



cutting through complexity

Cairngorms National Park Authority

Internal audit report 2015
Post-implementation of Project Management Report
29 October 2015

This report is for:

Action

David Cameron, Corporate
Services Director

Information

Audit Committee

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Introduction and scope

In accordance with the 2015-16 internal audit plan for Cairngorm National Park Authority (“the Authority”), we have undertaken an internal audit review of the project management processes and systems of the Authority.

The specific objective, scope and approach, as agreed with management, is detailed in appendix one.

Background

All public sector bodies have a responsibility to manage their finances efficiently and effectively and robust project management is of increasing importance. Resources are limited and need to be utilised efficiently in enabling an organisation to achieve its strategic and operational objectives. There is also external interest in public sector projects, as a result of previous high profile cases of inadequately managed projects which resulted in significant overspend, operational failures of project outputs, early termination of projects and a failure to demonstrate achievement of value for money. Due to the variety of operational activity across the Authorities, the portfolio of ongoing projects is diverse, in terms of size, risk and scope, as well as the nature of the outputs.

The Authority has revised its project management processes in 2014-15 with new policies in place put in place in December 2014. The review of project management plan showed that the guidance has been followed and the new structure was implemented effectively at CNPA. We undertook a pre implementation review in 2014-15 with four recommendations noted. These recommendations have been followed up as part of this review.

At the time of the 2014-15 review, CNPA was yet to implement its new project management process. We have considered the post-implementation of the project management process, specifically:

- the adequacy and robustness of the overarching project management framework;
- project initiation, delivery and completion including risk assessment and subsequent authorisation steps; and
- project management controls.

Key findings and recommendations

We identified no ‘critical’ or ‘high’ risk graded recommendations in the course of our work.

We identified two ‘moderate’ graded recommendations.

We also identified areas of good practice through the course of our review.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in this report.

	Critical	High	Moderate	Low
Number of internal audit findings	-	-	2	-
Number of recommendations accepted by management	-	-	2	-

The review of project management showed that the controls are designed effectively, however we identified areas for improvement to consolidate the over arching project management framework. The processes put in place through the framework are working to a high level and staff are reacting effectively to the changes within the system.

The ‘moderate’ graded risk recommendations relate to:

- A lack of summary management information showing all projects, the controls identified for each and the status of implementation of these controls. Introducing a centrally stored project controls implementation tracker would enable senior management to efficiently assess the adequacy of the control environment. This assessment should be performed on a regular basis; and
- The inconsistency in approach to storage of project management documentation on shared servers. There have been instances where information has been stored on individual’s computers.

Good practice

The review also highlighted some areas of good practice:

- The Project Management Process guidance issued to staff is user friendly and contains practical project management controls;
- The Project Management Process guidance contains hyperlinks to all of the relevant policies and documents required to facilitate a complete understanding of all projects and processes; and
- At the project planning stage, a risk assessment is performed with risk ratings applied to the project risks. Risk ratings are influenced by project size and complexity. This exercise facilitates an efficient and tailored control environment to be designed and implemented to appropriately mitigate the risks identified.

Summary of findings

We outline the main findings of the review.

Identified potential risk	CNPA Processes	KPMG finding
Review the adequacy and robustness of the overarching project management framework		
<p>The risk exists that without an overarching project management framework staff may not have a clear understanding of the project management requirements across the Authority.</p>	<p>The Authority has implemented an overarching project management framework which details each step that is required. This details instruction relating to project planning, scoping, project size, delivery, through to project closure.</p> <p>The guidance on the policy provides clear and concise guidance as to the level of control projects require.</p> <p>We reviewed the Authority's project management guidance policy for appropriate detail regarding the level of control projects require. We also reviewed the overarching project management framework for appropriate content outlining the entire project management lifecycle.</p> <p>The framework can be enhanced by implementing a tracker to monitor the progress of projects.</p>	<p>To allow senior management to efficiently assess the adequacy of the control environment in place for all projects, a centrally stored project controls implementation tracker should be introduced. This tracker should provide details of all projects, the controls identified for each, and the status of implementation of these controls to effectively mitigate project management risk. This assessment should be performed on a regular basis.</p> <p>Recommendation one</p>

Summary of findings

Identified potential risk	CNPA Processes	KPMG finding
Review and test processes to manage project initiation, delivery and completion including risk assessment and subsequent authorisation steps		
<p>Projects may not be subject to sufficient and appropriate project management controls based on the size of the project or risks associated with the project.</p>	<p>The overarching project framework details six stages of the process and the respective controls within each. The framework looks at project start up, project plan, communications plan, risk register, issue log, and project closure. At each stage there is appropriate tailoring and appropriate sign off based on project size.</p> <p>We tested a sample of projects to verify the correct risk/complexity rating was applied and inspected evidence that the subsequent applicable management controls were performed over those projects sampled.</p> <p>We found the framework had been applied appropriately based on the size of the project.</p>	<p>Satisfactory</p>
<p>The risk exists that with no overarching policy staff may not have a clear understanding of the project management requirements across the authority and may not complete required controls.</p>	<p>A guide for staff was circulated in the form of the over-arching project management framework.</p> <p>An online training package is circulated around staff as well as power point training material. HR is responsible for monitoring who has or has not completed training, and ensures that this is completed in a timely manner.</p> <p>We reviewed the framework informing staff of the procedures required for their project. The guidance follows a step by step process to guide project managers from initiation to close out procedures. The training material covers this guidance and ensures staff are knowledgeable in using the framework.</p> <p>We found that the guidance and training was appropriate and had been delivered to relevant staff.</p>	<p>Satisfactory</p>

