



THE LONDON BOROUGH
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FINAL INTERNAL AUDIT REPORT

CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF IT PROJECT MANAGEMENT FOR 2017-18

Issued to: Vinit Shukle, Head of ISD
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Date of Issue: 16 October 2018

Report No.: CEX/13/2017/AU

REVIEW OF IT PROJECT MANAGEMENT FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of IT Project Management for 2017-18. The audit was carried out in quarter one of 2018-19 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. A Client Team for the London Borough of Bromley (LBB) liaise with the Council's IT contractor who is contracted to undertake projects for departments within LBB.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 10th April 2018.

AUDIT OPINION

5. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the control framework. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

6. Controls noted to be in place and working well, based on the sample testing conducted, included:
 - A copy of the Project Change Control Notice (CCN) process, which is in line with PRINCE 2 methodology was obtained and confirmed to be up-to-date.
 - Bromley staff were able to access information regarding project applications via the OneBromley intranet page.
 - A sample of three CCNs was tested with the CCN documentation for these being readily available.

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- The CCN documentation obtained was confirmed to detail the costs and descriptions of works to be undertaken, with catalogue references, descriptions, number of days, cost per day and total costs included.
- The purchase orders raised in all three CCNs tested matched the agreed costings.
- Weekly meetings were held to discuss on-going projects and their progress.

However, we would like to bring to management attention the following issues:

- Examination of three CCNs identified that in all three cases the information included on the CCN was not complete.
- The Delivery Status spreadsheet in place was not complete, i.e. this did not detail all the projects in place that were either still in the processing stage or in the completed stage of delivery.
- There were three main forums where projects were discussed, namely: The Partnership Board, the LBB IT contractor Governance Portfolio Meetings (monthly), and the Information Technology Engagement Group (ITEG) weekly meetings. Minutes were taken for the Partnership Board but not for the other two forums, although the status and actions for each project arising from the ITEG meetings were recorded on the Delivery Status spreadsheet. The minutes of the Partnership Board which we evidenced did not however include any information on the performance of IT projects.
- Terms of reference for the ITEG had been drawn up but were not sufficiently detailed. The LBB IT contractor Governance Portfolio meetings and the Partnership Board did not have a Terms of Reference (ToR) in place.
- Although the amounts to be paid for individual projects were approved by the project originators eg Heads of Service, these amounts then formed part of a monthly invoice from the Council's IT contractor. The amount invoiced for several of the payments in our sample testing had not been authorised for payment at the correct level of financial authority ie Head of ISD or the Contract Monitoring ISD Manager (CM).
- Testing of 10 payments for the sample of three CCNs identified that the invoices received did not specify in detail the goods / services provided.
- There was no evidence of a 'lessons learned' review carried out for two of the three projects in our sample.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There were no priority one recommendations raised as part of this audit.

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DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

9. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><u>CCN Forms</u> A Change Control Notice (CCN) contains the following: Part A – Initiation (1.1.1. of the Initiation of Projects document (IPD)); Part B – Evaluation (1.3.1 the Project Plan of the IPD); and Part C – Authority to Proceed (1.3.5 IPD). Testing of a sample of the CCNs for three IT Projects (namely: CCN0164 – Housing; CCN0176A – Decommissioning of Libraries, and CCN0205 – CRM) found these to be incomplete as follows:</p> <ul style="list-style-type: none"> • CCN0164 – Part A of the CCN had information missing such as: which cost centre the project should be costed against, which service is being amended, details of benefits expected to be realised and consequences of non-implementation of the CCN. <p>Part C - the authority to proceed was not signed. It was not indicated that the CCN was approved.</p> <p>An updated version of the CCN was provided to evidence that costs had been amended. On the updated version both the originator and sponsors signatures were missing, although an email had been received from the project sponsor providing</p>	<p>Where CCNs are not fully completed there is a risk that the project does not deliver what is required.</p>	<p>All CCN's should be fully completed before work commences. Projects should only be commissioned once the Head of ISD has had oversight of the project verifying that the CCN's are properly completed. (Priority 2)</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
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	<p>the cost code to authorise the purchase order being raised by ISD.</p> <ul style="list-style-type: none"> CCN0176A – Part A, did not detail the benefits to be realised or the consequence of not undertaking the CCN. Part C - Authority to proceed, it is not indicated if the project was accepted or rejected. CCN0205 – Part A, the business unit and cost centre sections were not completed. In addition, the originator’s signature was not completed. Part C - No indication of whether the CCN has been approved or rejected. Both the Originator and the Sponsor did not sign Part C of the CCN. 		
2.	<p><u>Central Projects Record</u> A delivery status spreadsheet is maintained of projects that have been completed and those that are in the process of being completed. The spreadsheet was provided by the Contract monitoring ISD manager. However, one out of the three projects sampled were not included on the delivery status spreadsheet, (CRM project).</p>	Where the central record spreadsheet is not complete, there is a risk that projects not included on it may not have their progress monitored.	Management should ensure that all projects requested are put onto the central record ‘Delivery Status Spreadsheet’. (Priority 2)

