



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

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Report title	Investment Programme Governance Audit Update
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Report has been considered by	n/a

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the work that has been undertaken to date on the assurance framework, and the rationale behind the proposed way forward.
- (2) Understand the work being undertaken by Governance to deliver continuous improvements to the decision-making process and how that impacts on the Investment Programme and PMO responsibilities.
- (3) Note timescales and proposed activity for the resolution of outstanding actions in the Internal Audit Report dated 6 February 2018.
- (4) Understand the current controls that are in place for programme risk and the intended changes to the controls.

1. Purpose

- 1.1 The purpose of this report is threefold, it is to:
 - 1) Review internal audit recommendations.
 - 2) Update on how the enhanced assurance framework is being updated to reflect latest government guidance
 - 3) Respond to questions raised at last ARAC session on control mechanisms
- 1.2 The report will provide an overview to ARAC of the intended delivery route for the original recommendations in the Internal Audit review of Investment Programme Governance Arrangements for Programme Approval & Appraisal. It will also provide the context around why the strategic approach has changed as a result of consideration by SLT (Senior Leadership Team).
- 1.3 Additionally the report will describe the current programme controls that are in place for the Investment Programme and what enhancements will be introduced as a part of the “Single Assurance Framework” (SAF) implementation.

2. Summary

- 2.1 Since the internal audit in February 2018, WMCA PMO had developed a robust plan for an enhanced approach and methodology for governance and assurance of the Investment Programme. This is detailed in Appendix A.
- 2.2 Monthly Working Group meetings have commenced with stakeholders from Constituent Authorities and Corporate Assurance providing rich discussions and alignment of governance. The WMCA PMO had started to complete new artefacts, templates and guidance in line with the plan to enhance the Assurance Framework.
- 2.3 This work was focussed on addressing the audit actions and additionally taking the opportunity to continuously improve the processes, governance and controls that were in place.
- 2.4 At the same time SLT have been considering a recommendation put forward by the Head of Governance following an external review of governance and guidance from central government to design and embed a “Single Assurance Framework” (SAF) developed under the National Local Growth Assurance Framework. The framework identifies a set of guiding principles that can be utilised for all funding sources and their respective frameworks within the WMCA.
- 2.5 As a result a more fundamental re-working of the decision-making processes and a Single Assurance Framework are being developed, which will feed into our annual Assurance Framework review and refresh processes.
- 2.6 Work to develop a Single Assurance Framework is developing well alongside a number of other governance improvement actions, however this work is dependent upon a number of significant other tasks such as establishment of the Strategic Hub and the ensuring the development of governance process dovetail with the improvements being made to the Assurance Framework.

2.7 A detailed action plan is being developed which will include detailed actions, next steps and timeframes. An update on progress in delivering this action plan will be presented to the November ARAC meeting.

3. Internal Audit Actions

3.1 A progress report was submitted to ARAC in January 2019 detailing the progress to date and the Internal Audit actions that have been completed to enhance the level of assurance WMCA provide on the Investment Programme.

3.2 In May 2019 a review of WMCA Governance began, coordinated by the Head of Governance, this work is part of efforts to deliver continuous improvement within the WMCA and includes a review and overhaul of the written constitution, consideration of the governance structure of Boards/Committees and other representational bodies, delegations and financial regulations and numerous other considerations that have arisen since the 2017 Mayoral election.

3.3 The first phases of the work being undertaken by Governance has been completed. This has involved analysis of existing governance processes within the WMCA including project approvals processes, decision-making processes and the organisational model to ensure adherence to the WMCA's legal framework and best practice.

3.4 Additionally, the review has involved the examination of existing delegation levels and Board/Committee terms of reference and has involved one to one discussions with members of the Strategic Leadership Team. This has captured the experiences and suggestions of those leading the organisation as they relate to wider governance matters and identified issues for the governance review to seek to address. Given the remit of the governance review, the role and function of the Assurance Framework, and its application across the organisation was included as part of these discussions.

3.5 The evidence collected through the work undertaken by Governance has identified areas for focus and development where improvements to technical challenge and decision-making could be made.

3.6 The work being undertaken by Governance has led to an agreement that the project to develop an enhanced Assurance Framework be re-scoped and re-planned to ensure that a new Single Assurance Framework is developed taking into account the findings of the Governance Review and reflects the requirements of the National Local Growth Assurance Framework guidelines.

