

London Borough of Barnet

Internal Audit Report

One Barnet Programme – Scope & Change Control, Governance and Dependencies December 2011

Distributed to:

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Timetable	
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Fieldwork completed	4 November 2011
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1. Executive Summary

Introduction

As part of the 2011/12 Internal Audit Plan, agreed by the Audit Committee, we have undertaken an internal audit of the One Barnet programme.

This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement, in order of priority.

The agreed objective and scope of our work is set out in the Terms of Reference issued on 18 October 2011.

Summary of the programme

One Barnet is the Council's major transformation programme, which aims to change its service offerings to reflect changes in residents' needs and attitudes. At the heart of the programme is one clear aim – to make London Borough of Barnet a truly citizen-centric council to help residents lead successful and independent lives.

The programme is delivering to 3 key principles:

- *A new relationship with citizens* - The Council will provide a more sophisticated customer-centred service, will provide information and services in a more convenient manner, and will offer residents more choice.
- *A relentless drive for efficiency* - The public sector in Barnet must spend every pound as efficiently as possible. This may mean providing services in different ways and certainly means the Council and its partners need to reorganise internally. It also means recognising the value of residents' time. To be truly efficient the Council must meet their needs as quickly and effectively as possible
- *A one-Barnet approach* – The Council will look to work with the public, voluntary and private sector partners to deliver more joined up services, and to develop more efficient ways of supporting its work.

The One Barnet programme supports all of the Corporate Plan 2011-12 priorities: "A successful London Suburb", "Sharing responsibilities and responsibilities" and "Better Services Less Money".

Audit Scope

The audit focused on the following risk areas: programme scope and change control; programme dependencies management; programme governance; and project governance.

This review adopted a risk-based approach, which included the following activities:

- A review of background documents including relevant policies and procedure documents, management directives, manuals, and other relevant guidance
- Interviewing relevant officers, including project / programme board members, to document the processes and controls in place and to establish compliance with those controls

- Assessing the adequacy of procedures and controls in operation to mitigate the potential risks identified above
- Testing adherence to these controls by review and sample testing of documentation and programme/project process outputs.

Our report provides an initial assessment of the controls in place at the time of fieldwork.

Summary of findings

As part of this review management highlighted the following points:

- This programme is part of the Council's response to the rapidly changing public sector environment, and this programme represents the Council's credible programme to deliver its aggressive savings targets
- Currently there are three major procurements running according to schedule as planned in the programme. (These were not audited as part of this review)
- As reported to the programme board, the programme is delivering benefits for the Council in line with expectations.

We noted the following good practice:

- There is good integration between the project sponsors and programme governance as all sponsors sit on the programme board
- Interviewees recognised the significant contribution of the programme management team in terms of pulling the programme together and generating momentum
- There is a regular calendar of project and programme board meetings.

Also noted outside of the scope of this review were good practices in dependencies management on the Future Parking project, involving key players from projects within the programme (project managers and sponsors) to formally discuss, agree and document dependencies.

Based on our review we identified a number of findings where programme controls should be strengthened, which include:

- There is not a clearly defined and understood process for the agreement of scope, scheduling and change control within the programme and across projects other than the formalised programme scope management which is completed annually by the programme board
- The programme board was an established board which was in operation with attendance and involvement of both senior and operational management, however there are no documented terms of reference for the programme board
- Although there were examples of good practice in individual programmes, (see above) there is no defined and documented approach to the management of overall programme dependencies

- Within the formalised Project Initiation Documents (PIDs) for the two projects reviewed there are no tolerances formally defined in relation to quality within project or programme governance.

We have not provided an overall opinion. Our findings and recommendations relating to controls are summarised below, along with the number of recommendations in each area.

Proactive conversations have taken place with management and they have requested that internal audit conduct another review 3 months following finalisation of this review to assess progress.

Acknowledgement

We would like to thank the management and staff of the One Barnet programme for their time and co-operation during the course of the internal audit.

2. Programme Scope and Change Control

Findings

The programme has a process for considering additional projects coming into the programme – which is that strategic outline cases (high level business cases) are prepared to support a decision as to whether the proposed work fits within the One Barnet programme principles.

Controls around scope and change control are not formally documented and agreed within the programme. This means scope and other changes may be implemented in a suboptimal way. It was noted that new projects only enter the programme through the programme board. Interviewees noted that changes have been absorbed at both a project and programme level without an opportunity being provided to properly assess the impact of the change and what it means in terms of timescales, affordability or impact on quality of deliverables. However given the risks of not achieving savings targets, and therefore delivery and credibility of the entire programme, Management agreed to tolerate the potential impact of change on the programme rather than delay until absolute clarity was obtained.