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3.	<p><u>Forums for Project Discussions</u></p> <p>There are three sets of meetings where projects are discussed:</p> <ul style="list-style-type: none"> • The Partnership Board; • LBB IT contractor Governance Portfolio Meetings (monthly); and • ITEG (weekly). <p><u>The Partnership Board</u></p> <p>The Partnership Board is a high level meeting where projects are discussed. We were able to evidence the minutes and accompanying presentations of the last three meetings held in July, August and September 2018. We noted however that:-</p> <ul style="list-style-type: none"> • The minutes for each of the three meetings show previous actions documented but the ‘Actions from previous meetings’ item in the presentation reports prepared by the Council’s IT contractor is blank, and • The ‘Project Performance’ item in the July meeting minutes is blank and the item in the August meeting minutes shows ‘16/8 - project performance to be reported next meeting’. The minutes of the subsequent meeting in September however show the same identical wording with no 	<p>Where there are no formal meeting minutes for the forums where projects are discussed, and/or a lack of timely, accurate and complete information, there is a risk that any actions or important decisions cannot be recalled to and/or referred to at a future date.</p>	<p>Minutes should be taken for all forums where projects are discussed and clearly state the actions discussed and agreed. Presentations should include information which is timely, accurate and complete.</p> <p>(Priority 2)</p>

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	<p>information reported.</p> <p><u>LBB IT contractor Project Portfolio Meetings</u> These are monthly meetings between the LB of Bromley client team and the IT contractor staff discussing the CCNs. A presentation by the IT contractor details the performance of the projects with the projects being 'RAG' rated. Although the IT Contractor's PowerPoint presentations were provided, there was no evidence of meeting minutes.</p> <p><u>ITEG</u> The ITEG meetings are not formally minuted, although information about individual projects is discussed and included in a cumulative tracking document: a CCN Tracker Spreadsheet. The date of the meeting is noted and the information is documented. The CCN Tracker Spreadsheet is a cumulative tracking document.</p>		
4.	<p><u>Terms of References for Forums</u> A Terms of Reference (ToR) details the purpose of the group / forum / board. ITEG has a ToR in place. However, the ToR does not sufficiently</p>	<p>Where ToRs are not in place and are not sufficiently detailed, there is a risk that groups / forums / boards are unaware of their</p>	<p>The ToR should be reviewed for the ITEG and ensure that it represents all roles and responsibilities sufficiently.</p>

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	<p>detail the membership or quorum requirements. In addition there are a number of objectives within the ToR that do not seem to be demonstrated by the ITEG. For example – ‘to ensure sufficient detail is captured from the business to adequately complete Part A’. From issue one above it has been highlighted that there are sections within the CCN which are incomplete.</p> <p>No ToRs were provided for the Partnership Board or the LBB IT contractor Governance Portfolio Meetings.</p>	<p>responsibilities and decisions are not undertaken at the correct authority level.</p>	<p>ToRs should be put in place for the Partnership Board and the LBB IT contractor Project Portfolio Meetings.</p> <p>(Priority 2)</p>
5.	<p><u>Payments for Work Completed</u></p> <p>Testing of ten payments from a sample of three CCNs (namely: CCN0164, CCN0176A and CCN0205) established that the following process was in place:</p> <ul style="list-style-type: none"> Blanket purchase orders were in place for each CCN (orders that cover the total cost of the project which are netted against work as it is completed. Payment is then made for services undertaken). The IT contractor emails the ISD Client Team with work undertaken which is then reconciled with the details of the work requisitioned in Confirm (the IT system used to record 	<p>Where there is a lack of oversight by the Head of ISD and the CM on large payments being paid, there is a risk of non-compliance with Financial Regulations and erroneous payments being made.</p>	<p>Management should ensure that the monthly invoices received from the Council’s IT contractor are authorised for payment at the correct level of financial authority i.e. Head of ISD or the Contract Monitoring ISD Manager (CM), depending on the amount invoiced.</p> <p>(Priority 2)</p>

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	<p>project information).</p> <ul style="list-style-type: none"> An email is then sent to the originator to approve the payment for the specified amount. Once approved (by email) the invoice is received from the IT contractor and then this is sent to accounts payable for payment. <p>Some payments were for significant amounts: (for example CCN0176A was a payment of £74,505 in February 2018, which was evidenced as being approved by the Infrastructure Consultant); however we were informed by the Head of ISD and the CM (Contract Monitoring ISD manager) of the client team that they do not have sight of any expenditure before it is paid. The Head of ISD and the CM were aware of costs from the CCN but not when payments were made on an on-going basis.</p>		
6.	<p><u>Invoice Descriptions</u></p> <p>According to section 8.7 of the Financial Regulations <i>'before payment is made it should be ensured that goods and services have been received'</i>. Therefore without sufficient detail on invoices, it is unclear what goods and services relating to a project have been provided.</p> <p>Discussion with the Business Support Manager (BSM) identified</p>	<p>Where an invoice is not specific, there is a risk that the Council is paying for goods / services that have not been delivered.</p>	<p>The Client Team should request the IT Contractor to include on their invoices sufficient detail of the goods / services provided.</p> <p>(Priority 2)</p>