3.7 In July 2019 the Strategic Leadership Team agreed a number of proposals that relate to enhancing the current WMCA Assurance Framework. These included proposals for a new governance process for project approvals, proposals for a more consistent and value adding role for all Thematic Boards and suggestions to ensure 'golden threads' from the Strategic Objectives down to delivery, monitoring and evaluation were clearly identifiable and measurable.

3.8 In addition, SLT agreed a series of key principles for the governance and single assurance process, these included:

- a) Development of the Health Check process to facilitate Business Area lead in project development process whilst providing required guidance and support as required.

- b) Delivery of an objective Assurance Review function with sign-off from outside of Business Area by Assurance expertise, ensuring compliance with the WMCAs Assurance Framework.
- c) Directorate Engagement Points becoming a standard part of Business Area project development. This would be applied proportionally within Business Areas but would be assessed through the Assurance Review sign off process and advised upon through the Health Check process during development. Individual Directors would then become responsible for ensuring adequate engagement had taken place before signing off on a project proposal.

3.9 Work is now underway to implement these proposals, aligned to the outcome of the governance review, and supported by a Corporate Services Review to ensure CA functions are organised and equipped to support any changed arrangements. The Single Assurance Framework will be adopted as part of the annual review and refresh process, with quick wins implemented as soon as practicable. **It is recommended that ARAC is kept updated on the continued progress of this work.**

3.10 The table provided below details an update to the Internal Audit Actions given the changes detailed above.

Ref.	Audit Action	Owner	Original Timescale / Proposed Timescale	Objective	Status
2.1	Assurance Framework and Project Approval	Director of Strategy – Julia Goldsworthy	August 2019 / September 2019	1. Governance, Roles & Responsibilities and Assurance Framework Review	<p>Previous progress reported as completed by PMO, actions will now be incorporated into the action plan being developed by Governance.</p> <p>Work currently being undertaken to fully identify and deliver areas identified for improvement by Governance and ensure that the Assurance Framework is compliant with National Local Growth Guidelines.</p> <p>New governance process for project approvals has been developed, work currently ongoing to identify and develop actions required to support new process. This will include proposals for:</p> <ul style="list-style-type: none"> • CA project register • Assurance sign off process • Health Check process <p>Implementation will progress as quickly as possible, with substantive changes incorporated into the annual assurance review and refresh process.</p>

Ref.	Audit Action	Owner	Original Timescale / Proposed Timescale	Objective	Status
2.2	Governance of Technical Appraisal Panel (TAP)	Director of Strategy – Julia Goldsworthy	August 2019 / September 2019	<ol style="list-style-type: none"> Review membership, Review interface with performance group and embed green book best practice How is CA gaining technical assurance? 	<p>Previous progress reported as completed by PMO, actions will now be incorporated into the action plan being developed by Governance.</p> <p>Work currently being undertaken to fully identify and deliver improvements to how the CA will ensure that it gains required level of technical assurance and consideration of investment proposals. This will include proposals for:</p> <ul style="list-style-type: none"> Replacing IAG with a new Investment Panel designed to support Investment Board Amending the existing TAP process to reflect devolvement of project management function within Business Areas and for proportionate delivery of project development processes compliant with the CAs Assurance Framework within Business Areas. <p>Implementation will progress as quickly as possible, with substantive changes incorporated into the annual assurance review and refresh process.</p>
2.3	Pre-Project Lifecycle	Director of Strategy – Julia Goldsworthy	April 2019 / September 2019	<ol style="list-style-type: none"> Define mechanism for introducing projects 	<p>Previous progress reported as completed by PMO, actions will now be incorporated into the action plan being developed by Governance.</p> <p>Implementation will progress as quickly as possible, with substantive changes incorporated into the annual assurance review and refresh process.</p>
2.4	Project Appraisal, Scoring & Evaluation	Director of Strategy – Julia Goldsworthy	August 2019 / March 2020	<ol style="list-style-type: none"> Develop project appraisal, scoring and evaluation mechanisms. 	<p>Previous progress reported as completed by PMO, actions will now be incorporated into the action plan being developed by Governance</p> <p>Implementation will progress as quickly as possible, with substantive changes incorporated into the annual assurance review and refresh process.</p>

