMEWORK

4.   Specific Audit Scope

4.1   We have evaluated the area against the following identified risks which we agreed with management:

> • There is no clear link between the project and key strategic priorities, benefits are not clearly defined or monitored.
> • There is a lack of clear senior management ownership, support and leadership.
> • There is a lack of effective engagement with users and stakeholders.
> • Resources, skills and proven approach to project management are not in place.
> • Value for money is not achieved.

4.2   Following preliminary risk assessments, the following processes were not included within the scope of this review and will be considered for inclusion within future audits of the area: The audit concentrated on the management of the BASI project, other projects were not considered within the scope of this audit.

5.   Staff Interviewed

- Anne-Marie Carter, BASI Project Manager
- Julian Parsons, Head of Service Development
- Lynne Swift, Director of People and Organisational Development
- David Sutherland, Director of Finance and Assets
- Mark Hemming, Deputy Director of Finance and Assets
- Kerry McCafferty, Head of Human Resources
- Jarvis Osborne, Assistant Procurement Manager

5. **Audit Methodology and Opinions**

a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.

b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.

c. Each audit will result in an overall 'audit assurance'. A detailed summary will be provided to the Overview and Audit Committee for all 'limited' assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system's risks will be mitigated.	Most controls are in place to give assurance that the system's key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.