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	<p>that the invoices did not detail all the completed works that constitute the total value of that the invoice. For example, invoice number 472968 has a gross value of £74,342.49, but it was not specified on the invoice what works the invoice related to.</p> <p>Prior to an invoice being raised, an email is sent from the IT contractor to the Client Team detailing what project work has been completed and how much they will be invoicing for that month. An invoice is then raised against the CCN value of the purchase order based on that information.</p>		
7.	<p><u>Lessons Learned</u></p> <p>According to PRINCE2, one of the objectives of the 'closing of the project' stage is the following '<i>Capture lessons resulting from the project and complete the Lessons Learned Report</i>'.</p> <p>There was a 'Lessons Learned Log' completed for the CRM project but there was no evidence of a similar log completed for the other two projects in our sample.</p>	<p>Where lessons learned are not documented throughout the life of the project, there is a risk that project failures and successes are not identified and used going forwards.</p>	<p>After each project a 'Lessons Learned Log' should be completed.</p> <p>(Priority 3)</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1.	<p>All CCN's should be fully completed before work commences.</p> <p>Projects should only be commissioned once the Head of ISD has had oversight of the project verifying that the CCN's are completed accordingly.</p>	2	<p>Agreed. In future, we will check to ensure that CCNs are fully completed. We should add that email correspondence is kept to evidence that the approval of the project originator and sponsor was obtained before the project commenced.</p> <p>Agreed. The completed CCNs are reviewed, and consequently agreed or rejected, at the ITEG weekly meetings, which are attended by representatives from the IT contractor and the Head of ISD and the ISD Contract Monitoring Manager. From now on, we will insert a table in the following week's ITEG meeting email, showing the project CNN number and the 'Agreed' or 'Rejected' decision formally recorded.</p>	Head of ISD and the ISD Contract Monitoring Manager.	31 October 2018

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2.	It should be ensured that all projects being undertaken are put onto the 'Delivery Status Spreadsheet' - central record once approved.	2	Agreed. We will ensure from now on that all projects are included on the spreadsheet.	Head of ISD and Contract Monitoring Manager ISD	31 October 2018
3.	Minutes should be taken for all forums where projects are discussed and clearly state the actions discussed and agreed. Presentations should include information which is timely, accurate and complete.	2	Partly agreed. ITEG meetings are held weekly and updates on projects discussed are noted and recorded on the ITEG spreadsheet following every meeting. The actions required are circulated after each meeting. Minutes are not therefore considered necessary. Powerpoint presentations provided by the IT contractor for every Project Portfolio Board meeting are in lieu of formal minutes and clearly state 'Open' and 'Closed' actions for projects. These are discussed and agreed with ISD at each meeting. Minutes are not therefore	Head of ISD and Contract Monitoring Manager ISD	31 October 2018

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			<p>considered necessary.</p> <p>For the Partnership Board however we will ensure in future that the discussions about project performance are clearly documented in the meeting minutes. We will also ensure that meeting presentations clearly show the actions arising from the previous meeting.</p>		
4.	<p>The ToR should be reviewed for the ITEG and ensure that it represents all roles and responsibilities sufficiently.</p> <p>ToRs should be put in place for the Partnership Board and the LBB Project Portfolio Meetings.</p>	2	<p>Agreed. The ToR for ITEG will be reviewed now and annually in future.</p> <p>ToRs will be put in place for the Partnership Board and the IT contractor's Project Portfolio Board meetings.</p> <p>The purpose of the Project Portfolio Board meeting is documented in the Powerpoint presentation provided at each meeting by the IT contractor so we will use this to create a ToR for that forum.</p>	Head of ISD and Contract Monitoring Manager ISD	31 October 2018

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5.	Management should ensure that the monthly invoices received from the IT contractor are authorised for payment at the correct level of financial authority ie Head of ISD or the Contract Monitoring ISD Manager (CM), depending on the amount invoiced.	2	Agreed. We will ensure that the IT contractor's invoices are authorised at the correct level of financial authority before they are passed to Liberata for payment.	Head of ISD and Contract Monitoring Manager ISD	31 October 2018
6.	The Client Team should request the IT contractor to include on their invoices sufficient detail of the goods / services provided.	2	Agreed. We will instruct the IT contractor to include details of the goods and/or services provided on each monthly invoice.	Head of ISD and Contract Monitoring Manager ISD	31 October 2018
7.	After each project a 'Lessons Learned Log' should be completed.	3	Agreed. This would not be appropriate for smaller work packages but we will implement it for all large projects in future. Any areas for improvement which are identified will then be fed into future project needs.	Head of ISD and Contract Monitoring Manager ISD	31 October 2018

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OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.