Ref.	Audit Action	Owner	Original Timescale / Proposed Timescale	Objective	Status
2.8	Monitoring & Evaluation Plan	Director of Strategy – Julia Goldsworthy	August 2019 / March 2020	1. Review of monitoring and evaluation requirements	<p>Previous progress reported as completed by PMO, actions will now be incorporated into the action plan being developed by Governance</p> <p>Implementation will progress as quickly as possible, with substantive changes incorporated into the annual assurance review and refresh process.</p>

Summary of progress against completed internal audit actions as reported to ARAC January 2019

Ref.	Audit Action	Owner	Completion Date	Quick win Objectives	Status
2.1	Assurance Framework Project Appraisal	Director of Strategy – Julia Goldsworthy	March 2018	<p>Quick Win</p> <ol style="list-style-type: none"> 1. Implementation of Investment Programme Risk Register 2. Investment Programme governance services support 3. PMO will be accountable for Investment Programme records 4. PMO accountable for monitoring/tracking risks/change control requests 	<p>COMPLETE: 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.</p>
2.2	Governance of Technical Appraisal Panel	Director of Strategy – Julia Goldsworthy	March 2018	<p>Quick Win</p> <ol style="list-style-type: none"> 1. TAP Attendance recorded 2. Investment Programme governance services support 3. TAP revised roles, sign off due diligence process for business case appraisal 4. ACD document development for action tracking 	<p>COMPLETE: 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.</p>

Ref.	Audit Action	Owner	Completion Date	Quick win Objectives	Status
2.3	Pre-Project Lifecycle	Director of Strategy – Julia Goldsworthy	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)	COMPLETE: 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).
2.4	Project Appraisal, Scoring & Evaluation	Director of Strategy – Julia Goldsworthy	March 2018 June 2018	Quick Win 1. Development of TAP checklist 2. Operational improvements for TAP meetings to strengthen due diligence Medium term objective 1. review of DEIM (Dynamic Economic Impact Model)	COMPLETE: 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: 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.
2.5	Business Case Governance	Director of Strategy – Julia Goldsworthy	February 2018	Quick Win 1. Effective mechanisms for business case and recommendations tracking to be implemented.	COMPLETE: An Assurance Checklist detailing a full audit trail of all endorsement and approval board decisions has now been implemented.
2.6	Local Assurance Process	Director of Strategy – Julia Goldsworthy	March 2018	Quick win 1. PMO to ensure that documentary evidence is obtained in all instances	COMPLETE: 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.
2.7	SEP Board	Director of Strategy – Julia Goldsworthy	July 2018	Quick Win 1. Establishment of benefits realisation role 2. Economic Intelligent Unit to support scheduling exercise	COMPLETE: 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. It should be noted that the SEP Board has now been replaced with Strategic Economic Development (SED) Board.

Ref.	Audit Action	Owner	Completion Date	Quick Objectives	Status
			July 2018	Longer term objective – part of wider governance review to understand the role of SEP Board	COMPLETE: 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.
2.8	Monitoring & Evaluation Plan	Director of Strategy – Julia Goldsworthy	March 2018	Quick Win 1. Need to confirm that all FBC have submitted their monitoring and evaluation plans	COMPLETE: Quick Win action 1 has been implemented. The PMO now checks to ensure that all documentation required as part of FBC, including monitoring & evaluation (M&E) plans, is provided. Review of M&E plans now form part of the appraisal process.

4. Programme Controls

- 4.1 At its last meeting ARAC requested an outline understanding of the current controls that are in place for the WMCA Investment programme.
- 4.2 Project Controls are defined as ‘the data gathering, data management and analytical processes used to predict, understand and constructively influence the time and cost outcomes of a project or programme; through the communication of information in formats that assist effective management and decision making’. Having programme controls is crucial to the effective management of programme delivery.
- 4.3 There are currently three key programme controls for the investment programme, they are Risk Management, Change Management and Financial Management.

