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## **Emerging Findings Memorandum**

**To:** Heather Thwaites, Director Localities & Customer Service, 21C Programme Director  
Matthew Pope, 21C Programme Manager  
Manjeet Gill, Chief Executive  
Paul Senior, Director People Services  
Graham Ebers, Director Corporate Services  
Josie Wragg, Interim Director Environment  
Andrew Moulton, Assistant Director Governance  
Sally Watkins, Head of IT and Business Analysis

**From:** Catherine Hickman, Lead Specialist – Audit and Investigation

**Date:** 24 May 2018

**Re:** 21<sup>st</sup> Century Council Programme - Internal Audit Review 2018/19

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### **1. INTRODUCTION**

- 1.1 This rolling internal audit review has been undertaken in accordance with the 2018/19 Annual Internal Audit Plan, following agreement by the Corporate Leadership Team and the Audit Committee to report on developments as the 21<sup>st</sup> Century Council (21C) Programme progresses. Ongoing internal audit reviews of the 21C Programme have been included in the internal audit plan up to 2020 (to post implementation review stage).
- 1.2 The principal objective of this audit is to determine whether the controls over the operation of the 21C Programme, as stated in the Business Case (September 2016), are effective and efficient.
- 1.3 The key areas we have reviewed are:
- Governance, including the governance structure, roles and responsibilities, and reporting – a follow-up to the previous review reported to Audit Committee in December 2017.
  - Risk Management, including risk identification, risk assessment and mitigation, including responsibilities and timescales.
  - Finance, focussed solely on financial savings identified in the 21C Programme Business Case aimed at delivering the vision for the new operating model.
  - IT work stream programme management, including the framework and procedures, programme management, phases and stages, project assurance, change control, reporting and monitoring.



*Shared Audit & Investigation Service*

**2. EXECUTIVE SUMMARY & AUDIT OPINION**

- 2.1 Overall, Internal Audit are satisfied that controls over risk management, programme management (IT framework and financial reporting) and governance are operating effectively.
- 2.2 Effective risk management arrangements are in place both at a strategic and operational level. To enhance arrangements further, the programme may benefit from:
- Increased representation at Programme Board;
  - Additional information to include action owners and timescales on the programme risk register;
  - A risk identification exercise to ensure emerging risks, such as third party risk, have been identified as the programme evolves.
- 2.3 The management and co-ordination of IT projects under the 21C Programme was found to be highly effective and consistently applied across the sample we reviewed. A transparent approach has been taken to project planning and reporting, with all project documentation accessible to the Programme Management Team and IT Board. A Forecast Sheet is maintained for the IT investment aspect of projects within the 21C Programme, with specific controls in place for approving Purchase Orders and expenditure (authorisation is required by the 21C Programme Manager). Savings are achieved through efficiencies in this area of the Programme, rather than financial savings target specified.
- 2.4 The programme governance arrangements were found to have remained robust, since the previous internal audit review, with comprehensive reporting and presentations made to the key governance groups at regular intervals. Governance arrangements may be further enhanced by maintaining supporting information quantifying the outcomes and benefits achieved.
- 2.5 The 21C Programme is stated as being on track to break even by the end of the four year period to 2019/20. Detailed financial reports are submitted to the key governance bodies - information for audit testing to substantiate financial data was awaited at the time of the review (as at 18<sup>th</sup> May 2018).
- 2.6 Throughout the Summary of Findings, we have raised observations that we consider could benefit the Programme if implemented, to further strengthen current practices. The implementation of any agreed observations will be reviewed as part of the next internal audit update (anticipated December 2018).

**AUDIT OPINION**

Based upon our review of the controls in place within the 21C Programme, we have concluded that controls are:



*Shared Audit & Investigation Service*

**Substantially Complete and Generally Effective**

- Most key Treatment Measures are in place and these operate effectively.
- The majority of residual risks have been reduced to an acceptable level.
- There are some possible financial implications arising.
- The majority of concerns are of a predominantly moderate impact/likelihood.

(Risk management processes are good and controls are adequate although only partially effective).

**3. SUMMARY OF FINDINGS**

**Risk Management**

- 3.1 We established that the programme has been identified as a corporate risk, with ongoing mitigating actions implemented. An up to date programme risk register is in place to manage risks at a strategic level and an additional process has been developed to manage operational project risks.
- 3.2 Whilst there is a process in place for identifying programme risks, the risk management process would benefit from recurring presentation at Programme Board meetings. The identification and prevention of emerging risks could be missed if risk management is not a regular feature on the Programme Board agenda (observation 1).
- 3.3 Lead officers have been assigned to each programme risk, but risk reduction actions have not been assigned to individuals and no timescale has been set for implementing each action (observation 2).
- 3.4 The programme risk register does not currently include any risks relating to third party involvement within the programme. In addition, the risk matrix on the front page of the register needs updating so that it accurately reflects the programme risk scores (observation 3).
- 3.5 A review of updated programme risk registers, spanning the period Oct 2016 to May 2018, showed evidence that risks are subject to review, with some risks and their mitigations amended. The programme should benefit, however from ongoing risk identification exercises to ensure emerging strategic risks are captured and mitigated as the programme evolves (observation 4).
- 3.6 Risk reporting arrangements were found to be effective and inclusive of both senior management and members. The corporate risk register sets out the appetite for the programme as low; the programme risk register indicates there is currently one very high risk and three high risks. Current levels of senior management oversight concerning high priority risks should continue.