Summary of findings

Identified potential risk	CNPA Processes	KPMG finding
Select a sample of projects and test implementation and effectiveness of project management controls		
<p>Project management controls are not implemented and/or the controls implemented are ineffective in mitigating the risk of delivery being late and not of the requisite quality.</p>	<p>The project management policy and over arching project management framework provide the procedures and controls required. These are to be completed by the project managers and approved by the relevant senior management personnel.</p> <p>We reviewed project management controls for a sample of projects. Whilst the documentation was found to be appropriate we noted that there was inconsistency in the use of shared storage locations.</p>	<p>We noted a lack of consistency in the use of the shared storage location of project management documentation. Some documents are held by project managers on their own computers.</p> <p>Recommendation two</p>

The action plan summarises specific recommendations, together with related risks and management's responses.

Finding(s) and risk	Recommendation(s)	Agreed management actions
1 Monitoring controls tracker		
Moderate		
<p>The overarching project management framework provides details of the controls to be performed at each stage of the project.</p> <p>During our testing we found that there is no consolidated central record of all projects showing the progress of the project management controls to be implemented.</p> <p>There is a risk of project slippage without regular effective oversight by senior management.</p>	<p>We recommend a centrally stored project controls implementation tracker be introduced to facilitate the assessment by senior management of the adequacy of project management.</p> <p>This tracker should provide details of projects, the controls identified for each across all stages of the project management process and the status of implementation of these controls.</p> <p>Management should establish a procedure to facilitate the regular review of this tracker. Project owners should update the tracker in advance of the performance of the review by senior management.</p>	<p>Accepted. Management will ensure that a projects register is opened and maintained and periodically reviewed for completeness and compliance.</p> <p>Responsible officer:</p> <p>Helen Jenkins – Governance and Corporate Performance Manager</p> <p>Implementation date:</p> <p>31 January 2016</p>
Finding(s) and risk	Recommendation(s)	Agreed management actions
2 Storage of project management documentation		
Moderate		
<p>There is a lack of consistency in the use of the shared storage location for project management documentation. Some documents were noted to be held by project managers on their own computers.</p> <p>There is a risk of potential data loss and version control problems if the latest project records cannot be accessed in the event of staff absence.</p>	<p>We recommend that the procedure to store all project related documentation on the shared server be reiterated by management to CNPA staff. Staff should be referred to the relevant section in the policy document.</p>	<p>Accepted. Management will continue to reinforce procedures, and remind staff to file and store project records appropriately.</p> <p>Responsible officer:</p> <p>Helen Jenkins – Governance and Corporate Performance Manager</p> <p>Implementation date:</p> <p>31 January 2016</p>

Appendices

Appendix one

Objective, scope and approach

In accordance with the 2015-16 internal audit plan for Cairngorm National Park Authority (“the Authority”), we will undertake an internal audit review of post-implementation of project management.

Objective

As part of the 2014-15 internal audit plan we carried out a review of project management. At the time of the review, CNPA was yet to implement its new project management process.

The overall objective of the audit is to review the project management arrangements post-implementation, to assess if they are sufficient to ensure that:

- projects are completed on time, within budget and targets/strategic objectives are achieved;
- governance processes are sufficient to mitigate risks, including non-compliance with regulations; and
- project benefits and outcomes, both financial and non-financial, are defined and performance against them is measured.

Scope

We will consider the post-implementation of the project management process, specifically we will:

- review the adequacy and robustness of the overarching project management framework;
- review and test processes to manage project initiation, delivery and completion including risk assessment and subsequent authorisation steps; and
- select a sample of projects and test implementation and effectiveness of project management controls.

Approach

We will adopt the following approach in this review:

- project planning and scoping;
- conduct interviews with staff to gain an understanding of the Authorities’ progress in implementing the new project management system;
- identify and agree key risks and processes with management;
- review the adequacy and effectiveness of key processes through sample testing and discussion; and
- agree findings and recommendations with management.

Appendix two

Classification of findings

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of more than £400,000. ■ Detrimental impact on operations or functions. ■ Sustained, serious loss in brand value. ■ Going concern of the organisation becomes an issue. ■ Decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. ■ Life threatening. 	<ul style="list-style-type: none"> ■ Requires immediate notification to the audit and compliance committee. ■ Requires executive management attention. ■ Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. ■ Separately reported to chairman of the audit and compliance committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £200,000 to £400,000. ■ Major impact on operations or functions. ■ Serious diminution in brand value and/or market share ■ Probable decrease in the public's confidence in the Authority. ■ Significant decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. ■ Extensive injuries. 	<ul style="list-style-type: none"> ■ Requires prompt management action. ■ Requires executive management attention. ■ Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. ■ Reported in executive summary of report.

Appendix two Classification of findings (continued)

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of between £50,000 to £200,000. ■ Moderate impact on operations or functions. ■ Brand value and/or market share will be affected in the short-term. ■ Possible decrease in the public's confidence in the Authority. ■ Moderate decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. ■ Medical treatment required. 	<ul style="list-style-type: none"> ■ Requires short-term management action. ■ Requires general management attention. ■ Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. ■ Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> ■ Potential financial impact of less than £50,000. ■ Minor impact on internal business only. ■ Minor potential impact on brand value and market share. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by students and customers. ■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. ■ First aid treatment. 	<ul style="list-style-type: none"> ■ Requires management action within a reasonable time period. ■ Requires process manager attention. ■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. ■ Reported in detailed findings in report.



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