Business Assurance and Risk Management

BMKFA Portfolio Management Office Assurance – FINAL (Ref-22/28)

Auditors

Eleanor Nickson, Internal Auditor

Cameron Smith, Internal Auditor

Juan Fosco, Internal Audit Manager

Selina Harlock, Audit Manager

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Management Summary

Introduction

The Portfolio Management Assurance audit was undertaken as part of the 2021/22 Internal Audit plan.

The undertaking of projects & programmes is an integral part of BMKFA business delivery, and a significant amount of resources are allocated to their successful completion. A project management process has been introduced, with the creation of the PMO in April 2021, to ensure projects are managed consistently and to aid project managers in delivering projects on time, on budget and to the desired standard.

The Authority's Head of Technology, Transformation & Portfolio Management Office (PMO) and the Programme Manager facilitate portfolio, programme, and project management. They are responsible for ensuring that all projects within the Authority are initiated, executed, and closed in a consistent and structured manner. PMO head is also responsible for ensuring that all ideas/projects/programmes are coordinated and prioritised. This includes guiding staff on developing a robust business case for each project; defining and managing the route through which all projects are authorised; advising on the development of project risks and issues; and advising on benefits realisation.

Audit Objective

Internal Audit's objectives are:

- To provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place for the creation, management, and outputs of the Authority's Portfolio Management office.
- To provide assurance that there are adequate arrangements to ensure the achievement of the programme goals, effective management and reporting of the progress and risks for all projects being delivered across the Authority.

This will contribute to the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually. It also provides assurance to the Section 112 officer that financial affairs are being properly administered.

Scope of work

The audit activity focussed on the following key risk areas identified in the processes relating to PMO assurance:

- PMO's Effectiveness
- Project Initiation and Approval
- Implementation and Delivery
- Costs and Benefits
- Risk Management
- Monitoring and Reporting

The audit considered the controls in place at the time of the audit only.

Table 1: Overall Conclusion

Overall conclusion on the system of internal control being maintained	Reasonable

RISK AREAS	AREA CONCLUSION	No. of High Priority Management Actions	No. of Medium Priority Management Actions	No. of Low Priority Management Actions
PMO Effectiveness	Reasonable	0	1	1
Project Initiation and Approval	Reasonable	0	1	0
Implementation and Delivery	Reasonable	0	0	0
Costs and Benefits	Partial	0	2	0
Risk Management	Partial	0	0	0
Monitoring and Reporting	Reasonable	0	0	1
		0	4	2

Appendix 1 provides a definition of the grading for each of the conclusions given.

PMO Effectiveness

The Portfolio Management Office (PMO) provides oversight of all projects within BMKFA. They provide a key role in enforcing common standards and methods to ensure the consistency of best practices used across all projects the Authority undertakes.

The PMO has sought to embed a standardised approach via presentations delivered to project managers and a range of stakeholders within the Authority. These described how projects should be run, emphasising the 'project life cycle' and templates that can be followed. In terms of design, the PMO presentations set out a consistent process for projects to follow. The new PMO process was implemented in April 2021, and we tested a sample of three non-capital projects initiated after the implementation and two capital projects. Our testing identified inconsistencies in the process application, especially in projects commencing before the creation of the PMO that did not adjust to the new format.

Testing confirmed that there were attempts to engage Project Managers in training. In particular, the training team is planning to build a Project Management e-Learning package to help educate staff on the processes in place.

Property capital and non-property projects follow slightly differentiated processes; non-property projects follow the PMO's project life cycle, whereas property capital projects do not and hence do not have key documents such as project mandates and project initiation documents (PIDs). Therefore, there is an inconsistent management of projects given their nature.

The PMO also has a role in the prioritisation of projects which should follow a standardised process. However, this is currently not a formal process.

As the PMO is at the early stages of its implementation, projects are currently being reviewed with additional supervision, with focus being on amber rated projects within the RAG system and how they can be supported. Portfolio reviews are presented to the Senior Management Team on a month basis. SMT Project reviews have started to occur quarterly to ensure the effective management of projects within the PMO.

Project Initiation and Approval

Budget holders should have an awareness of what projects/ programmes/ portfolios mean. As a result, the PMO delivered a presentation on this topic to the leadership team in April 2021, where key terms were defined and discussed an overview of the process.

As the first step, a Project Mandate is created, including a summary of the project idea and an outline of definitions, objectives, scope, finances, risks, and resources required. This is subsequently formalised in a Business Case and then a Project Initiation Document (PID). Meanwhile, the Stakeholder Identification and Communications Plan documents produce an analysis of stakeholders affected by the project and how best to communicate with them. All documents in conjunction provide a clear relation to BMKFA objectives and priorities.