Effective scope and change control is essential to minimise the risks of:

- Time or cost overruns
- Compromises being made around the quality of deliverables in order to fit in the change.

Scope of the programme

A programme overview document exists, which could serve as a projects dossier, however this does not include a change log and is not a baselined document. The programme could strengthen its controls for managing scope.

Interviewees have noted that the Council does not wish to adopt a rigid programme scope – as new ideas emerge they should be incorporated into the programme if they support the three principles (new relationship with citizens; relentless drive for efficiency; and one public sector).

However, this approach to scope control could make it more difficult to:

- Evaluate change requests
- Ensure there is a consistent understanding across the programme of what is in and out of scope.

Good practice in this area suggests that a future state definition document should be prepared that sets out what the programme will achieve along with high level deliverables. This should be baselined so that evolving circumstances can be reflected as required. It is then easier to set the scope of the programme's constituent projects and enable requirements traceability through from strategic level down to low level functionality or services. As such, it is used to inform decisions on change requests.

Change control process

A structured change control process is particularly helpful for understanding the potential impact of a change request - that is, what compromises may need to be made in order to achieve the desired change. Change requests often have unintended effects, and a structured impact assessment process will help to support informed decisions based on up-to-date information that models the

requested change.

The programme does not have a formalised and universally understood change control process operating either at programme or project level.

Recommendations

Management could develop a future scope document for the programme which is baselined and updated as required.

Management should adopt a change control process for the programme which should specify requirements for impact assessment of proposed changes prior to the decision to implement. The process may also include an exceptions route in certain limited circumstances such as legislation changes.

3. Programme Governance

Findings

There is scope to strengthen the programme governance arrangements, in particular clarifying the authority of the programme board and reviewing its participants.

Terms of reference

Interviewees stated that the programme board operates within a set of terms defined as an output of a supplier exercise one year earlier, however these are not formally documented.

Best practice suggests that a consistent understanding of the programme board's role and decision-making authority is essential for a large, complex programme of this kind, for example to ensure that all projects understand when matters should be escalated.

The board should have defined tolerances within which it operates which should map within the existing organisational delegated authority levels.

Recommendations

Management should define, agree and communicate the terms of reference for the programme board. These terms of reference should also ensure that tolerances and approval levels are in line with existing organisational delegated authority levels (that is, managers should not be able to authorise project/ programme costs significantly in excess of what they would be able to do in an operational context).

4. Programme Dependencies Management

Findings

A programme level dependency log identifies dependencies, but it is not optimised to manage the dependencies. For example, there is no record of when a dependency was:

- Originally identified
- Last updated
- Discussed with the action owner
- Agreed.

There was however some evidence at a project level of more formal agreement of dependencies between projects, such as meetings with project managers and project sponsors to discuss and agree dependencies.

Good practice would confirm there is scope to strengthen dependency management in the programme.

Without a fully effective approach to managing dependencies within the programme and between the programme and other parties, the following risks may affect some or all dependencies:

- They may not be delivered in line with the critical path
- They may not meet the quality requirements of the programme resulting in a compromised solution.

Recommendations

Management should strengthen the programme's dependency management process. Controls should be developed in the following areas:

- What the definition of a dependency is (versus a resource-loaded task)
- What process should be followed for the identification of dependencies:
 - Where and how dependencies should be logged
 - How dependencies should be agreed
 - What escalation procedure should be followed if agreement cannot be reached
 - When dependencies should be reviewed
 - Guidance on who should take ownership of a dependency (i.e. ultimately responsible for delivering the dependency).

5. Project Governance

Findings

Project governance controls should be enhanced. We noted findings in the following areas.

Completeness of Project Board Documentation

The audit team requested, from the defined sample (Future Parking and Community Based Budgets), example papers that are taken to the project boards for consideration and decisions to be requested. Interviewees noted that project boards are run using an agenda for these sample projects, but do not have formal project board papers such as supporting papers for decisions to be made or a highlight report.

Through discussions with Management, it is understood that critical projects within the programme are run with complete project board packs containing all necessary information.

The risk of running project boards without project board papers is that any decisions made within that forum may not be fully informed. Decisions made using incomplete information may be suboptimal.

Tolerances

The Project Initiation Documents (PIDs) for the sample of two projects do not define tolerances in respect of quality.

Project Initiation and Scope Agreement

Both sample projects had PIDs which define the scope for the projects. However, the Community Based Budgets Project Board has not yet signed off the PID for this project despite the project having already entered the delivery phase with contracts already agreed with third parties.

This presents a risk for interdependent projects, as they will be reliant on other projects whose scope is yet to be formally agreed. This may create difficulties in the management of dependencies within the programme and reduces the effectiveness of any change control process.