Risk Management

- 4.4 The benefits and purpose of effective programme risk management are listed below:
- Identifies uncertainty within a programme
 - Facilitates programme resources to focus on threats and opportunities within a programme
 - Identifies threats to delivery and enables effective management to reduce or remove the probability or impact of the threats
 - Enables funding accuracy as risks and issues can be costed to derive contingency budgets
 - Provides visibility of common threats within a programme

- 4.5 The current risk management process key steps are outlined below
- a) The delivery organisations document and submit their 'top 5 risks and issues' as part of the business case submission process
 - b) The risks and issues form a part of the management case are appraised by the technical appraisal panel via a set criteria
 - c) The risks and issues are also reviewed by the Investment Advisory Group and the Investment Board.
 - d) The top 5 risks are detailed on the monthly dashboard submitted to the Investment Board.
- 4.6 The following key enhancements that will be considered for incorporation into the Single Assurance Framework are listed below:
- a) Risks and issues will be costed to derive accurate contingency costs
 - b) There will be an established and standardised risk management scoring methodology for all project and programmes
 - c) Risks and issues will be monitored and tracked throughout the lifecycle of the project
 - d) There will be a recognised risk management tool to enable consistency of process, format and reporting
 - e) There will be increased emphasis and a pre-requisite for programme teams having a dedicated risk manager and risk and issue management arrangements
 - f) Risk and issue management will become a standard agenda item at project and programme board meetings.
 - g) There will be risk and issue reporting at appropriate levels

Change Management

- 4.7 The benefits and purpose of change control management are listed below:
- a) Enables the definition, review and approval of any change before being implemented.
 - b) Prevents unnecessary changes that might disrupt delivery of a project or programme
 - c) Enables tight control of finance within a programme
 - d) Formalises any change in direction of a programme
- 4.8 The current Change management process steps are outlined below:
- a) Delivery organisations assess whether a requirement for additional funding can be accommodated within existing approvals
 - b) If there is a requirement to request a change to existing financial approvals, scope, time or outputs the delivery organisation complete a change request.
 - c) The change request is validated, appraised and processed via the technical appraisal panel through an established set criteria.
 - d) The change request is then progressed to the appropriate WMCA board for approval or rejection.
- 4.9 The following key enhancements that will be considered for incorporation into the Single Assurance Framework are listed below:
- a) There will be more of an emphasis around the change request being developed and sponsored by the programme SRO
 - b) Change request outcomes will be tracked and monitored via the WMCA.

- c) There will be an updated funding agreement which captures the new outputs and outcomes resulting from the change.

Financial Management

- 4.10 On 21 June 2019, ARAC received a report titled WMCA Cost Assurance, which fully outlined the processes pertaining to cost assurance for investments forming part of the Investment Programme which detailed the process for reporting the financial status up to Investment Board and other key stake holders including WMCA Board.
- 4.11 The reports to Investment Board and WMCA Board provide a summary of the latest financial position against the programme and operates a Red / Amber / Green system to draw out those variances which are materially important to the overall picture. Details are then provided on the underlying reasons for the variance including details about the subsequent implications and what is being done to manage the position where these details are relevant.
- 4.12 Whilst the financial summary is based on cost against the forecast out-turn and budget, the Red / Amber / Green criteria will apply to schemes where there is an underlying issue with funding. This applies to the gross project costs and funding package, not just the WMA funded element.

5. Next Steps

- 5.1 The next steps to establishing and implementing a revised assurance framework are listed below:
 - a) Stakeholder engagement including, however not limited to BEIS, MHCLG, DWP, LEP's and LA's.
 - b) Development of an integrated action plan to be implemented by the Combined Authority.
 - c) Ensure the future state WMCA Strategic hub includes sufficient capability to deliver and support the actions and processes identified within the work undertaken by this review
 - d) Appropriate resource is identified to develop and deliver the action plan.
- 5.2 The Combined Authority has an Assurance Framework in place, the action plan being developed will detail the improvements and enhancements needed and recognised. It should be noted that a number of issues identified through the work undertaken by Governance are already in the process of being addressed.

6. Financial Implications

- 6.1 There are no financial implications as a result of the recommendations within this report to note the approach taken by WMCA towards Investment Programme governance and control.

7. Legal Implications

- 7.1 The WMCA is required to maintain an assurance framework which ensures that investment and spending decisions are made in the light of relevant considerations and proper stewardship of public monies is provided. This report outlines development work

which is in progress with the overall objective of ensuring this objective continues to be met.

8. Equalities Implications

8.1 There are no equalities implications arising from this report.

9. Inclusive Growth Implications

9.1 There are no inclusive growth implications arising from this report.

10. Geographical Area of Report's Implications

10.1 There are no geographical area implications arising from this report.

11. Other Implications

11.1 There are no other implications arising from this report.

12. Schedule of Background Papers

12.1 Not Applicable

13. Appendix

13.1 Appendix A - Original Enhanced Assurance Framework Plan