The above documents are presented to the Business Transformation Board (BTB) for approval, following a sign off from the finance department. The BTB is responsible for maintaining oversight of all projects and reporting to the Strategic Management Board (SMB) as the final review point. Once authorisation is granted by both the BTB and SMB, the project is permitted to commence.

The BTB has terms of reference confirming their duties, the frequency of their meetings and the topics that should be discussed within each meeting. We confirmed that this includes the approval of PIDs as stated above. From a review of meeting minutes and the board's meeting planner, it was clear that the board fulfils its responsibilities by meeting monthly and having agenda items based around projects seeking approval.

We conducted a sample testing of projects that started after implementing the new PMO implementation in April 2021. Our testing identified that projects do not consistently follow the structure and produce all needed documentation. The Head of Transformation, Technology and PMO Informed us that this was because some Project Managers had been slow to adapt to the structure as the process is still in its infancy and despite being encouraged to complete initial documentation and follow the project life cycle from the beginning to end. Therefore, there was no consistency with initial documentation such as PIDs and mandates from the three projects we tested after the PMO's creation (EARSF, Fuel Management System and Intranet Review, Restructure and User Interface Update) and business cases produced as listed above.

Our review identified that many projects which predated the creation of the PMO had continued to progress with the oversight of the PMO. We were informed that regular conversations took place between the PMO and these projects. These were also included within the PMO's project dashboard, where updates are logged, and progress monitored.

Implementation and Delivery

Under the supervision of the PMO, each project has a project manager and a project sponsor in place to ensure sufficient oversight and an effective channel of communication with the BTB. The project managers are responsible for the adherence of the project to the standardised processes outlined by the PMO. The steps and key documents during the implementation and delivery of a project include:

- Resource use;
- Project milestones;
- Schedules;
- Progress monitoring reports;
- Amendment documents, and
- Project evaluation documents.

The documents stated provide an account of how the project is progressing and measure this against original objectives and budgets. It also ensures that each project follows a consistent process whilst updating the relevant boards and people on their progress.

Our testing of the three non-capital projects noted that resources, milestones, and schedules are covered in the initial documentation. However, we failed to see evidence of documentation of the delivery of projects on request to Project Managers, partly due to the projects sampled being in an early phase of implementation or within the planning stage. Although there were cases where the project had commenced with its delivery within our sample, the documentation outlined within the project life-cycle for the delivery of a project was still not evident.

Costs and Benefits

Project funding is approved from an early stage within the Authority's approval and initiation process. Any project pending approval must have funding deemed satisfactory by the finance department before seeking approval from the BTB. Additionally, a finance department member sits on the BTB to provide the Board with the expertise and scrutiny of the project's financial aspect before the Board's approval.

Within the early stages of project initiation and approval, budgets are agreed upon and then monitored every month. When budgets are exceeded over the lifecycle of a project, the finance department's approval is requested. In addition, projects that do not have their defined timescales are flagged amber or red. However, there is currently a lack of process for escalating and addressing issues relating to missed milestones.

We aimed to assess the monitoring of costs and benefits of the sampled projects. However, out of the three projects, we received a response for one, which stated that '*there was no need for budget monitoring for their specific project since it was a one-off payment'*. Hence, we could not assure the controls for monitoring expenditure and budgets on an individual project level.

The total budget for all projects is monitored monthly by the Principal Accountant. These are reported monthly to Heads of Service and quarterly to the Executive Committee. The spend is captured in the Finance system, then downloaded and reported in a table format. The Principal Accountant regularly meets the Capital budget holders to review and update forecast spending for the year.

Risk Management

Potential project risks are identified early in the approval process within the initial documentation. This includes:

- The Project Mandate;
- The Business Case, and
- The PID.

These risks are formally organised within a Risk Register, prepared individually for each project. The Register comprises of sections where the project manager can note the likelihood and impact of each risk and additionally includes columns where the current treatment and consequences of the identified risks can be highlighted. The Risk Register allows each risk to be given a red, amber, green (RAG) rating. These are consistently updated throughout the process to highlight the issues over the whole project life cycle.

Project managers are encouraged to outline the 'top 3' risks within the Highlight Report to the BTB. Each risk is RAG rated to highlight the priority and importance of different risks. Identified risks are crucial in creating the Lessons Learned Log, which documents the issues encountered in the project and the lessons to take forward. When the risks are deemed of corporate significance, they are escalated to the Strategic management Board (SMB), where they can be included in the corporate risk register.

We requested evidence of risk monitoring activities completed throughout the project life-cycle for the three projects in our sample to assess the effectiveness of controls in place. However, we received a response from one of three project managers who informed us that project risks were not reviewed and updated but were only outlined within the PID.

