London Borough of Barnet

Internal Audit Management Letter - FINAL

Review of the One Barnet Programme for Capacity & Capability management, Change Management and Risk and Issues Management

April 2012

Distributed to:
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Timetable	
Terms of reference	17 January 2012
Fieldwork completed	29 February 2012
Draft report issued	08 March 2012
Management responses received	02 April 2012
Final Report Issued	02 April 2012

Background

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 LBB 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.

Our audit objective was to review the design and operation of selected project and programme management controls, and assess their design and effectiveness. In particular the audit will be completed following a self-assessment by senior management (Assistant Director, Commercial Transformation) which will allow audit to respond to areas where there is greater risk for the Council.

Scope of this review

This review was commissioned to review additional aspects of project and programme management, specifically:

Risk theme	Potential risks
Project/ programme team capacity and capability	• The programme and its projects may not have sufficient resources with appropriate capacity and capability to deliver the change required. For example, there may not be a sufficient number of experienced project and change managers needed to deliver and embed the change
Change management	• There may not be measures in place to capture changes in organisational behaviour, culture and values and gauge progress towards the transformational vision
	• Controls may not be in place to protect ongoing operational performance during transition and beyond

Risk theme	Potential risks
Risk and issue management	Key information on risks and issues may not be identified and dealt with in a timely or manner. For example:

- Risks may not be captured across the whole transformation programme. For example, risks may not be escalated to the right levels of governance to allow for effective decision making

- The quality of risk and issue management information may not support robust decision making, for example risk management information may be incomplete, inaccurate or out of date.

Work Performed

We undertook an assessment of the controls in place using a combination of interviews with key programme team members, a desk based review of documentation and sample testing of risks from two projects: Development and Regulatory Services (DRS) and New Support and Customer Services Organisation (NSCSO).

Our work focused on the three selected aspects for the One Barnet programme set out in the scope section. We did not assess the strength of contractual controls or consider the adequacy of any wider project/ programme controls.

Findings

General

The programme management context has changed considerably since our previous review completed in quarter 3, and the direction of travel on controls is positive. We noted the following areas of good practice:

- Staff noted that the new governance arrangements that were introduced at the end of 2011 were an improvement, and were working well in practice; and

- The One Barnet Development Plan is a welcome development and, if maintained over time, this has the potential to be a strong tool for the programme and the wider Council in developing best practice internally and developing capability.

Change management

The programme has made progress in its approach to managing change, in particular in relation to benefits management.

For example, at the time of fieldwork, an exercise was completed to establish benefit profiles for all projects within the programme. These profiles included both financial and non-financial benefits. Interviewees noted there is an intention to tie-in benefits checkpoints to key project gateways and decision points.

However, as benefits management controls were not fully embedded at the start of the programme, more work will be required in this area. We would encourage management to continue its work on benefits management and look to instil a culture that considers benefits and disbenefits throughout the project and change cycle. In particular we highlighted the following points.

Interim benefits

Projects were not yet considering interim benefits throughout the life of a project as opposed to end benefits. For instance, a project to outsource key services will also include business transformation prior to outsourcing, and we would typically expect this transformation exercise to lead to benefits prior to the service transfer. At present, projects are not yet articulating these interim benefits, which interviewees have noted do exist.

Benefits management during transition – "snagging"

Benefits management during transition to delivery partners will be critical. Interviewees noted that the Local Authority Trading Company (LATC) project, which is coming to a close after a go live on 1st February 2012, had demonstrated good practice in this area. The project is currently undergoing a 'snagging' period, where any remaining issues that are unresolved are being handled by the project in order to stabilise operational service and smooth transition. Whilst interviewees recognised this approach was helpful, it has not been consistently adopted across other projects.

> **Recommendation**
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> As benefits management controls mature, management should encourage projects to identify, document and action potential interim benefits that could be realised throughout the project lifecycle.
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> Management should include a 'snagging' process (to support the initial implementation phase post launch) within all projects.
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> In addition, management should consider the introduction of a 'warranty period' across all projects prior to formal acceptance of the deliverables. This will ensure that resource is in place to manage any outstanding issues and action plans are in place for remaining tasks before the project closes.

