



WEST MIDLANDS
COMBINED AUTHORITY

BIRMINGHAM • COVENTRY • DUDLEY • SANDWELL • SOLIHULL • WALSALL • WOLVERHAMPTON

Internal Audit Report

Programme Management Office Project Appraisal and Support Functions - 2017/18

1. Executive summary

Introduction

An audit of the Programme Management Office project appraisal and support functions was undertaken as part of the approved internal audit plan for 2017/18.

The Programme Management Office undertakes project appraisal and support functions for both Transport for West Midlands projects and the Investment Programme, although each is subject to different funding and approval arrangements and therefore associated assurance and appraisal processes.

Transport for West Midlands related projects have been subject to established processes and include projects at different stages of the project life-cycle with a greater number of mature projects in operation. While, the Investment Programme currently includes projects that are in the earlier stages of development and/or delivery and therefore not all currently established processes or functions will necessarily have been in operation for these projects at the time of our review.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

Scope	Potential risks
<p>The review was conducted in two parts:</p> <ul style="list-style-type: none">• A high-level compliance review of project appraisal and support processes undertaken by the Programme Management Office for Transport for West Midlands related projects.• A health check review of project appraisal and support processes established and proposed for Investment Programme related projects, with compliance testing dependent on stages achieved by sample projects at the time of review. <p>The above reviews included coverage of the following functions undertaken by the Programme Management Office:</p> <ul style="list-style-type: none">• Assurance reviews (Tier 1 Review).• Risk and Issues support.• Change management.• Reporting and governance.	<ul style="list-style-type: none">• Appropriate and proportionate due diligence activities that support effective decision-making and project appraisal may not be undertaken and /or reported on appropriately or at all.• Potential project failure regarding delivery within time, budget and expected quality may not be promptly detected and reported on leading to a failure to take appropriate remedial action.• Project's failure to embed risk management arrangements and take appropriate mitigating actions to treat those risks may not be promptly detected and reported on leading to a failure to escalate the matter and / or take appropriate remedial action.

Limitations to the scope of our audit

This audit was limited to a high-level assurance review of the above functions undertaken by the Programme Management Office in relation to Transport for West Midlands related projects and Investment Programme related projects.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

We have identified four **amber** issues where improvements could be made, arising from the following:

- Individual gated assurance reviews for Investment Programme projects (both internal and external) had not yet been fully developed.
- Local assurance and endorsement processes had yet to be clearly established for Investment Programme projects led by Transport for West Midlands prior to submission to the Technical Appraisal Panel.
- Certification by project sponsors and evidencing of approvals within Department of Communities and Local Government specified templates had not been undertaken in all cases.
- Change control procedures had not been clearly developed for the Investment Programme as part of the Assurance Framework process, which were stated as requiring development in the Assurance Framework document.

In addition, we have raised two issues classified as **green** which are detailed in section two of this report. A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Examples of good practice identified

During our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

Transport for West Midlands Projects

- Transport for West Midlands projects are project managed through a Gated Project Management Lifecycle which specifies nine key gateways starting from initiation through to completion / closure.
- The Transport for West Midlands Gated Project Management Lifecycle process clearly defines the key control documents and activities that should be undertaken at each gateway. We note that this current process has been in operation for the past 12 months and consequently some of the current projects in operation may pre-date this process and were appraised initially under previous arrangements.

- Appraisal, approval and governance arrangements for Transport for West Midlands projects have been clearly mapped and include a two-tiered appraisal process, Programme Board endorsement and Transport for West Midlands Board approval at each project gateway.
- Transport for West Midlands projects are appraised via a Tier 1 process compliance review undertaken by the Programme Management Office and a Tier 2 assurance review undertaken by Corporate Assurance. Tier 2 assurance reviews make recommendations regarding completion of activities and control documents as well as recommendations regarding progression through subsequent gates / progression to Programme Board.
- Suitable templates have been developed for undertaking both Tier 1 and Tier 2 reviews that mirror the stages within the Gated Project Management Lifecycle and include checks that cover the key control documents and activities also stipulated in the Gated Project Management Lifecycle Process.
- Endorsement processes for Transport for West Midland Projects by the relevant Programme Board and approvals by the Transport for West Midlands Board for each project are included in the process flow document.
- A forward plan is used for the scheduling of Tier 1 and Tier 2 reviews for Transport for West Midlands projects.
- The Transport for West Midlands Assurance / Approval Process flow diagram includes processes for approval of exceptions and change requests at Transport for West Midlands Board level.
- Suitable arrangements have been established for support functions such as scheduling and risk management activities undertaken by the Programme Management Office in support of the Gated Project Management Lifecycle and for tracking of project progression using the Primavera P6 project scheduling system.
- A SharePoint site has been developed for use as part of project management by individual projects (both internal and external) as well as by the Programme Management Office for monitoring project management and delivery.
- Dashboard based reports are generated monthly to report on project delivery to the relevant Programme and Governance Boards.

