Cairngorms National Park Authority

INTERNAL AUDIT REPORT

Project Management

January 2018

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

BDO

CONTENTS

REPORT STATUS	
Auditors:	Sean Morrison
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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services
Audit Committee	Members

Restrictions of use

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		
Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)

High	▲	
Medium	■	1
Low	●	2

Total number of recommendations: 3

OVERVIEW

Background

As part of the 2017-18 Internal Audit plan it was agreed that internal audit would review the design of the controls in place within Cairngorms National Park Authority (CNPA) in relation to project management arrangements and assess whether these are operating effectively.

CNPA conducts a range of projects which align with the aims of its National Park Partnership Plan and Strategic Corporate Plan. Current projects include the development of a strategic plan for the long term collaborative management of Cairngorm and Glenmore that delivers a number of aims, such as a world-class environment and visitor experience. Other projects include the Active Aviemore project which aims to deliver a vision and plan for active travel in Aviemore, and the Scottish Scenic Routes project which aims to improve local infrastructure, for example.

CNPA's project guidance document defines a project as any activity that utilises time, expenditure, planning or resources outwith day-to-day activities. Staff are required to follow the project management process for all projects as set out within the guidance document. A Project Initiation Document (PID) must be completed for all projects which requires key project information to be recorded, such as, budgets, project organisation structure, benefits of the project and timescales. Following completion of this document, the project plan is required to be reviewed by the Operational Management Group (OMG), which considers whether the project is in line with the National Park Partnership Plan and Corporate Plan, prior to the project commencing.

A project organisation structure must be outlined for each project and consists of a Project Board and Project Team which receive regular updates on the progress of the project, in line with a schedule detailed within the project plan. The information contained within the project plan depends on whether the project is categorised as small, medium or large, based on the project sizing criteria guidance document, which has been illustrated at Appendix IV of this report.

EXECUTIVE SUMMARY

OVERVIEW

CNPA has a number of tools and templates in place to support staff in the project management process, including risk registers, exception reports, issue logs, project closure reports and the project plan. There are also a number of optional project management tools, such as checkpoint reports and budgetary trackers, which staff can use if useful in relation to the specific projects needs.

Where required, projects follow procurement procedures in line with the Scottish Government regulations, including the requirement to tender for contracts where the relevant threshold levels have been exceeded.

Project spend is monitored on a regular basis. Management accounts highlight spend against the budget for the year, and budget reports are circulated by Finance to the Heads of Services on a monthly basis. In addition, the Project Managers maintain a record of their spend against the budget on a continuing basis. When projects are completed, outcomes are reported to the Board, including the final cost against budget and any lessons learned.

Staff with project management responsibilities have received PRINCE 2 training or training facilitated by project management specialists.

Scope and Approach

The scope of our review was to assess whether projects are appropriately approved, with project risks, costs and benefits being understood and reported. We assessed whether there is a clear and effective project management methodology in place and whether this has been effectively applied. We assessed whether project management roles and responsibilities are made clear, and whether staff are sufficiently resourced, trained and experienced to discharge their responsibilities. We also assessed whether there are effective project reporting processes in place, and determined whether changes to risks, costs, timescales and quality are flagged and escalated appropriately.

Our approach was to review key documentation in relation to project management for a sample of projects, and interview key staff to assess whether the design of the controls is appropriate and controls are operating effectively and as described.

EXECUTIVE SUMMARY

OVERVIEW

Good Practice

There are a number of areas of good practice in place in relation to CNPA's project management processes. We note that projects are approved with a clear understanding of the benefits, which is documented in a PID. There is robust monitoring and reporting of project budgets. A project has been clearly defined in the project guidance document and the projects sampled all meet the definition. Staff with project management responsibilities have the relevant skills, experience and training in project management to perform their roles, and they are provided with appropriate guidance in the form of procedures, processes and templates. Project organisation structures and frequency of meetings are set out within the project plans and consistently followed.