Monitoring and Reporting

The Business Transformation Board (BTB) has been established to provide ongoing monitoring of projects. The BTB meets monthly when they receive updates from live projects, usually through submitting a Highlight Report. The report aims to make the board aware of the progress of all projects and includes:

- A summary of key activities;
- Identification and RAG rating of the 3 greatest issues;
- Priorities for next period;
- Key milestones;
- Change requests;
- A reminder of project objectives, and
- An overall RAG rating of the project.

In addition to summarising the project's activities, the document evaluates the effectiveness of the project to the board every month using RAG ratings. Where required, the BTB reports to the Strategic Management Board (SMB) about the ongoing projects and the issues encountered. The Head of Transformation, Technology and PMO stated that highly important updates are communicated formally in a separate update; however, less vital updates are communicated verbally.

Stakeholders, outlined within the stakeholder identification document, are also updated throughout the life cycle of a project. The amount of stakeholder communication depends upon the nature of each project; there is currently no overall guidance on stakeholder engagement.

There is an expectation that highlight reports are produced and presented to the board, however, due to the infancy of projects tested, none had reached this stage. A conversation with the Portfolio Management Officer confirmed that project updates are provided within the quarterly project updates spreadsheet.

Table 2: Detailed Audit Findings and Management Action Plan

Finding 1: PMO Key Performance Indicators	Risk Rating	Agreed Management Actions
The Authority should seek to implement KPIs for the PMO to measure its effectiveness. Action should be taken to address poor performance when areas of weakness are identified. The Head of Transformation, Technology and PMO confirmed that the Authority does not currently have KPIs in place to report against concerning the PMO but confirmed that this was something they would be interested in implementing. If there are no KPIs in place, the authority could miss identifying instances of poor performance and fail to address problems leading to repeated mistakes in future projects.	M	**Action:** KPIs for the PMO will be developed and these will be reported to the Senior Management Team periodically. **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 30 June 2022
Finding 2: The PMO's Standardisation of Project Processes	**Risk Rating**	**Agreed Management Actions**
The Authority should enforce their standardised methods outlined in the project life cycle, emphasising reducing inconsistencies regarding project documentation and the process followed. This should be implemented for all projects (Property capital and all others). The Head of Transformation, Technology, and PMO provided the Authority's guidelines around a project's process to ensure consistent and effective delivery. This included a detailed PMO presentation, a project life- cycle and various templated documents available for project managers. Furthermore, evidence was provided of an eLearning package and a page on the Fire Authority's intranet for PMs to review, explaining the process. In its design, the PMO's outlined a clear framework for consistency and successful delivery of projects. However, testing a sample of projects commencing after the PMO's creation outlined inconsistencies in the process they should follow and discrepancies regarding which documentation was completed for each project. The findings are as follows: • 1/3 projects is without a completed project mandate; • 2/3 projects are without a completed business case; • 1/3 project is without a completed PID;	M	**Actions:** 1. Launch Project Management e-Learning package. 2. Document a Property capital project process. 3. Introduce a PMO KPI relating to following the project process as part of finding 1. **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 30 June 2022

- 3/3 projects are without a completed risk register which is key to reviewing the risks and controls in place within a project;
- 3/3 projects are without a completed project plan, resulting in a lack of progress monitoring during the life of a project;
- 3/3 projects are without a highlight report that updates management on key areas such as managing risks and their impact; and
- 3/3 projects are without evidence of stakeholder communication for any of the projects that have commenced after creating the Authorities PMO function, despite stakeholders being outlined within the early project documentation.

Furthermore, we were informed that Property capital projects do not follow the process outlined within the PMO's lifecycle document. Consequently, they did not have evidence of the key documentation such as mandates, PID, business case and risk registers. These are key documents for successful project delivery and should be evident across all types of projects.

If project managers fail to follow the standardised process set out by the PMO and neglect certain documentation which should be completed, best practice will not be consistently followed throughout the Authority. This could result in the failure to deliver projects to the standard expected.

Finding 3: Projects Over Budget/Time Request Approval	Risk Rating	Agreed Management Actions
The Authority should seek to implement an official process or formal documentation for a project manager to submit if a project is deemed to have exceeded its budget or timescale. This should be reviewed and approved by the BTB. The Head of Transformation, Technology and PMO confirmed that the Authority does not currently have an official process for extensions and instead held informal conversations with project managers. They encourage RAG ratings for updates within a project regarding budgets and timescales. However, going beyond estimated figures does not require approval. We were informed that this was due to the PMO being in its infancy. If there is no formal process to request additional budget requirements and timescale extensions, the budget may be exceeded without the Authority's notice and approval, putting unnecessary pressure on the Authority's overall budget.	M	**Action:** Refresh and relaunch the change control process relating to projects. **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 30 June 2022