West Midlands Combined Authority Investment Programme

- Corporate Assurance have commenced development of a Major Schemes Assurance review methodology and associated document that is based on best practice gated review processes as developed by the Infrastructure and Project Authority, Major Projects Authority and Office of Government Commerce.
- The Assurance Plan being developed by Corporate Assurance refers to undertaking assurance reviews during a project's lifecycle, although the format and scope of these reviews are to be determined.
- The Programme Management Office has developed an Assurance Covering Document that facilitates tracking of outcome, decisions, recommendations and approvals undertaken by the various panels and boards charged with responsibility for appraising, endorsing or approving

NOT PROTECTIVELY MARKED

Investment Programme projects, as they progress through the three-stage business case assurance process defined in the Assurance Framework process.

- Processes are being developed by the Scheduling Team to track internally led Investment Programme projects through the Primavera P6 System.
- Use of the SharePoint site by Investment Programme projects (internal and external) for submission of monitoring and project delivery information has been mandated within the contract issued to such projects.

Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red

Action is imperative to ensure that the objectives for the area under review are met

Amber

Action is required to avoid exposure to significant risks in achieving objectives

Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>Investment Programme Gated Assurance Reviews</p> <p>We noted that detailed individual gateway assurance reviews were yet to be formalised and such reviews were not undertaken for current Investment Programme projects during stages one to three of the Assurance Framework process. The Corporate Assurance Manager and Head of Programme Management Office and Projects advised that the Programme Board had approved project monitoring and assurance arrangements for each major project and the roles / responsibilities to be undertaken in the delivery stages. We are also advised that actual detail of the operational / monitoring arrangements and reports was in the process of being developed.</p> <p>Implication: If appropriate assurance reviews are not established in readiness, this may result in the need for interim measures which could lead to inconsistencies between projects.</p>	<p>The assurance process for both the development and implementation stages are in place. The WMCA Programme Board in April 2017 approved the project monitoring and assurance arrangements for each major project and the roles that the Programme Management Office, Corporate Assurance, Finance & Economic Intelligent Unit will have in the delivery stages. The actual detail of what the operational monitoring arrangements/reports will look like are currently being developed by the teams listed and the approach will be approved by the Investment Programme Director (Paul Dransfield) and will go to WMCA Programme Board/ WMCA Board on a quarterly basis. The first reports will go to the Boards in September 2017. A sample of the report back was agreed by WMCA Programme Board in April 2017 with the assurance/ monitoring approaches.</p> <p>Assurance at Major Project Gates for the Investment Programme is provided by a number of groups – local assurance, technical appraisal panel and investment advisory group. The current assurance processes are operating as requested in the WMCA Assurance Framework, however there is opportunity to strengthen the assurance processes by implementing a structured approach to the gated reviews. This could be achieved by implementing Green Book 5 business case best practice and Major Projects Authority Planned Assurance Reviews. These enhancements would need to be endorsed by the s151 Officer.</p> <p>Responsibility:</p> <p>Sarah Roche – Head of Programme Management Office and Projects</p>