Key Findings

Notwithstanding the areas of good practice noted above, we have noted areas where further improvement is possible, detailed below:

- **Project management tools and change control** – The project management templates in place are not being fully utilised. For three projects selected for detailed testing, we found that the project closure report and project start up checklist had not been completed, as is required by the Project Management Process document. In addition, we found that there is no process in place for requesting and approving changes to projects.

- **Register of projects** - CNPA does not maintain a register or list of all projects in place.

- **Roles and responsibilities** – There is an opportunity to more clearly define the roles and responsibilities for each project.

Conclusion

We are able to provide moderate assurance over the design and operational effectiveness of the controls in place relation to CNPA's project management arrangements.

EXECUTIVE SUMMARY

RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE
☑ Projects may not be appropriately approved, or may be approved without a clear understanding of the project costs and benefits
☑ The project management processes and stages may not be followed consistently, and project management tools may not be used consistently or effectively
☑ Project management roles and responsibilities may not be clear, or staff may not be sufficiently resourced, trained and experienced to manage projects effectively

EXECUTIVE SUMMARY

AREAS FOR IMPROVEMENT			
Ref.	**Sig.**	**Finding Summary**	**Recommendation**
1	■	The project management templates in place are not being fully utilised. For three projects which we selected for detailed testing, we found that the project closure report and project start up checklist had not been completed, as is required by the Project Management Process document. We recognise that project information was provided within the Project Plan for each project and closure was reported to the Board for completed projects, however the project management guidelines are not being followed consistently. In addition, we found that there is no process in place for requesting and approving changes to projects.	We recommend that all project management templates are completed for future projects in line with the project management guidelines. We also recommend that a process for requesting and approving changes to defined limits relating to cost, time, quality and risk is documented and applied. We also recommend that all changes are recorded within a project change log.

All our findings and recommendations are set out in the following pages and include those of low significance which have not been summarised above.

DETAILED FINDINGS AND RECOMMENDATIONS

RISK: The project management processes in place may not be effective, for example, in reporting and escalating risks, cost overruns or other emerging issues			
Ref.	**Finding**	**Sig.**	**Recommendation**
1	Project Management Guidance and Process documents provide staff with an overview of the project management process, including project planning, control, closure and evaluation arrangements. Links to key project administration and management tools are provided within the documents, including templates for a communications plan and risk register. The project management templates in place are not being fully utilised. For three projects which we selected for detailed testing, we found that the project closure report and project start up checklist had not been completed, as is required by the Project Management Process document. We recognise that project information was provided within the Project Plan for each project and closure was reported to the Board for completed projects, however the project management guidelines are not being followed consistently. In addition, we found that there is no process in place for requesting and approving changes to projects. There is a risk that if project administration and management arrangements are not followed consistently, some projects may not managed effectively.	🟧	We recommend that all project management templates are completed for future projects in line with the project management guidelines. We also recommend that a process for requesting and approving changes to defined limits relating to cost, time, quality and risk is documented and applied. We also recommend that all changes are recorded within a project change log.
MANAGEMENT RESPONSE		**RESPONSIBILITY AND IMPLEMENTATION DATE**	
Recommendation accepted. The Operational Management Group, comprising all Heads of Service, have additionally commenced an internal review of the adequacy of the project management templates and whether the approach to project management approval and governance can be streamlined without compromising internal control standards. The results of this review will be applied while also ensuring the current recommendation is implemented: ensuring that the revised project toolkit is used fully and appropriately.		*Responsible Officer:* *Director of Corporate Services with Head of Organisational Development* *Implementation Date:* *June 2018*	

DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Projects may not be appropriately approved, or may be approved without a clear understanding of the project costs and benefits			
Ref.	**Finding**	**Sig.**	**Recommendation**
2	Maintaining a register of projects enables oversight of the resource tied up in project delivery and the progress of all projects in place. CNPA does not maintain a register or list of all projects in place. There is an opportunity for management to implement a project register in order to improve the oversight and monitoring of the projects proposed, agreed and completed.	🟢	We recommend that management develops and maintains a register of all projects proposed, agreed and completed, and that this is monitored on a regular basis.