Issue Management

Issue management controls at project and programme level continue to develop. Additional opportunities to strengthen the design and operation of these controls should be adopted as outlined below.

We note that at the time of fieldwork, issue management processes were under review and a transition between issue logs stored in spreadsheets and the corporate risk management tool, JCAD was underway.

From a practical perspective, senior officers were able to provide specific examples of how the programme has actively managed issues in an effective way. Interviewees also noted that the culture of issue management was now more active than previously.

However, the programme does not have a defined and agreed issue management strategy. This may mean that issues are not identified, managed or escalated consistently.

At the time of fieldwork, we found that issue logs at a project level could be improved. For example, unique reference IDs for issues within a log were not included. However, we understand that once fully transitioned to the corporate risk management tool, JCAD, unique referencing will be automated.

Recommendation

Management should formally document a specific approach to issue management for the programme. At a minimum, this should include:

- How an issue should be defined

- How an issue should be scored

- How and when issues should be escalated

- How to capture actions in place to manage issues.

Risk Management

The review recognises that risk management processes within the programme were improving. Fieldwork did not highlight any significant weaknesses in the way that risks were documented for the sample projects.

We understand that risk management training and workshops have already taken place. However, we found areas where further work will be required to improve the quality and completeness of risk documentation, and maximise the benefits from the programme using the corporate risk management tool, JCAD.

Risk escalation

Interviewees were not aware of formal thresholds for escalating risks from project level. We understand that the training pack provided to all project managers set out certain key criteria, but it was not clear that this control was operating in practice.

The escalation approach currently being used is based on the judgement of the Programme Management Office (PMO).

Risk actions

The project risks we tested did not consistently set out risk actions. The programme uses the "4Ts" model of assessing risks, whereby risks can be treated, tolerated, terminated or transferred. For risks categorised as "treat" (that is, management has chosen to take action) we would expect to see risk actions documented in the "controls actions" section of JCAD. We noted the following points:

- For DRS, there were 17 risks categorised as "treat" – only six had defined control actions; and

- For NSCSO, there were 37 risks categorised as "treat" – only one had a defined control action.

Risk scoring

Through our sample testing of risks we noted 14 out of 49 risks on the NSCSO Risk Register did not have any scoring against them. All DRS risks had been scored at the time of fieldwork.

Recommendation

Management should revisit its previous agreed provisions on formal thresholds for escalating risks from project level and ensure these are consistently applied.

Management should take steps to standardise and optimise usage of the corporate risk management tool, JCAD, within the programme, with a particular focus on risk actions and risk scoring. For example, spot check reviews of project risks by the PMO could be used to establish if the key elements of the Risk Management Strategy are being applied.

Capacity and Capability

We found that controls in this area were generally working well, but further optimisation would help the programme.

Resource planning

The review noted that a skills matrix was in place for core programme member teams (such as Project Managers and PMO). Interviewees also noted that the coordination of HR resources (acting as Subject Matter Experts) was well controlled and executed.

We reviewed the resource plan that is currently in development by programme plan. The plan provides a reasonable view of three months ahead resourcing needs and through discussion with programme leads, we understand this will be further developed to provide a 12 month view of resourcing requirements including skills required, duration and nature of work. Whilst other functional experts (covering areas such as legal, procurement, HR and finance) are contributing effectively to the programme, they were not included in the resource plan at the time of fieldwork.

Project role responsibilities

Some interviewees said that the introduction of Service Leads, who acted as the voice of the service, had been very helpful. Other staff noted in some cases, issues had arisen because the respective responsibilities of Sponsor, Service Lead, Project Manager and Commercial Lead were not fully defined.

In our view, it is not necessary to adopt a "one size fits all" approach to key project roles across all the strands in the programme, but agreeing how each project will split responsibilities between these key roles would be very useful. This is particularly important for projects involving large procurements with tight timetables.

Using resources from strategic partners

Interviewees noted that the framework contract with strategic partners had been working well. Senior officers showed they were familiar with the defined internal framework to bring specialist resource onto the programme. However, project level staff did not show the same level of awareness with the contractual agreement.

Increasing the awareness levels of this arrangement may lead to more effective use of key resources at critical points at project level.