Recommendations

Management should strengthen project board decision making by stipulating within the governance structure that any decisions requested of the project board must be presented with supporting papers detailing any options considered and providing full details of the issue to be discussed.

Management could define and agree quality criteria at the outset of all future projects and, for existing in-flight projects, management could define them at the earliest opportunity and agreeing them at the relevant project boards.

Management should define a standardised process for project governance to define agreement of scope; stage gates; decision points; and escalation procedures as well as ensure that all new projects are initiated using this process. Management should then ensure that all in-flight projects are migrated to this standardised governance structure as soon as is practicable.

Management could include the chain of escalation including criteria for escalation around time, cost and quality as well as approved routes for decisions to be made in relation to a project within the standardised governance structure.

Appendix A: Statement of Responsibilities

We take responsibility for this report which is prepared on the basis of the limitations set out below.

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

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix B: Action plan

Issue	Recommendation	Proposed Timescales	Management Response	Responsible Officer	Deadline
Programme Scope & Change Control	Management could develop a future scope document for the programme which is baselined and updated as required.	Within 3-6 months	A baseline Programme Plan will be created by 30/12/11. This will be updated on a quarterly basis.	Ed Gowan	30/12/11
Programme Scope & Change Control	<p>Management should adopt a change control process for the programme which should specify requirements for impact assessment of proposed changes prior to the decision to implement.</p> <p>The process may also include an exceptions route in certain limited circumstances such as legislation changes.</p>	Within 3-6 months	A 'Design Authority' role will be set up within the programme to manage dependencies.	Ed Gowan	31/12/11

Issue	Recommendation	Proposed Timescales	Management Response	Responsible Officer	Deadline
			The Design Authority and Programme Manager will have implemented a change control process in line with this recommendation and those on dependencies management.	Ed Gowan	30/03/12
Programme Governance	Management should define and agree the terms of reference for the programme board. These terms of reference should also ensure that tolerances and approval levels are in line with existing organisational delegated authority levels (that is, managers should not be able to authorise project/ programme costs significantly in excess of what they would be able to do in an operational context).	Within 3-6 months	A Terms of Reference, in line with this recommendation, will be approved by the Programme Board.	Andrew Travers	30/12/11

Issue	Recommendation	Proposed Timescales	Management Response	Responsible Officer	Deadline
Programme Dependencies Management	<p>Management should strengthen the programme’s dependency management process. Controls should be developed in the following areas:</p> <ul style="list-style-type: none"> • What the definition of a dependency is (versus a resource-loaded task) • What process should be followed for the identification of dependencies: <ul style="list-style-type: none"> ○ Where and how dependencies should be logged ○ How dependencies should be agreed ○ What escalation procedure should be followed if agreement cannot be reached ○ When dependencies should be reviewed ○ Guidance on who should take ownership of a dependency (i.e. ultimately responsible for delivering the dependency). 	Within 3-6 months	Actions as per response to ‘Programme Scope and Change Control’	Actions as per response to ‘Programme Scope and Change Control’	30/ Actions as per response to ‘Programme Scope and Change Control’/12
Project Governance	<p>Management should define a standardised process for project governance to define agreement of scope; stage gates; decision points; and escalation procedures as well as ensure that all new projects are initiated using this process. Management should then ensure that all in flight projects are migrated to this standardised governance structure as soon as is practicable.</p>	Within 3-6 months	The Council’s Project Management Methodology will be updated to reflect this recommendation.	Craig Cooper	30/03/12

Issue	Recommendation	Proposed Timescales	Management Response	Responsible Officer	Deadline
			All One Barnet projects will be reviewed in line with these recommendations.	Ed Gowan	30/01/12
Project Governance	Management could define and agree quality criteria at the outset of all future projects and, for existing in-flight projects, management could define them at the earliest opportunity and agree them at the relevant project boards.	Within 3-6 months	A Benefits Management approach, which will include clear quality criteria, will be created and applied to all One Barnet projects.	Ed Gowan	30/03/12
Project Governance	Management could include the chain of escalation including criteria for escalation around time, cost and quality as well as approved routes for decisions to be made in relation to a project within the standardised governance structure.	Within 3-6 months	Actions as per response for standardising project management processes.	Actions as per response for standardising project management processes.	Actions as per response for standardising project management processes.

Issue	Recommendation	Proposed Timescales	Management Response	Responsible Officer	Deadline
Project Governance	Management should strengthen project board decision making by stipulating within the governance structure that any decisions requested of the project board must be presented with supporting papers detailing any options considered and providing full details of the issue to be discussed.	Within 3-6 months	Actions as per response for standardising project management processes.	Actions as per response for standardising project management processes.	Actions as per response for standardising project management processes.