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed.	*Responsible Officer:* *Director of Corporate Services* *Implementation Date:* *July 2018*

DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Project management roles and responsibilities may not be clear, or staff may not be sufficiently resourced, trained and experienced to manage projects effectively			
Ref.	**Finding**	**Sig.**	**Recommendation**
3	Clearly documenting project roles and responsibilities ensures there is clarity over the remit and duties of all roles within the project. We found that the PID documents for each project were clearly documenting the project governance structure, information on the frequency of meetings, and requirements for review. However, there is an opportunity to more clearly define the roles and responsibilities of all key roles within each project. There is a risk that roles and responsibilities are not clearly understood.	●	We recommend that roles and responsibilities are fully documented for all key people and groups with responsibilities for each project.
MANAGEMENT RESPONSE		**RESPONSIBILITY AND IMPLEMENTATION DATE**	
Agreed.		*Responsible Officer:* *Director of Corporate Services* *Implementation Date:* *July 2018*	

APPENDIX I – STAFF INTERVIEWED

NAME	JOB TITLE
David Cameron	Director of Corporate Services
Peter Crane	Head of Visitor Services

NAME	JOB TITLE
Helen Rees	Governance and Corporate Performance Manager
Danie Ralph	Head of Finance

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX II – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	**Design Opinion**	**Findings from review**	**Effectiveness Opinion**
Substantial 🟢	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 🟦	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 🟧	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 🔺	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance		
High 🔺		A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 🟧		A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 🟢		Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III – TERMS OF REFERENCE

BACKGROUND

Effective project management is important to ensure that projects are managed to agreed costs and within agreed risk appetites, and to ensure that the required benefits are delivered. Strong project management controls allow management to formally establish acceptable tolerance levels for cost, schedule, risk and quality and to be informed when these are forecast to be exceeded.

As part of the 2017/18 Internal Audit Plan, it was agreed that Internal Audit would assess the effectiveness of the project management policy and the practical application of the policy to Cairngorms National Park Authority's projects.

PURPOSE OF REVIEW

The purpose of our review is to assess whether Cairngorms National Park Authority has clearly established effective project management arrangements in place to provide assurance to the Audit Committee on the control environment and advice and recommendations to management on areas which may be improved.

We will assess whether the organisation has clearly established effective project management arrangements which will ensure that roles and responsibilities are clear and that decisions relating to project costs, timescales, risk assessments and quality considerations are made at the appropriate level and on a timely basis. We will also assess whether project progress is monitored effectively internally, and whether provision is made for effective control to be maintained over project changes.

KEY RISKS

Based upon the risk assessment undertaken, discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- Projects may not be appropriately approved, or may be approved without a clear understanding of the project costs and benefits;
- The project management processes in place may not be effective, for example, in reporting and escalating risks, cost overruns or other emerging issues;
- The project management processes and stages may not be followed consistently, and project management tools may not be used consistently or effectively; and
- Project management roles and responsibilities may not be clear, or staff may not be sufficiently resourced, trained and experienced to manage projects effectively.

APPENDIX IV - PROJECT SIZING GUIDELINES

Criteria/Organisational Impact	Small		Medium		Large/Very Large	
Timescale	0 – 6 months		6 – 12 months		12+ months	
Resources (FTE)	1 – 3		4 – 6		7 +	
External involvement*	0		1 – 3		4+	
Regulatory Issues**	0		1 – 3		4+	
Multi Directorate/Team Needs***	1		2 – 3		3 +	
Financial Cost £	0 – 5,000		5, 001 – 25,000		25,001+	
Strategic Importance	No impact on overall strategy		Possible impact on strategic direction		Probable/certain impact on strategic direction	
Interdependencies	0 projects		1 other project		2+ projects****	
Organisational Risk	Minor reputational impact		Possible reputational impact <5%		Probable/certain reputational impact >5%	