No	Issue arising	Agreed action including responsibility and target date
		<p>Joti Sharma – Corporate Assurance Manager</p> <p>Target date: 31 October 2017</p>
2.2	<p>Local assurance and endorsement for internally led Investment Programme projects</p> <p>We found that local assurance and endorsement processes had not been fully established for Investment Programme projects led by Transport for West Midlands.</p> <p>The Assurance Framework process requires that all lead Authorities responsible for an Investment Programme project must provide assurance / evidence that the project had been subject to suitable local assurance and endorsement (e.g. cabinet approvals) prior to submission.</p> <p>However, Transport for West Midlands Investment Programme projects are not subject to the entire Gated Project Management Lifecycle and therefore are not subject to Tier 1 / Tier 2 type reviews that could constitute local assurance / endorsement prior to submission to the Assurance Framework process.</p> <p>We found that a Major Schemes Assurance review was instead undertaken by Corporate Assurance for the Sprint Birmingham to Sutton Coldfield Investment Programme Project. This review made several recommendations regarding establishment of suitable governance arrangements, project controls, risk management and monitoring / evaluation arrangements, two of which were categorised as critical per the RAG rating methodology developed for these reviews. We further noted that the format and content of the Major Schemes Assurance review better leant itself to supporting Investment Programme review rather than local review.</p> <p>Implication: Project failure may occur and / objectives and benefits may not be achieved within time, budget and quality due to a lack of appropriate assurance and endorsement processes.</p>	<p>This issue has been addressed by the actions already taken / in progress as detailed at 2.1 above.</p> <p>Responsibility:</p> <p>Sarah Roche – Head of Programme Management Office and Projects</p> <p>Joti Sharma – Corporate Assurance Manager</p> <p>Target date: 31 October 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.3	<p>Certification of Investment Programme business cases We found that the business cases for two projects had not been signed by the responsible project sponsor, although the business case for one externally led project had been signed.</p> <p>We also noted that the Certificate of Approval that endorsements / approvals by the appraisal and approval boards had not been completed or certified in all three instances.</p> <p>The Head of Programme Management Office and Projects had advised that currently there is no formal requirement for business cases and Certificate of Approval to be signed and that the Assurance Covering Document was used for tracking decisions / actions. Whilst recognising that the Assurance Covering Document provides such a mechanism, we understand that the format of the Business Case was stipulated by the Department for Communities and Local Government and any changes would require their approval.</p> <p>Implication: Business cases may be submitted for endorsement / funding decisions without the appropriate authorisations from the led Authority responsible for a project.</p>	<p>The Department of Communities and Local Government has advised that they are content with the approach taken and that it satisfies their requirements. Consequently, no further action required.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: Not Applicable</p>
2.4	<p>Change control Whilst the Transport for West Midlands Project Assurance and Approval process flow document included approval of changes / exceptions, the Investment Programme Assurance Framework process did not include appropriate change control procedures.</p> <p>We noted that the Assurance Framework document stated that change request processes and associated documentation was one area that would require development.</p> <p>We understand that the Programme Management Office are in the process of developing a revised Change Management Process. Whilst recognising that the document was at draft stage we noted that the process</p>	<p>The revised process was agreed by Transport for West Midlands / Corporate Board on 19 June 2017 and will gain final approval from Management Board on 22 June 2017.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 30 June 2017</p>

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
	<p>was more aligned to the Transport for West Midlands Gated Project Management Lifecycle and associated assurance / approval process and made references to Centro.</p> <p>Implication: Changes may be made without robust challenge and / or appropriate authorisation.</p>	

Action is advised to enhance risk control or operational efficiency
Green

No	Issue arising	Agreed action including responsibility and target date
2.5	<p>Transport for West Midlands - decision / recommendations tracking</p> <p>We found that a process for clearly recording and tracking decisions and recommendations for Transport for West Midlands projects had not been clearly established and formalised i.e. those arising from Tier 2 reviews, presentation to governance boards and as the project progressed through the Gated Project Management Lifecycle.</p> <p>We noted from sample testing that the Tier 1 review documents did not routinely record the outcome of the subsequent Tier 2 review although the review template facilitated this.</p> <p>However, the Programme Management Office Manager had advised that this issue had been recognised and remedial action was being taken to record decisions / recommendations within the Programme Management Office SharePoint site. This would be supported by email communications which will be stored in a central location.</p> <p>Implication: Decisions and recommendations that should be considered as part of the assurance / approval process may not be actioned.</p>	<p>Processes will be further formalised for clearly recording and tracking decisions / recommendations.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 31 October 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.6	<p>Completion of Gateway control documents We found from sample testing of Tier 1 compliance reviews that some of the associated project control documents (project brief, procurement strategy) to which the reviews related had not been fully completed or signed, although a full confidence score had been given. We understand that only the relevant sections may have been completed, and then checked by the Tier 1 review.</p> <p>Implication: Lack of evidence to support the confidence scores given in a review, in the event of future query or challenge.</p>	<p>Action will be taken to ensure that Tier 1 compliance reviews confirm that all control documents are fully completed and where documents / sections are not applicable this is evidenced. Certification will generally be evidenced by emails received from the submitting officer.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 31 October 2017</p>

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

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- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

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- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

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