

## Audit, Risk & Assurance Committee

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<b>Report title</b>	Investment Portfolio Governance Audit Update 2018
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<b>Report to be considered by</b>	Audit, Risk & Assurance Committee

### Recommendation(s) for action or decision:

#### Audit, Risk and Assurance Committee is recommended to:

- (1) Note the progress made to date against the original actions in the Internal Audit Report [section 3].
- (2) Note timescales for implementation of the enhanced Governance & Assurance Framework [section 2.4].

## **1. Purpose of Report**

- 1.1 This report has been produced to provide in flight assurance to the Audit, Risk & Assurance Committee that progress has been made against the original recommendations in the Internal Audit review of Investment Portfolio Governance Arrangements for Programme Approval & Appraisal.

## **2. Update of Governance and Assurance Framework Review and Timeframes**

- 2.1 The development of actions to address key audit findings as well as the internal process to strengthen assurance on the Investment Programme has been supported by the commissioning of Arcadis to support development of the Governance and Assurance Framework.
- 2.2 Engagement with internal and external stakeholders, has identified WMCA's requirement to provide a greater focus on portfolio delivery and benefits realisation with processes and systems that make sure there is:
- Smooth facilitation of Delivery Organisation (Local Authorities, LEPs, TFWM etc.) projects as they progress through the governance and assurance process
  - Clarity on business case development and how these progress through approval boards
  - A clear and consistent evidence based evaluation and approvals process
  - A supportive portfolio management office and performance management system
  - Increased efficiency through the process
  - Robust governance and assurance on approvals and delivery
  - Early visibility of progress, issues and problems.
- 2.3 Since the internal audit and the review and recommendations provided by Arcadis, WMCA PMO have developed a robust plan for an enhanced approach and methodology for governance and assurance of the Investment Portfolio. These enhancements build and expand on the existing assurance framework with the intention of demonstrating that the benefits and outcomes of investments are planned, managed, monitored and realised, and evidenced to the UK government.
- 2.4 The WMCA PMO plan to develop and implement an enhanced Governance and Assurance Framework was endorsed by the Investment Board on 10th December 2018. The enhanced framework will require approval at Investment Board level before being presented to MHCLG for final sign off in August 2019.
- 2.5 The tables provided in Section 3 of this report provide a summary of progress against the Internal Audit actions in February 2018.

### 3. Summary of Progress against Internal Audit Actions

#### Quick Wins

Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.1	Assurance Framework Project Appraisal	Director of Finance - Sean Pearce	March 2018	<p>Quick Win</p> <ol style="list-style-type: none"> <li>1. Implementation of Investment Programme Risk Register</li> <li>2. Investment Programme governance services support</li> <li>3. PMO will be accountable for Investment Programme records</li> <li>4. PMO accountable for monitoring/ tracking risks/ change control requests</li> </ol>	The Actions referenced as Quick Wins have been implemented with the Investment Programme Risk Register having been developed internally and being reported to the Investment Board since July 2018. Governance Services support the democratic processes that include the Investment Board and WMCA Board with the West Midlands Development Capital Ltd supporting the Investment Advisory Group. PMO have fully adopted accountability for Investment Programme document management, portfolio level risk management and the change control procedure.	COMPLETE
2.2	Governance of Technical Appraisal Panel	Director of Finance - Sean Pearce	March 2018	<p>Quick Win</p> <ol style="list-style-type: none"> <li>1. TAP Attendance recorded</li> <li>2. Investment Programme governance services support</li> <li>3. TAP revised roles, sign off due diligence process for business case appraisal</li> <li>4. ACD document development for action tracking</li> </ol>	Quick Win actions are implemented and Governance Services is specifically referenced in support of the objectives. Specifically, the ACD document, now known as the Assurance Checklist, has been revised to better support decision making.	COMPLETE

Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.3	Pre-Project Lifecycle	Director of Finance - Sean Pearce	March 2018	Quick Win 1. Performance management group confirm process for evaluating change control requests and alignment to SEP priorities (prior to implementation of scheduling exercise)	Quick Win action 1 has been implemented. Governance arrangements had been developed to consider current Change Requests and they were reviewed by CA representatives on the Investment Performance Management Group and required sign off by the Investment Board dependent on value. This has since been superseded by the approved Change Control Process (see Longer Term Objective ref 2.3).	COMPLETE
2.4	Project Appraisal, Scoring & Evaluation	Director of Finance - Sean Pearce	March 2018	Quick Win 1. Development of TAP checklist 2. Operational improvements for TAP meetings to strengthen due diligence	Quick Win actions 1 & 2 have been implemented. Appraisal documentation is now utilised for all projects which ensures that consideration is given to projects alignment to SEP and this is scored accordingly.	COMPLETE
2.5	Business Case Governance	Director of Finance - Sean Pearce	February 2018	Quick Win 1. Effective mechanisms for business case and recommendations tracking to be implemented.	An Assurance Checklist detailing a full audit trail of all endorsement and approval board decisions has now been implemented.	COMPLETE
2.6	Local Assurance Process	Director of Finance - Sean Pearce	March 2018	Quick win 1. PMO to ensure that documentary evidence is obtained in all instances	Quick Win action 1 has been implemented. Process has been updated to request documentary evidence. Details of evidence are provided in the individual Assurance Covering Documents for each project.	COMPLETE

Ref.	Audit Action	Owner	Completion Date	Quick Win Objectives	Status	RAG / Complete
2.7	SEP Board	Director of Finance - Sean Pearce	July 2018	<p>Quick Win</p> <ol style="list-style-type: none"> <li>1. Establishment of benefits realisation role</li> <li>2. Economic Intelligent Unit to support scheduling exercise</li> </ol>	<p>Quick Win actions have been implemented. The WMCA Benefits Manager was appointed in March 2018. In establishing appraisal process for the Framework it has been agreed that members of the Black Country Consortium Economic Intelligence Unit are actively involved to appraise alignment to the SEP.</p> <p>It should be noted that the SEP Board has now been replaced with Strategic Economic Development (SED) Board.</p>	COMPLETE
2.8	Monitoring & Evaluation Plan	Director of Finance - Sean Pearce	March 2018	<p>Quick Win</p> <ol style="list-style-type: none"> <li>1. Need to confirm that all FBC have submitted their monitoring and evaluation plans</li> </ol>	<p>Quick Win action 1 has been implemented. The PMO now checks to ensure that all documentation required as part of FBC, including monitoring &amp; evaluation (M&amp;E) plans, is provided. Review of M&amp;E plans now form part of the appraisal process.</p>	COMPLETE

## Medium to Longer Term Objectives

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.1	Assurance Framework and Project Approval	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Governance, Roles & Responsibilities and Assurance Framework Review	A plan to develop and implement an enhanced Governance and Assurance Framework was endorsed by the Investment Board on 10th December 2018. The enhanced framework is scheduled for approval at Investment Board and by MHCLG in August 2019.	AMBER
2.2	Governance of Technical Appraisal Panel (TAP)	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Review membership, Review interface with performance group and embed green book best practice 2. How is CA gaining technical assurance?	As part of the development of the Enhanced Framework, a detailed review is to be undertaken to assess membership of TAP, a fit for purpose Terms of Reference, and detailed appraisal guidance to inform reviews and decision making. All is aligned to Green Book best practice.	AMBER
2.3	Pre-Project Lifecycle	Director of Finance - Sean Pearce	April 2019	Longer term objective 1. Define mechanism for introducing projects	WMCA PMO have developed proposals for Investment Portfolio Change Control and Prioritisation Ranking. Both were approved at Investment Board in October 2018 and November 2018 respectively. The introduction of new projects will follow the agreed processes at implementation in April 2019.	AMBER

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.4	Project Appraisal, Scoring & Evaluation	Director of Finance - Sean Pearce	August 2019	Longer term objective 1. Develop project appraisal, scoring and evaluation mechanisms.	The Enhanced Framework will detail the scoring and evaluation process and criteria. This will be aligned to the Green Book and consulted upon with Subject Matter Experts within the WMCA and wider stakeholders. Draft appraisers have been identified and consultation will begin December 2018.	AMBER
			June 2018	Medium term objective 1. review of DEIM (Dynamic Economic Impact Model)	Review of DEIM has been considered as part of wider Governance Review. It has since been confirmed that DEIM is not a viable tool for implementation within the WMCA.	COMPLETE