**Programme Management**



### *Shared Audit & Investigation Service*

- 3.7 There is an effective plan in place that shows all IT projects under the 21C Programme against a clear timescale. There is an additional register in place to co-ordinate all of the 21C projects and a Project Management Offer has been engaged to clearly set out how the projects will be managed, ensuring a consistent and transparent approach across the high number of 21C projects.
- 3.8 Internal Audit tested a sample of three major IT projects (Information@Work, Income Manager and Customer Access–Revenues) and found that a project plan and project initiation document had been developed in all cases we reviewed. Approval of the projects could not be located, but it was clear from weekly highlight reports that the IT board has full oversight and that reporting arrangements are robust.
- 3.9 Highlight reports provide a snapshot of the projects' achievements and objectives for the period and also raise any issues or blockers, however they do not currently include reporting on budgetary achievements or savings. This could increase the risk of the project losing track of its budget position (observation 5).
- 3.10 A SWOT analysis process is in place to enhance decision-making around product selection, providing the IT Board with information about costs, capabilities, benefits, resources required and options. Effective reporting arrangements were identified and change control processes were found to be robust.

### **Governance Arrangements**

- 3.11 The governance framework is considered to have remained robust, since the previous report to the Audit Committee in December 2017.
- 3.12 There is evidence to confirm that comprehensive reporting and presentations have been made to the key governance groups at regular expected intervals, primarily:
- Joint Working Group (Members/Officers) receives detailed documented presentations setting out progress, benefits, issues, potential issues and outcomes. These are made available and updated throughout the year (approximately monthly since the December 2017 audit review).
  - Executive receives detailed reports on a quarterly basis setting out the project history and progress, providing highlight reports and impact assessments. Executive are also the key recipient of financial reporting for the project and associated savings. A Financial Implications section, including a table covering the four-year period is updated quarterly. This sets out the savings targets identified in the Business Case (September 2016) compared with the actuals and forecasts for each year, plus any variances. The Strategic Finance Group (SFG) was included in the original governance framework for the project, but has not applied in practice given that Executive are the public scrutiny body.



### *Shared Audit & Investigation Service*

- Overview and Scrutiny (O&S) Management Committee receive reports on 21C Programme issues on an exceptions basis, as agreed. A detailed report, including a specific report against the Key Lines of Enquiry, was most recently presented 27<sup>th</sup> March 2018. This meeting was attended by Internal Audit and it was noted that the contents of the report were fully examined and challenged by Members.
- The Programme Board comprises the Corporate Leadership Team (CLT) which meets weekly. It was agreed at the previous audit review (December 2017) that an appropriate level of recording/key decisions should be in place for the 21C Programme through this forum.

- 3.13 The governance reporting structure evidently includes details of outcomes and benefits of the 21C Programme to key stakeholders. The information reported is regularly updated as the implementation of the project progresses. It can be difficult, however, to quantify some of these benefits and to substantiate the less tangible outcomes - for example greater efficiency of working practices, improvements to customer experience and perceptions – such benefits may take a longer period to measure and quantify.

A Benefits Map has been set up by the 21C Programme Manager which was demonstrated during this review. This aims to illustrate the benefits achieved as the Programme is implemented and develops. We therefore recommend that this is maintained to support the outcomes and benefits reported, especially for the more subjective aspects, as it may only be possible to fully review and quantify these after implementation. This approach should serve to meet any challenges arising (observation 6).

- 3.14 The Programme Status has been reported as Amber to date (as at April 2018). An audit opinion category 2 – Substantially Complete and Generally Effective (2<sup>nd</sup> highest out of 4 Audit Opinions), has been assigned as a result of this audit review. This is considered to be in line with the current Programme Status.

### **Financial Reporting**

- 3.15 As stated in the Governance Arrangements section above, regular financial reports are submitted to Executive as the primary body and to O & S Management Committee. The presentations to the Joint Working Group also set out summary financial data and implications.
- 3.16 The 21C Programme is stated as being on track to break even by the end of the four year period to 2019/20. Savings of £2.75 million were also reported as on target for 2018/19.
- 3.17 Details of actuals, forecasts and variances against the Business Case savings targets identified between 2016 and 2020 are set out at Financial Implications tables in the reports to Executive and O & S (Management) Committee.
- 3.18 In addition to the above, “savings at risk” are highlighted where these are not expected to be realised for specific reasons. These currently relate to People Services, representing



### *Shared Audit & Investigation Service*

savings at risk of £0.75 million in the current year 2018/19 and £1.1 million for 2019/20, with explanations set out in the relevant reports (primarily due to delays with implementing the Programme in this service area, leading to an expected underachievement in planned savings during the year).

- 3.19 Evidence to support the audit trails to verify actual savings and savings at risk figures quoted was supplied as this review concluded (as at 23 May 2018), i.e. a summary of Financial Benefits for the 21C Programme, set out by Phase and Tranche. This illustrates the Funding Projections position in more detail to support high level reporting.

Additional audit work will be carried out as the Programme progresses to verify the audit trails supporting the Financial Benefits summary, i.e. “drill down” through totals recorded, review of accounting records to support actuals as stages are complete, etc.

It is recommended that a clear audit trail to support and substantiate actuals against budgeted savings be maintained throughout the project. This evidence should ideally be held in a suitable format to meet any challenges to the figures quoted, should this arise (observation 7).

Please do not hesitate to contact us if you have any queries about this review, or any other matter.

We would like to thank all of you for all of your assistance during the course of this Audit.

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***Issued on delegated authority of the Chief Audit Executive***

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