Finding 4: Expenditure records	Risk Rating	Agreed Management Actions
The PMO should encourage the production of expenditure records by project managers to log all expenditure throughout the life of the project. From reviewing the document templates and project lifecycle we were provided with it was clear that there was no formal documentation where in which project managers should be recording expenditure. We were also informed this was a responsibility of the project managers and a consistent approach from the PMO was not evident. Where project expenditure is not formally recorded in documentation, the risk arises that projects will go over budget more frequently as spending may not be sufficiently tracked. This could have severe financial implications to the Authority.	**M**	**Action:** Work with the Finance Team to ensure that the current budget monitoring process can feed into the project management process. **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 30 June 2022
Finding 5: Centralised System	Risk Rating	Agreed Management Actions
The Authority should seek to implement a centralised system for project documentation within their Intranet. Project access should be restricted to authorised personnel to mitigate GPDR risks. The centralised database would be beneficial for knowledge since project managers from across the authority could learn from the issues encountered by other projects. The Head of Transformation, Technology and PMO confirmed there was no centralised system for the storage of project documentation. There was evidence of a project dashboard, presented on an excel spreadsheet, which summarised the progress of all projects underway and in the review stage. This stated some key dates, the names of PMs and progress updates. However, there is no evidence of a system where documents can be accessed for each project. This would be beneficial from an audit trail perspective and allow PMs to follow previous projects' processes and learn from their mistakes. Without a centralised system to store and access project documentation, there are missed opportunities to share important lessons learned across the organisation and avoid re-occurrences.	**L**	**Action:** Review the options available and launch a centralised system to store/review/access project documentation **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 30 September 2022

Finding 6: Quarterly Review Meetings	Risk Rating	Agreed Management Actions
The Senior Management Team (SMT) should review projects quarterly. SMT meet to prioritise projects and make decisions about projects based on their alignment with Authority objectives. However, this is on an ad-hoc basis, and there was no formal timeline for the task. Where projects are not reviewed regularly, there is a risk that projects will be continued, where there is no business requirement, and they do not align with authority objectives. This could result in financial implications.	**L**	**Action:** Hold quarterly and annual review meetings with SMT and the Leadership team. All meetings to be documented. A 22/23 planning workshop took place on 31st January 2022. **Officer responsible:** Head of Technology, Transformation & PMO **Date to be implemented by:** 31 March 2022

Appendix 1: Definition of Conclusions

Key for the Overall Conclusion:

Below are the definitions for the overall conclusion on the system of internal control being maintained.

	Definition	Rating Reason
Substantial	There is a sound system of internal control designed to achieve objectives and minimise risk.	The controls tested are being consistently applied and risks are being effectively managed. Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present.
Reasonable	There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed. Majority of actions are of medium priority, but some high priority actions may be present.
Partial	The system of internal control designed to achieve objectives is inadequate. There are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently. Actions may include high and medium priority matters to be addressed.
Limited	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Actions will include high priority matters to be actions. Some medium priority matters may also be present.

Management actions have been agreed to address control weakness identified during the exit meeting and agreement of the draft Internal Audit report. All management actions will be entered onto the Pentana Performance Management System and progress in implementing these actions will be tracked and reported to the Strategic Management Board and the Overview & Audit Committee.

We categorise our management actions according to their level of priority:

Action Priority	Definition
High (H)	Action is considered essential to ensure that the organisation is not exposed to an unacceptable level of risk.
Medium (M)	Action is considered necessary to avoid exposing the organisation to significant risk.
Low (L)	Action is advised to enhance the system of control and avoid any minor risk exposure to the organisation.

Appendix 2: Officers Interviewed

The following staff contributed to the outcome of the audit:

Name:	Title:
Anne-Marie Carter	Head of Transformation, Technology and PMO
Marie Crothers	Programme Manager

The Exit Meeting was attended by:

Name:	Title:
Anne-Marie Carter	Head of Transformation, Technology and PMO
Eleanor Nickson	Internal Auditor
Cameron Smith	Internal Auditor

The auditors are grateful for the cooperation and assistance provided from all the management and staff who were involved in the audit. We would like to take this opportunity to thank them for their participation.

Appendix 3: Distribution List Draft Report:

Anne-Marie Carter	Head of Transformation, Technology and PMO
Marie Crothers	Programme Manager
Mark Hemming	Director of Finance and Assets

Final Report as above plus:

Jason Thelwell	Chief Fire Officer
Ernst and Young	External Audit

Audit Control:

Closing Meeting	15/10/2021
Draft Report	31/11/2021
Management Responses	16/02/2022
Final Report	16/02/2022
Audit File Ref	22/28

Disclaimer

Any matters arising as a result of the audit are only those, which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made.

It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by Internal Audit Services on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

Contact Persons

Maggie Gibb, Head of Business Assurance

Phone: 01296 387327

Email: maggie.gibb@buckinghamshire.gov.uk

Selina Harlock, Audit Manager

Phone: 01296 383717

Email: selina.harlock@buckinghamshire.gov.uk