Ref.	Audit Action	Owner	Proposed Timescale / Completion Date	Objective	Status	RAG / Complete
2.7	SEP Board	Director of Finance - Sean Pearce	July 2018	Longer term objective – part of wider governance review to understand the role of SEP Board	In enhancing the appraisal process for the Framework it has been agreed that members of the Black Country Consortium are actively involved to appraise alignment to the SEP through the Technical Appraisal Panel (TAP). TAP remain as a consistent panel for appraisal of every business case and change request. This supersedes the requirement to include the SEP Board under the enhanced governance procedures. A review of the SEP Board has been undertaken and as a result has now been replaced with Strategic Economic Development (SED) Board, although this is not part of the Assurance Framework.	COMPLETE
2.8	Monitoring & Evaluation Plan	Director of Finance - Sean Pearce	August 2019	Longer term objective – review of monitoring and evaluation requirements	WMCA PMO, in liaison with BEIS, are working to develop key criteria to assess monitoring and evaluation plans via a framework. Alongside this, through review of best practice and Green Book guidance, monitoring and evaluation tools and processes are being developed for implementation as part of the Enhanced Framework.	AMBER

#### **4. Assurance Provision to ARAC**

4.1 The longer term actions from the Internal Audit date were given a target date of implementation of December 2018. In undertaking a thorough review of the requirements to satisfy the recommendations identified under the audit, an implementation plan has been developed with revised proposed timescales. A number of issues surrounding the need to delay implementation beyond December 2018 are detailed below.

- WMCA PMO efforts have previously been diverted toward Prioritisation to lead in combating concerns over the Investment Portfolio funding shortfall. Work on the Enhanced Framework therefore commenced in November 2018.
- The Head of Strategic Programme Delivery was appointed in July 2018. Time was required to fully understand the key challenges surrounding the Governance and Assurance Framework to help inform a more detailed plan.
- WMCA PMO have been working with HMT to identify best practice. This consultation with HMT has added time to the Enhanced Framework plan, but has helped in developing additional activities to inform a more rounded plan.
- Approval timescales have now been identified for Investment Board and MHCLG. This has been detailed on the plan. It should be noted that the approvals process accounts for a large amount of time within the plan. Furthermore, it has been confirmed by MHCLG that the plan cannot go live until every aspect has been agreed in full, therefore business cases and appraisal templates cannot be implemented until the Framework is approved in full.

4.2 It is understood that a follow-up internal audit would be independently undertaken by the internal audit team to confirm that the actions from the internal audit have been implemented. The findings of the audit would be shared with Audit, Risk & Assurance Committee.

4.3 It is recognised that during the period between the original timescale for completion (December 2018) and the proposed timescale for sign off of the enhanced framework (August 2019), investment commitments are forecast to be circa £329m. This equates to:

- 6nr FBCs totalling £292m
- 11nr OBCs totalling £29m
- 3nr SOC's totalling £8m

Following implementation of the Quick Wins as detailed in this report, the governance and assurance arrangements surrounding the Investment Programme have fundamentally improved. The longer term objectives allow WMCA to further enhance and improve the framework to address the key findings of the internal audit and minimise the risk of investment without full and robust assurance.

#### **5. Conclusion**

5.1 Significant progress has been made against the Internal Audit Report. Whilst the set timescales for implementation have been delayed beyond that identified in the Internal Audit Report, it is trusted that the content of this report demonstrates that key work is currently underway to deliver a Governance and Assurance Framework that is robust, well considered and aligns with best practice. The delivery plan, endorsed by Investment Board in December 2018, is realistic and WMCA PMO have confidence that the proposed timescales can and will be met. The appointment of the new Head of Strategic

Programme Delivery has reinforced the leadership in this area and working together with the WMCA PMO, he will ensure the plan continues to deliver the improvement programme in full to support the Investment Portfolio Internal Audit Review and wider aspirations of the Combined Authority for the Programme.