Recommendation

Management should consider expanding the skills matrix and resourcing plan to include other roles within the programme (such as legal, HR, commercial and finance). Management should ensure that individual projects have identified respective roles and responsibilities for key positions within the programme, such as the Sponsor, Service Lead, Project Manager and Commercial Lead.

Management may wish to consider undertaking activities to increase awareness of how and when to draw on additional resources from the strategic partner. For example, this may include a briefing paper or circulating guidance.

CONCLUSIONS

Based on the work undertaken for this review, we identified areas for improvement with the design and operation of controls. These are summarised in **Appendix B**, which have been supplemented with agreed management actions.

Appendix A: Statement of Responsibility

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 – MANAGEMENT RESPONSES

No	Recommendation	Priority	Management action
1	As benefits management controls mature, management should encourage projects to identify, document and action potential interim benefits that could be realised throughout the project lifecycle.	Action required	Agreed: yes Action: The Programme Office will introduce a quarterly milestone requirement, for the programme manager to liaise with each project manager as part of the programme QA mechanism. This is to confirm the following: • the original business case is still valid • the benefit profiles reflects the interim benefits that have been created as a result of project delivery to date • and to provide an opportunity to identify emerging benefits. Responsible: Programme manager / project manager. Date for implementation: Initial review April 2012.
2	Management should include a 'snagging' process (to support the initial implementation period post launch) within all projects. In addition, management should consider the introduction of a 'warranty period' across all projects prior to formal acceptance of the deliverables. This will ensure that resource is in place to manage any outstanding issues and action plans are in place for remaining tasks before the project closes.	Best Practice	Agreed: yes Action: A post launch process will be introduced to support the initial implementation period of a project where appropriate. The need for review against each project plan will be dependent on scope and budget. Responsible: Project Sponsor (agreed at project initiation) Date for implementation: April 2012.

No	Recommendation	Priority	Management action
3	Management should formally document a specific approach to issue management for the programme. At a minimum, this should include: • How an issue should be defined • How an issue should be scored • How and when issues should be escalated • How to capture actions in place to manage issues.	Action required	Agreed: yes Action: The issue management protocol within the One Barnet Project Management Methodology will be reviewed to capture the actions outlined. The reviewed document will be included with the Programme Mechanics document and will be communicated appropriately. Responsible: Programme Manager Date for implementation: April 2012.
4	Management should revisit its previously agreed provisions on formal thresholds for escalating risks from project level and ensure that these are applied consistently.	Action required	Agreed: yes Action: There is a clear policy in existence, this will be included within the Programme Mechanics document, and awareness will be raised through the PMO to ensure consistent application. (see also action for issue 5) Responsible: Programme Manager Date for implementation: April 2012.

No	Recommendation	Priority	Management action
5	Management should take steps to standardise and optimise usage of the corporate risk management tool, JCAD, within the programme, with a particular focus on risk actions and risk scoring. For example, spot check reviews of project risks by the PMO could be used to establish if the key elements of the Risk Management Strategy are being applied.	Immediate action required	Agreed: yes Action: Refresher training sessions will be arranged for all project managers that will include risk and issue management and the use of JCAD. Responsible: Programme Manager Date for implementation: April 2012 (sessions planned).
6	Management should consider expanding the skills matrix and resourcing plan to include other roles within the programme (such as legal, HR, commercial and finance).	Best Practice	Agreed: yes Action: The support roles within the programme are included as part of resource management within the programme view of Microsoft Project. Access to appropriate skills will continue through existing 'commissioning' arrangements. Responsible: Programme Manager Date for implementation: April 2012.
7	Management should ensure that individual projects have identified respective roles and responsibilities for key positions within the programme, such as the Sponsor, Service Lead, Project Manager and Commercial Lead.	Action required	Agreed: yes Action: Key positions will be identified at the start of any project, and articulated within the PID. Responsible: Project Managers / Programme Manager Date for implementation: April 2012 (as appropriate for each 'Wave 2' project).

No	Recommendation	Priority	Management action
8	Management may wish to consider undertaking activities to increase awareness of how and when to draw on additional resources from the strategic partner. For example, this may include briefing or circulating guidance.	Best Practice	Agreed: yes Action: The programme office will introduce a co-ordinated resource process for all 'Wave 2' projects. Responsible: Programme Manager Date for implementation: April 2012.